Balance Life

豪特保健控股有限公司
OTO Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6880

INTERIM REPORT
2013/2014

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Tam Ka Tung
Mr. Kwok Siu Man

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
Mr. Kwok Siu Man

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PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors") of OTO Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2013 (the "Period"), together with the relevant comparative figures in 2012 and the accompanying explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company. Unless the context otherwise requires, capitalized terms used in this interim report shall have the same meanings set out in the annual report of the Company for the year ended 31 March 2013 dated 14 June 2013.

	Six months ended 30 September		
	2013	2012	
	(Unaudited)	(Unaudited)	Changes
Profitability data (HK$'000)			
Revenue	**153,375**	124,284	23.4%
Gross profit	**99,384**	80,681	23.2%
Profit before tax	**6,825**	5,800	17.7%
Profit for the period	**5,372**	4,833	11.2%
Earnings per share – basic and diluted (HK$)	**0.02**	0.02	Nil
Gross profit margin (%)	**64.8**	64.9	(0.1%)
Profit before tax margin (%)	**4.4**	4.7	(0.3%)
Profit margin (%)	**3.5**	3.9	(0.4%)
Effective tax rate (%)	**21.3**	16.7	4.6%

	30 September	31 March	
	2013	2013	
	(Unaudited)	(Audited)	Changes
Assets and liabilities data (HK$'000)			
Bank balances and cash	**208,004**	200,013	4.0%
Total borrowings	**11,403**	12,517	(8.9%)
Total assets less current liabilities	**268,074**	261,977	2.3%
Assets and Working Capital ratios/data			
Current ratio (times)	**6.2**	6.6	(0.4)
Gearing ratio (%)	**3.6**	4.1	(0.5)
Inventory turnover days	**43.1**	37.0	6.1
Trade receivables turnover days	**36.3**	41.9	(5.6)
Trade payables turnover days	**45.8**	48.1	(2.3)

Notes for key ratio and profitability data:

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

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 September 2013.

Hong Kong and Macau markets demonstrated steady growth – multi-channel sales strategy helps to alleviate rental stress

This year in Hong Kong, the economy started to pick up after experiencing a low GDP growth in 2012. We are pleased to see that the domestic demand held up well. According to the Census and Statistics Department of Hong Kong, private consumption expenditure rose further in the second quarter of 2013 by 4.2% year-on-year in real terms, driven by the job increase and income growth. In the meantime, Macau recorded a GDP per capita of approximately US$78,275 in 2012, with a historical high ranking of fourth in the world, according to statistics compiled by the World Bank. These positive indicators imply that people in Hong Kong and Macau are now seeking a higher standard of living, which creates an optimistic outlook on the health and wellness equipment market.

During the Period, there was a steady growth in our sales in Hong Kong. Given the significant increase in rental expense, we have continued to adopt a diversified sales channel strategy to explore the alternative sales channels including consignment counter, roadshow counter, corporate sales, Internet sales and international sales. This measure has allowed us to be more cost effective and be able to quickly respond to changing market condition and consumer preferences. We have also successfully developed strong relationships with some key corporate and international clients as a solid foundation for future growth from these channels. Riding on the multi-channel sales strategy and being cautiously optimistic about future market development, we will continue our efforts in capturing the market opportunities in Hong Kong and Macau in the foreseeable future.

Increase retail outlets, open online store – Confident to capture opportunities in PRC

Although the People's Republic of China (the "PRC") has successfully avoided a "hard landing" in 2012, the country's economic growth continued to slow down at a moderate pace. In contrast, the per capita disposable income of urban households of PRC, the most important factor to personal consumption, increased substantially by 12.6% to RMB24,565 in 2012. Therefore, both China's healthcare and consumer retail sectors have been growing vigorously and demonstrated strong upside potential. Facing opportunities with our established network and extensive operational experiences, we are confident in the continuous development of our business in China.

During the period, our retail expansion plan in the PRC has made considerable progress. As at 30 September 2013, our retail outlets in mainland China increased to 73, including 7 retail stores and 66 consignment counters. As the operational expenses especially the rental cost in PRC have been rapidly increasing, we carefully assessed and evaluated each target location for our newly opened retail outlets in China. Therefore, our retail expansion in China has been relatively moderate and we believe the progress we have made so far will further solidify our position when China's health and wellness equipment market continues to grow. For the Period, we are happy to see the encouraging sales increase in both retail stores and consignment counters in the PRC.

Our efforts in diversifying sales channels also delivered positive results. We opened the OTO official flagship online store at the Tmall in September 2013, extending our product and service offering availability on China's largest consumer e-commerce platform. We see great potential in China's e-commerce market and believe that this step will allow us to expand our current outreach and offer our quality products to more customers across the country.

Acquire OTO Malaysia – set foot into South East Asia markets

In October 2013, we acquired the business in Malaysia operated by OTO Bodycare Sdn. Bhd. ("OTO Malaysia") at a consideration of approximately HK$5.13 million. The acquisition provides us opportunities to gain immediate access to an established retail network in the Malaysia market with 14 retail outlets, including eight retail stores and six consignment counters. We also believe that the Group can apply its management, procurement and marketing strategies to benefit the newly acquired business in Malaysia and create synergies within the Group.

