OTO

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

2013/2014

ANNUAL REPORT

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

COMPANY WEBSITE

www.otobodycare.com

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
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North Point
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
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
Bank of Communications Company Limited

FINANCIAL HIGHLIGHTS

For the year ended 31 March	2014	2013	% Changes
Profitability data (HK$'000)			
Revenue	**339,700**	259,201	31.1
Gross profit	**221,418**	168,106	31.7
Profit before tax	**11,697**	3,716	214.8
Profit after tax for the year	**8,722**	2,046	326.3
Earnings per share – basic and diluted (HK$)	**0.03**	0.01	200.0
Gross profit margin	**65.2%**	64.9%	0.3
Profit before tax margin	**3.4%**	1.4%	2.0
Dividend per share			
– Final Dividend (HK cents)	**0.814**	—	N/A
Effective tax rate	**25.4%**	44.9%	(19.5)

As at 31 March	2014	2013
Assets and liabilities data (HK$'000)		
Bank balances and cash	**211,636**	200,013
Bank borrowings	**14,838**	11,990
Net current assets	**239,139**	230,897
Total assets less current liabilities	**270,737**	261,977
Assets and working capital ratios/data		
Current ratio (times)	**4.8**	6.6
Gearing ratio (%)	**4.5**	4.1
Inventory turnover days	**45.9**	37.0
Trade receivables turnover days	**36.1**	41.9
Trade payables turnover days	**48.0**	48.1

Notes for key ratio:

Earnings per share	Profit attributable to shareholders / Weighted average number of ordinary shares
Current ratio	Current assets / Current liabilities
Gearing ratio	Total bank borrowings and obligations under finance leases / 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

CHAIRMAN'S STATEMENT

Since its establishment, OTO has been committed to providing customers with products and services of the highest quality and actively promoting the concept of "Balance Life" to the general public, so as to strive to contribute to the healthy lives of customers. Through our efforts and persistence, the "OTO" brand has become a symbol of excellence in the field of health and wellness products.

UNREMITTING EFFORTS FINALLY PAY OFF

As a Hong Kong-based enterprise, the Group has been tactically focusing on the development of the PRC market since its listing. In the past years, the Group continued to invest in the PRC market; after three years of growth, our business development in the PRC market has gradually gained momentum and significant sales growth contribution from the market has been witnessed, enabling the management to fulfil its commitments to investors. Thanks to the Group's clear development goals and the continuous endeavours of the management and employees, OTO's turnover reached HK$340 million for the year ended 31 March 2014, an increase of 31% over the same period last year, and its net profit soared by 335% to HK$8.7 million.

DELIVERING SATISFACTORY RESULTS IN THE PRC WHILST CAPTURING SIGNIFICANT OPPORTUNITIES OVERSEAS

We maintain the 33 retail outlets in Hong Kong and Macau. After three years of resource allocation and integration, the "OTO" brand has achieved a certain market share and further strengthened its brand position in the PRC. With OTO's increasingly advanced development in the PRC, the sales contributed by the PRC market are expected to account for as much as 50% of the Group's total sales in 2014/2015. Currently, our retail outlets are primarily located in the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei Region and Chengdu. As of the reporting date, the Group has a total of 86 retail outlets in the PRC, including 10 retail outlets and 76 consignment counters.

While pursuing steady development in the markets of Hong Kong, Macau and the PRC, the Group has also been striving for expansion to overseas markets and aggressively broadening its footprint in the world. In addition to developing the Middle East and Eastern European markets through its pre-existing international sales channel, the Group completed the acquisition of the business of OTO Bodycare Sdn. Bhd. ("OTO Malaysia") in Malaysia in October 2013, paving an important way to its pace of overseas expansion. Currently, the Group has 18 retail outlets in Malaysia, including 7 retail outlets and 11 consignment counters. Leveraging on the Group's extensive operational experience in the field of health and wellness products, OTO Malaysia gradually curtailed its loss during the financial year. We foresee that Malaysian market will have considerable growth potential, and OTO Malaysia is expected to continue steady development.

INNOVATIVE PRODUCTS TO END COMPETITION DEADLOCK

Along with the increase in consumers' demand for wellness products, the competition in the market of health and wellness products has become more intense. Abiding by its business philosophy, OTO is committed to promoting product innovation, actively participating in the R&D of products with creative and unique functions, so as to meet the challenges of market competition. For example, "OTO Adore Foot", a unique product launched by the end of last year, and "OTO MBraze", a best-selling product for 2013, gained popularities among consumers by their unique massage functions. Not only sales of the products exceeded our expectations, the Group's sales in other small and medium-sized massage products have been motivated. In the coming year, the Group is prepared to launch various new products with higher prices and improved functions, such as the "OTO Back Snuggle" and the "Vibro Swing", to strengthen its leading position in the market. The Group's sales growth is expected to have remarkable increase due to the effect of a boost in both the volume and price of sales.

BUILDING A YOUNGER IMAGE TO ATTRACT NEW CUSTOMERS

In order to attract young adults consumer group, OTO has been actively undergoing rebranding by introducing fresher brand marks, shop decorations and product designs since 2012. A more dynamic brand image has been created, and thereby expanding the Group's customer base. We are convinced that this group of young consumers will soon contribute significantly to the Group's sales.

CONTROLLING COSTS RIGOROUSLY WHILE RIDING THE TREND OF ONLINE SHOPPING

To relieve the upward pressure on rental costs of retail outlets and to lower operating costs, not only are we currently restructuring our retail outlets to decrease the expenses of the network, but we are also striving to develop new sales channels to gain effective control of costs. During the year, we continued to expand the sales channel of online shopping to tap into its huge potential. In addition to our cooperation with "Yahoo! Hong Kong", we also opened an official flagship online store at Tmall.com in September 2013, in an attempt to further enhance the position of the "OTO" brand in the huge consumer market of the PRC through a powerful network platform. We believe that online shopping will further contribute to the Group's sales steadily in future.

EXTENDING PARTNERSHIP VERTICALLY TO ENHANCE OUR CORPORATE SALES PORTFOLIO

During the year, the Group brought itself to a new level through developing corporate sales channels. In addition to maintaining the existing sales collaboration with banks, the Group further extended its corporate sales partnership to include department stores, telecommunications companies, retail