OTO Malaysia is set to complement our existing business in Hong Kong, Macau and China, and is expected to serve as a platform to enter into South East Asia markets in the future.

Strengthen product mix, consolidate market position and move forward

Continuously providing the market with innovative products to meet various consumer demands has always been one of our key strategies. During the Period, we have launched a series of relaxation products targeting different customer groups, including the OTO Adore Foot launched in August 2013. OTO Adore Foot was a highly anticipated product and was well-received by the market. We also developed an innovative commercial for this product based on its unique product features for promotional purpose as well as to enhance the brand value of "OTO".

It has been almost two years since the Group went public in December 2011. As one of the market leaders of health and wellness products, we have strived to prove the investment value by delivering progressive results. We are delighted with the progress we made in terms of sales, market penetration, and new product development. The successful acquisition of OTO Malaysia has also further helped consolidate our position both strategically and operationally. We are very truly grateful for the tremendous support from investors and the wide recognition from our customers.

Looking ahead, the business environment will be posed with challenges amidst China's likely economic slowdown and the volatile global economic conditions, but we are in the right markets and have the right strategy in place to deliver growth. While we remain committed to organic growth, we will also look into potential strategic alliances or acquisitions opportunities to meet customers' needs in different geographic locations. We shall maintain cautiously optimistic about our businesses across the region, continue to deliver excellent products to customers to meet the growing market demand and to maximize the interests of our shareholders.

Yip Chee Seng
Chairman and Executive Director

Hong Kong, 25 November 2013

BUSINESS REVIEW

The performance of the Group during the Period was satisfactory in general due to better product mix and improved marketing strategies. However, the consumer sentiment across the regions was still relatively weak as a result of the fragile recovery in the United States and the slowing-down trend in the PRC economy growth. The Group's total revenue growth for the Period increased approximately to 23.4% as compared to 5.2% for the previous corresponding period. The growth was driven by the continuing expansion of its PRC operation and the organic growth of existing retail outlets. The Group's net profit also increased by approximately 11.2% as compared to the previous corresponding period.

Products

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

During the Period, the Group has developed and launched a total of nine new relaxation products, which contributed approximately HK$15.5 million or 10.1% of the Group's total revenue. These nine new products were strategically selected and priced at a readily affordable level to maintain the Group's competitive advantage in the market with its desired gross profit margins. The Group had carefully planned for the launching of new products as well as the advertising and promotion activities and related expenses considering the generally weak consumer buying sentiment, to ensure profitability of the Group. The Group will continue to launch more new products to the market and adopt more flexible and active marketing activities for the remaining year.

Sales Channels

The Group's diversified sales channels coupled with a wide geographical coverage enabled it to integrate a full range of "OTO" products and to cater to the spending power and habits of the consumers in Hong Kong, Macau and the PRC. These sales channels include (i) traditional sales channels such as retail stores and consignment counters; and (ii) proactive sales channels such as corporate sales, international sales, roadshow counters and Internet sales.

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

During the Period, the Group's traditional sales channels generated approximately 66.7% of the Group's total revenue (six months ended 30 September 2012: 75.0%). As at 30 September 2013, the Group operated the following number of retail stores and consignment counters:

	No. of outlets as at		
	30 September 2013	31 March 2013	30 September 2012
Hong Kong			
– Retail stores	**12**	11	13
– Consignment counters	**18**	17	17
Macau			
– Retail stores	**1**	1	1
– Consignment counters	**1**	2	2
PRC			
– Retail stores	**7**	3	2
– Consignment counters	**66**	61	45
Total	**105**	95	80

Hong Kong retail stores and consignment counters

The Group operated a total of 30 retail outlets including retail stores and consignment counters in Hong Kong during the Period. The Group started to benefit from the optimization of its retail outlets portfolio in last financial year. After the relocation of outlets, the Group's rental expense had stabilized while the new outlets were becoming mature. Two new outlets were opened during the Period, including one retail store at the Star Annex in Tsim Sha Tsui and one consignment counter at the King Wah Centre in Mongkok. As of the date of this report, the total number of retail outlets in Hong Kong has increased to 31, as one more consignment counter at the Po Wing Building in Causeway Bay was opened on 19 November 2013. The Group is actively seeking opportunities to further expand its retail network in Hong Kong.

Macau retail stores and consignment counters

The Group operated two retail outlets in total in Macau. The revenue from the retail outlets in Macau had increased by approximately HK$1.0 million, representing approximately 0.7% of the Group's total revenue during the Period as a result of more satisfactory sales performance.

PRC retail stores and consignment counters

The Group started to progressively develop the retail network in the PRC in 2011 and since then, as benefited with its established "OTO" brand in Hong Kong and Macau, the Group's health and wellness products have gained recognition and acceptance from the PRC consumers' market. As part of the Group's expansion plan in the PRC, the total number of outlets increased to 73 as at 30 September 2013. Due to maturity of existing outlets and openning of new outlets, the Group's revenue in the PRC has grown by approximately HK$23.7 million, representing approximately 15.5% of the Group's overall revenue during the Period.

The PRC consumer market remained the main focus of the Group's growth strategy in its retail network. Whilst it will continue to grow its retail revenue at the existing retail outlets with appropriate strategies, the plan to further expand the Company's retail network in the PRC remains unchanged. As of the date of this report, the number of total retail outlets in the PRC has increased to 76 retail outlets, which included the new retail outlets at the Wanda Plaza in Yuyao (余姚萬達廣場), the Center 66 in Wuxi (無錫恒隆廣場) and the Raffles City in Shanghai (上海來福士廣場). The Group has also concluded certain tenancy and consignment agreements for approximately nine outlets scheduled to be opened from the date of this report to 31 March 2014, such as the Chengdu International Finance Square in Chengdu (成都國際金融中心) and the Intime Department Store in Hangzhou (杭州銀泰百貨).

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

During the Period, the Group's proactive sales channels generated approximately 33.3% of the Group's revenue (six months ended 30 September 2012: 25.0%). 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 Period, corporate sales increased by approximately 41.9% mainly due to enlarged customer base and increased orders from certain existing customers.

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, Saudi Arabia, Russia, Thailand, Belgium, Kuwait and Hungary. During the Period, international sales increased by approximately 38.2% mainly due to increased orders from the existing customers. The Group is in the active negotiations with certain new international customers with the aim to keep the momentum of fast growth.

Roadshow counters are those of promotional and non permanent counters of which the Group operated in different department stores and shopping malls in Hong Kong, Macau and the PRC from time to time for marketing purposes as well as revenue generation.

The Group's Internet sales represent sales through an online group-buying platform and sales at the its online store at the Tmall, the top B2C retail website in the PRC. The Group sees the great potential of the Internet sales and is confident that it will become one of the key sources of growth in the long run.

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

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

RESULTS OF OPERATION

Revenue

The Group's revenue, which represents the amount received or receivable for the sales of health and wellness products, net of sale-related taxes, increased by approximately HK$29.1 million or approximately 23.4% to approximately HK$153.4 million for the Period from approximately HK$124.3 million for the corresponding period in 2012, primarily as a result of the following:

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

	For the six months ended 30 September					
	2013		2012		Increase/(Decrease)	
	HK$'000 (Unaudited)	**% of revenue**	HK$'000 (Unaudited)	% of revenue	HK$'000	%
Relaxation products	**121,548**	**79.2**	95,690	77.0	25,858	27.0
Fitness products	**27,018**	**17.7**	21,447	17.3	5,571	26.0
Therapeutic products	**3,363**	**2.2**	5,124	4.1	(1,761)	(34.4)
Diagnostic products	**1,446**	**0.9**	2,023	1.6	(577)	(28.5)
Total	**153,375**	**100.0**	124,284	100.0	29,091	23.4

The revenue from the sales of the Group's relaxation products increased by approximately HK$25.9 million or approximately 27.0% for the Period, as compared with the corresponding period in 2012. The increase in revenue from sales of relaxation products was primarily due to the strong sales generated from two new key products, namely the OTO MBraze launched in early 2013 and the OTO Adore Foot launched in August 2013. The revenue from sales of the fitness products also increased by approximately HK$5.6 million or approximately 26.0%, which was primarily due to the strong sales of the key fitness product OTO Zooozh. These increases in revenue were slightly offset by the decrease in sales of therapeutic and diagnostic products due to absence of new products launched during the Period.

(ii) *Sales performance of the sales channels*

	For the six months ended 30 September					
	2013		2012		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
	(Unaudited)		(Unaudited)			
Retail stores	**34,465**	**22.5**	38,386	30.9	(3,921)	(10.2)
Consignment counters	**67,841**	**44.2**	54,800	44.1	13,041	23.8
Roadshow counters	**11,217**	**7.3**	2,644	2.1	8,573	324.2
Corporate sales	**20,333**	**13.3**	14,334	11.5	5,999	41.9
International sales	**19,519**	**12.7**	14,120	11.4	5,399	38.2
Total	**153,375**	**100.0**	124,284	100.0	29,091	23.4

During the Period, the revenue from the Group's consignment counters increased by approximately HK$13.0 million or approximately 23.8% mainly due to the revenue generated from the new consignment counters opened in the PRC and the organic growth from existing counters. The revenue from the Group's retail stores decreased by approximately HK$3.9 million or 10.2% during the Period mainly due to optimization of retail outlets portfolio in Hong Kong where some retail stores were replaced by consignment counters. The Group's corporate sales increased by approximately HK$6.0 million or approximately 41.9% during the Period primarily due to the enlargement of customer base in Hong Kong. The international sales increased by approximately HK$5.4 million or approximately 38.2% during the Period primarily due to increasing number of international customers and increase in sales to existing international customers.

Other income

Other income for the Period was approximately HK$4.0 million, representing an increase of approximately HK$0.8 million or approximately 25.0%, from approximately HK$3.2 million for the corresponding period in 2012. The increase was primarily due to increase in bank interest income.

Other gains and losses

Other gains and losses for the Period and the corresponding period in 2012 was approximately HK$2.8 million and HK$1.2 million respectively, which mainly comprised gain from changes in fair value of investment property and foreign exchange gain amounted to approximately HK$1.6 million and approximately HK$1.1 million respectively for the Period and approximately HK$1.0 million and approximately HK$0.2 million respectively for the corresponding period in 2012.

Changes in inventories of finished goods

Changes in inventories of finished goods for the Period were approximately HK$3.0 million as compared with approximately HK$2.6 million for the corresponding period in 2012.

Finished goods purchased

Finished goods purchased for the Period was approximately HK$54.7 million, representing an increase of approximately HK$10.7 million, or approximately 24.3% from approximately HK$44.0 million for the corresponding period in 2012. The increase was in line with the increase in sales.

Gross profit

The gross profit increased by approximately HK$18.7 million or approximately 23.2% to approximately HK$99.4 million for the Period from approximately HK$80.7 million for the corresponding period in 2012. The gross profit margin remained stable at approximately 64.8% for the Period. The downward effect of the increased portion of corporate and international sales, with lower gross profit margins, was offset by the higher contribution of the new products with higher gross profit margins.

Staff costs

Staff costs for the Period were approximately HK$30.6 million, representing an increase of approximately HK$6.6 million, or approximately 27.5%, from HK$24.0 million for the corresponding period in 2012. The increase in staff costs was mainly due to the increase in the overall staff strength from 250 employees as at 30 September 2012 to 330 employees as at 30 September 2013 as a result of the expansion of the Group's retail network in the PRC.

Depreciation expense

Depreciation expense for the Period was approximately HK$2.7 million, representing an increase of approximately HK$1.3 million or 92.9% as compared with HK$1.4 million for the corresponding period in 2012. The increase was mainly due to additions of property, plant and equipment for the expansion of the Group's retail network in the PRC and the outlet refurbishment in Hong Kong.

Finance costs

Finance costs for the Period was approximately HK$0.2 million, which remained stable as compared with that of the corresponding period in 2012.

Other expenses

Other expenses for the Period was approximately HK$68.1 million, representing an increase of approximately HK$12.3 million or approximately 22.0%, from approximately HK$55.8 million for the corresponding period in 2012. The increase was attributable to various items, including an increase of approximately HK$5.9 million in commissions paid to consignment counters at department stores due to increased revenue generated from the consignment counters; an increase of approximately HK$1.3 million in department store management fee; an increase of approximately HK$1.5 million in rent, rates and building management fee for office, warehouse, staff quarters and retail stores; an increase of approximately HK$1.1 million in freight and transportation expenses; an increase of approximately HK$1.3 million in legal and professional fee and an increase of approximately HK$0.6 million in repair and maintenance fee during the Period.

Profit before tax

Profit before tax for the Period was approximately HK$6.8 million, representing an increase of approximately HK$1.0 million or approximately 17.2%, from HK$5.8 million for the corresponding period in 2012 as a result of the factors described above.

Income tax expenses

Income tax expense for the six months ended 30 September 2013 and 2012 were approximately HK$1.5 million and HK$1.0 million respectively, representing an effective tax rate of approximately 21.3% and 16.7% respectively. The higher effective tax rate for the Period was primarily due to the high proportion of profit generated from the PRC which has a higher income tax rate.

Profit for the Period

As a result of the factors described above, the Group's profit for the Period was approximately HK$5.4 million, representing an increase of approximately HK$0.6 million or approximately 12.5% from approximately HK$4.8 million for the corresponding period in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had approximately HK$208.0 million (as at 31 March 2013: HK$200.0 million) in cash and cash equivalent. The Group's cash and cash equivalents consist of cash on hand and bank balances which are mainly held in HKD, RMB, USD and SGD denominated accounts with banks in Hong Kong and the PRC. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash generated from operations was approximately HK$14.5 million for the Period (six months ended 30 September 2012: 2.0 million), primarily reflecting the operating cash flows before movements in working capital of approximately HK$7.0 million, as adjusted by increase of approximately HK$2.8 million in inventory, decrease of approximately HK$4.9 million in trade and other receivables as well as increase of approximately HK$4.9 million in trade and other payables during the Period.

Investing activities

Net cash used in investing activities was approximately HK$4.4 million for the Period, as compared with approximately HK$0.6 million used in investing activities for the corresponding period in 2012. The cash used in investing activities mainly comprised additions of property, plant and equipment of approximately HK$5.3 million and was partly offset by the interest received amounting to approximately HK$1.2 million.

Financing activities

Net cash used in financing activities was approximately HK$1.3 million for the Period, as compared with approximately HK$10.6 million used in financing activities for the corresponding period in 2012. The cash used in financing activities mainly comprised of decrease of trust receipt loan of approximately HK$1.0 million and payment of interest of approximately HK$0.2 million during the Period.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 September 2013 was approximately HK$11.4 million as compared with approximately HK$12.5 million as at 31 March 2013. The Group's gearing ratio decreased from approximately 4.1% as at 31 March 2013 to approximately 3.6% as at 30 September 2013, which was primarily due to a decrease of total borrowings.

WORKING CAPITAL

As at 30 September 2013, the net working capital of the Group was approximately HK$240.0 million, representing an increase of approximately HK$9.1 million or 3.9% as compared with HK$230.9 million as at 31 March 2013.

As at 30 September 2013, the Group's inventories increased by HK$3.0 million to approximately HK$14.2 million from approximately HK$11.2 million as at 31 March 2013. 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 day was 43.1 days as at 30 September 2013 as compared with 37.0 days as at 31 March 2013. The increase was in line with the increase in inventories.

As at 30 September 2013, the Group's trade receivables decreased by HK$4.0 million to approximately HK$28.5 million from approximately HK$32.5 million as at 31 March 2013. The average trade receivables turnover day was 36.3 days, representing a decrease of approximately 5.6 days from 41.9 days as at 31 March 2013. The decrease was attributable to shorter collection period for corporate and international customers during the Period in general.

As at 30 September 2013, the Group's trade payables increased by HK$1.9 million to approximately HK$14.5 million from approximately HK$12.6 million as at 31 March 2013, which was mainly attributable to the increase in purchases during the Period. However, the trade payables turnover days decreased from 48.1 days as at 31 March 2013 to 45.8 days as at 30 September 2013 primarily due to faster payment to suppliers during the Period in general.

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to approximately HK$5.3 million, which was used mainly in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 30 September 2013, the Group had pledged certain assets, including leasehold land and buildings, investment property and bank deposits, which in aggregate amounted to approximately HK$30.2 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

Subsequent to the end of the reporting period, the Group and OTO Malaysia entered into the sales and purchase agreement on 1 October 2013, pursuant to which the Group agreed to acquire and OTO Malaysia, a connected person of the Group, agreed to sell the business in Malaysia operated by OTO Malaysia at the aggregate consideration of Malaysian Ringgit 2,127,000 (equivalent to approximately HK$5,126,000). Details of the acquisition are set out in the announcement of the Company dated 2 October 2013.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 30 September 2013, the Group exposed to foreign exchange risk as a result of holding bank deposits denominated in foreign currencies (mainly RMB) of approximately HK$154.1 million, representing approximately 68.1% of total of bank balances, cash and pledged deposits. Certain transactions denominated in foreign currencies would also incur the foreign exchange risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group had a total number of 330 (as at 31 March 2013: 302) full-time employees. The Group determined the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of the Group.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees employed in Macau are members of the defined contribution retirement benefit plan. The subsidiary established in Macau is required to contribute MOP 30 per month for each employee to the retirement benefit plan to fund the benefits.

The employees employed in the PRC are members of the state-managed benefit scheme operated by the PRC government. The subsidiary established in the PRC is required to contribute a certain percentage of the salaries of its employees to the scheme. The only obligation of the Group with respect to the retirement benefit schemes in the PRC is to make the required contributions under the state-managed benefit scheme.

During the Period, no share option was granted to employees.

STRATEGIES AND PROSPECTS

In the opinion of the Directors, the overall economic and business environment for the year 2013/2014 will be cautiously optimistic, given that rental of the retail stores in the regions was expected to be stable and the consumer sentiments are slowly recovering. The Group will continue to focus on the followings: (i) the launching of new health and wellness products with new features, design and functions; (ii) adjusting its retail outlets portfolio in the Hong Kong retail market when necessary; (iii) its planned retail network expansion in the PRC; (iv) further development of new retail and marketing channels for more growth in the corporate sales and international sales; (v) improving the operational efficiency of its product value chain and supply chain to reduce operation cost; and (vi) looking out for opportunities to enter into new potential retail markets other than the regions in which the Group has existing operation.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The issued shares of the Company were listed on the Main Board of the Stock Exchange on 13 December 2011 with net proceeds received by the Company from the Global Offering amounting to approximately HK$92.6 million after deducting underwriting commissions and all related expenses. As at 30 September 2013, there is no change on the proposed use of net proceeds from the Global Offering. As at 30 September 2013, the unused proceeds were deposited in a licensed bank in Hong Kong.

	Net proceeds HK$ million	Utilised up to 30 September 2013 HK$ million	Unutilised as of 30 September 2013 HK$ million
Use of proceeds:			
Expansion of the Group's PRC operations	**45.9**	**13.0**	**32.9**
Advertising and promotional activities in the PRC	**20.0**	**1.5**	**18.5**
Renovation and redecoration of existing retail outlets in Hong Kong and Macau	**10.7**	**5.7**	**5.0**
Enhancement of the research and development capability	**8.0**	**6.6**	**1.4**
Upgrade of the Group's information systems	**8.0**	**1.0**	**7.0**
	92.6	**27.8**	**64.8**

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

As at 30 September 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, Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") as adopted by the Company, were as follows:

(i) Long position in the ordinary shares of the Company

Name of Directors	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	103,980,000	32.5%
	Beneficial owner	36,090,260	11.3%
	Interests of parties to an agreement to acquire interests of the Company	68,029,740	21.3%
	Total	208,100,000	65.1%
Mr. Yip Chee Lai, Charlie (note)	Interest of controlled corporation and deemed interest	103,980,000	32.5%
	Beneficial owner	9,606,236	3.0%
	Interests of parties to an agreement to acquire interests of the Company	94,587,764	29.6%
	Total	208,174,000	65.1%
Mr. Yip Chee Way, David (note)	Interest of controlled corporation and deemed interest	103,980,000	32.5%
	Beneficial owner	8,406,948	2.6%
	Interests of parties to an agreement to acquire interests of the Company	95,573,052	30.0%
	Total	207,960,000	65.1%

Name of Directors	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Yep Gee Kuarn (note)	Interest of controlled corporation and deemed interest	103,980,000	32.5%
	Beneficial owner	35,950,260	11.3%
	Interests of parties to an agreement to acquire interests of the Company	68,029,740	21.3%
	Total	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 (the "Shareholders"), are the beneficial owners of the issued share capital of Brilliant Summit Enterprise Limited ("BSEL") which holds 103,980,000 shares as at the date of this report. Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in the Group, it was agreed that all decisions must be subject to an 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.

Pursuant to a shareholders' agreement between the Shareholders and BSEL dated 25 November 2011 (the "Share Distribution Agreement"), the Shareholders shall procure BSEL to distribute no more than 50% of the Company's shares owned by BSEL to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL after 13 August 2013, 20 months from the date of listing of the Company. On 5 September 2013, 50% of Company's shares owned by BSEL (i.e. 103,980,000 shares) were transferred from BSEL to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL.

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

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

Saved as disclosed above, as at 30 September 2013, none of the Directors and chief executive of the Company had any interest or short positions in any shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 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 the ordinary shares of the Company

Name of Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
BSEL (note 1)	Beneficial owner	103,980,000	32.5%
Ms. Yap Hui Meng (note 2)	Interest of spouse	208,100,000	65.1%
Ms. Yeo Bee Lian (note 2)	Interest of spouse	208,174,000	65.1%
Ms. Yeo Lang Eng (note 2)	Interest of spouse	207,960,000	65.1%
Ms. Tan Swee Geok (note 2)	Interest of spouse	207,960,000	65.1%
Mr. Tan Beng Gim (note 1)	Interest of controlled corporation	103,980,000	32.5%
	Beneficial owner	7,140,148	2.3%
	Interests of parties to an agreement to acquire interests of the Company	96,839,852	30.3%
	Total	207,960,000	65.1%
Ms. Lee Lay Hoon (note 2)	Interest of spouse	207,960,000	65.1%
Ms. Chua Siew Hun (note 1)	Interest of controlled corporation	103,980,000	32.5%
	Beneficial owner	7,140,148	2.3%
	Interests of parties to an agreement to acquire interests of the Company	96,839,852	30.3%
	Total	207,960,000	65.1%
Dr. Lim Kim Show (note 2)	Interest of spouse	207,960,000	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 (the "Shareholders"), are the beneficial owners of the issued share capital of BSEL which held 103,980,000 shares. Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in the Group, it was agreed that all decisions must be subject to an unanimous decision of them unless such decisions so made would be in breach of any applicable laws or regulations. By virtue of such arrangements, each of Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is taken to be interested in any shares in which BSEL is interested pursuant to section 318 of the SFO.

   Pursuant to a shareholders' agreement between the Shareholders and BSEL dated 25 November 2011 (the "Share Distribution Agreement"), the Shareholders shall procure BSEL to distribute no more than 50% of the Company's shares owned by BSEL to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL after 13 August 2013, 20 months from the date of listing of the Company. On 5 September 2013, 50% of Company's shares owned by BSEL (i.e. 103,980,000 shares) were transferred from BSEL to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL.

2. Each of Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is a shareholder of BSEL and is deemed under the SFO to be interested in the shares owned by BSEL pursuant to the confirmatory agreement as mentioned in note 1 above. Their respective spouses, being Ms. Yap Hui Meng, Ms. Yeo Bee Lian, Ms. Yeo Lang Eng, Ms. Tan Swee Geok, Ms. Lee Lay Hoon and Dr. Lim Kim Show, are therefore deemed under the SFO to be interested in the said long position in which each of them are deemed to be interested.

Save as disclosed above, as at 30 September 2013, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purpose of recognizing and acknowledging the contributions the eligible participants had or may have made to the Group. No share options were grated under the Share Option Scheme for the interim period ended 30 September 2013 and up to the date of this interim report.

INTERIM DIVIDEND

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company had complied with all applicable provisions under the Corporate Governance Code (the "Code") and Corporate Governance Report effective on 1 April 2012 as set out in Appendix 14 to the Listing Rules. During the Period, the Company has established and adopted its Board Diversity Policy in compliance with the Code. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (including amendments as effected from time to time) as its own code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they had fully complied with the Model Code throughout the Period.

AUDIT COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

REDESIGNATION OF NON-EXECUTIVE DIRECTOR

With effect from 25 November 2013, Mr. Yep Gee Kuarn was redesignated from a non-executive director of the Company to an executive director of the Company. Details of the redesignation were set out in Company's announcement dated 25 November 2013.

Deloitte.
德勤

To THE BOARD OF DIRECTORS OF OTO HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of OTO Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 40, which comprise the condensed consolidated statement of financial position as of 30 September 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 November 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Notes	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Revenue	3	**153,375**	124,284
Other income		**4,017**	3,156
Other gains and losses	4	**2,754**	1,150
Changes in inventories of finished goods		**2,993**	2,621
Finished goods purchased		**(54,746)**	(43,985)
Staff costs		**(30,600)**	(23,998)
Depreciation expense		**(2,717)**	(1,434)
Finance costs	5	**(184)**	(184)
Other expenses		**(68,067)**	(55,810)
Profit before tax	6	**6,825**	5,800
Income tax expense	7	**(1,453)**	(967)
Profit for the period		**5,372**	4,833
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss			
Exchange difference arising on translation		**817**	(47)
Total comprehensive income for the period		**6,189**	4,786
Earnings per share	9		
Basic (HK$)		**0.02**	0.02
Diluted (HK$)		**0.02**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**12,993**	10,336
Investment property	11	**9,290**	7,650
Deferred tax assets		**723**	888
Deposit placed at an insurance company		**3,061**	3,061
Utility and other deposits paid		**2,056**	9,145
		28,123	31,080
Current assets			
Inventories		**14,235**	11,242
Trade and other receivables	12	**42,302**	39,865
Amounts due from related parties		**316**	386
Tax recoverable		**3,067**	2,930
Pledged bank deposits		**18,171**	17,984
Bank balances and cash		**208,004**	200,013
		286,095	272,420
Current liabilities			
Trade and other payables	13	**33,685**	28,476
Obligations under finance leases		**182**	179
Amount due to a related company		**137**	—
Tax payable		**1,175**	878
Bank borrowings	14	**10,965**	11,990
		46,144	41,523
Net current assets		**239,951**	230,897
Total assets less current liabilities		**268,074**	261,977

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Note	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Capital and reserves			
Share capital	15	**24,928**	24,928
Reserves		**242,890**	236,701
		267,818	261,629
Non-current liabilities			
Obligations under finance leases		**256**	348
		268,074	261,977

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Warranty reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2012 (audited)	24,960	227,810	—	107	(128,447)	393	—	142,550	267,373
Profit for the period	—	—	—	—	—	—		4,833	4,833
Other comprehensive expense for the period – exchange difference arising on translation	—	—	—	(47)	—	—	—	—	(47)
Total comprehensive income for the period	—	—	—	(47)	—	—	—	4,833	4,786
Dividends paid (Note 8)	—	—	—	—	—	—	—	(7,616)	(7,616)
At 30 September 2012 (unaudited)	24,960	227,810	—	60	(128,447)	393	—	139,767	264,543
At 1 April 2013 (audited)	24,928	227,643	32	(48)	(128,447)	393	180	136,948	261,629
Profit for the period	—	—	—	—	—	—	—	5,372	5,372
Other comprehensive income for the period – exchange difference arising on translation	—	—	—	817	—	—	—	—	817
Total comprehensive income for the period	—	—	—	817	—	—	—	5,372	6,189
At 30 September 2013 (unaudited)	24,928	227,643	32	769	(128,447)	393	180	142,320	267,818

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**13,372**	2,016
Investing activities		
Additions of property, plant and equipment	**(5,347)**	(3,722)
Proceeds from disposals of property, plant and equipment	**—**	229
Proceeds from redemption of investments at fair value through profit or loss	**—**	1,979
Other investing cash flows	**967**	936
Net cash used in investing activities	**(4,380)**	(578)
Financing activities		
Dividend paid	**—**	(7,616)
Repayment of bank loans	**—**	(1,045)
Decrease in trust receipt loans	**(1,025)**	(1,667)
Other financing cash flows	**(273)**	(254)
Net cash used in financing activities	**(1,298)**	(10,582)
Net increase (decrease) in cash and cash equivalents	**7,694**	(9,144)
Cash and cash equivalents at the beginning of the period	**200,013**	221,211
Effect of foreign exchange rate changes	**297**	(47)
Cash and cash equivalents at the end of the period	**208,004**	212,020

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2013.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Venture
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) - Int 12 Consolidation - Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors consider that the application of HKFRS 10, HKFRS 11 and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRSs has no impact on the amounts reported in the condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 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 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and the total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

Six months ended 30 September 2013

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Total HK$'000 (Unaudited)
Revenue				
External sales	92,223	16,249	44,903	153,375
Inter-segment sales	4,764	—	—	4,764
Segment revenue	96,987	16,249	44,903	158,139
Elimination				(4,764)
Group revenue				153,375
Segment profit	16,394	5,061	7,602	29,057
Unallocated administrative expenses				(25,956)
Other gains and losses				2,754
Interest income				1,154
Finance costs				(184)
Profit before tax				6,825
Income tax expense				(1,453)
Profit for the period				5,372

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2012

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain from changes in fair value of investment property	**1,640**	950
Net exchange gain	**1,114**	68
Gain on disposals of property, plant and equipment	**—**	87
Gain from changes in fair value of investments at fair value through profit or loss ("FVTPL")	**—**	45
	2,754	1,150

5. FINANCE COSTS

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	**167**	169
Finance leases	**17**	15
	184	184

6. PROFIT BEFORE TAX

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**51,753**	41,364
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	**16,282**	14,700
– Contingent rent	**22,490**	16,627
Interest income	**(1,154)**	(992)

7. INCOME TAX EXPENSE

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Current tax :		
Hong Kong Profits Tax	**232**	502
Macau Complimentary Income Tax	**486**	440
PRC Enterprise Income Tax	**570**	—
	1,288	942
Deferred tax	**165**	25
	1,453	967

7. INCOME TAX EXPENSE *(Continued)*

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

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

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

8. DIVIDENDS

No dividends were declared or proposed for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil). The directors do not recommend the payment of an interim dividend.

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

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**5,372**	4,833
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**319,594**	320,000

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 period ended 30 September 2013.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK$5,347,000 (six months ended 30 September 2012: HK$4,152,000).

11. MOVEMENT IN INVESTMENT PROPERTY

The Group's investment property as at the end of the current interim period was fair valued by an external valuer using market transaction model by reference to market evidence of transaction prices for similar properties.

During the period, a gain from changes in fair value of HK$1,640,000 (six months ended 30 September 2012: HK$950,000) was credited to profit or loss.

12. TRADE AND OTHER RECEIVABLES

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Trade receivables	**28,546**	32,474
Prepayments	**2,688**	3,342
Other receivables	**1,784**	1,571
Deposits	**9,284**	2,478
Total trade and other receivables	**42,302**	39,865

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, which approximated the revenue recognition date, at the end of each reporting period:

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
0 – 30 days	**18,352**	21,293
31 – 60 days	**7,618**	5,679
61 – 90 days	**1,286**	3,099
Over 90 days	**1,290**	2,403
	28,546	32,474

13. TRADE AND OTHER PAYABLES

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Trade payables	**14,482**	12,620
Receipts in advance	**3,973**	3,920
Accruals	**10,108**	8,493
Others (Note)	**5,122**	3,443
	33,685	28,476

Note: Included HK$466,000 (31 March 2013: HK$215,000) deferred revenue in relation to customer royalty programmes.

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

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
0 – 30 days	**13,051**	9,246
31 – 60 days	**966**	2,575
61 – 90 days	**458**	799
Over 90 days	**7**	—
	14,482	12,620

14. BANK BORROWINGS

During the period, the Group repaid net balance of trust receipt loans amounting to HK$1,025,000 (six months ended 30 September 2012: repaid bank loans and net balance of trust receipt loans totaling HK$1,045,000 and HK$1,667,000 respectively).

15. SHARE CAPITAL

	Number of shares	Share capital
		US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 April 2012, 31 March 2013 and 30 September 2013	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
At 1 April 2012	320,000,000	3,200,000
Share repurchased and cancelled	(406,000)	(4,060)
At 31 March 2013 and 30 September 2013	319,594,000	3,195,940
		HK$'000
Presented as		24,928

In December 2012, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (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.

16. PLEDGE OF ASSETS

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

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Leasehold land and buildings	**2,788**	2,856
Investment property	**9,290**	7,650
Bank deposits	**18,171**	17,984
	30,249	28,490

In addition, the Group's obligations under finance leases are secured by the lessor's charge over the leased assets with carrying values of HK$389,000 as at 30 September 2013 (31 March 2013: HK$528,000).

17. OPERATING LEASES

The Group as lessee

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

	30 September 2013 HK$'000 (Unaudited)	31 March 2013 HK$'000 (Audited)
Within one year	**28,146**	26,872
In the second to fifth years inclusive	**9,558**	12,203
	37,704	39,075

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.

18. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 September 2013, the Group entered into the following transactions with related parties:

Name of related parties	Nature of transaction	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
OTO Bodycare Pte. Ltd. ("OTO Singapore") (Notes i and iv)	Share of research and development expenses	**169**	124
OTO Bodycare Sdn. Bhd. ("OTO Malaysia") (Notes ii and iv)	Share of research and development expenses	**54**	40
Mr. Yip Chee Lai, Charlie (Note iii)	Rental expenses	**48**	72

Notes:

(i) Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun 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.

(ii) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are shareholders of OTO Malaysia, of which holds 45.8% and 54.2% interest respectively.

(iii) 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. During the interim period, the landlords agreed to extend the tenancy for two months at a monthly rental of HK$12,000.

(iv) On 25 November 2011, the Group entered into an agreement for sharing research and development expenses with OTO Singapore and OTO Malaysia, pursuant to which following the listing of the Company's issued 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/to related parties are disclosed in the condensed consolidated statement of financial position.

18. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period are as follows:

	Six month ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	**3,651**	3,802
Retirement benefits scheme contributions	**8**	6
Performance related incentive payments	**559**	560
	4,218	4,368

19. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the Group and OTO Malaysia entered into a sale and purchase agreement on 1 October 2013, pursuant to which the Group agreed to acquire and OTO Malaysia agreed to sell the business in Malaysia operated by OTO Malaysia at the aggregate consideration of Malaysian Ringgit 2,127,000 (equivalent to approximately HK$5,126,000). The acquisition was completed on 1 October 2013. Details of the acquisition are set out in the announcement of the Company dated 2 October 2013.

The Group is in the process of completing the independent valuation to assess the fair value of the identifiable assets acquired and liabilities assumed and so it is impracticable to disclose the financial information and the impact on the condensed consolidated financial statements at this stage.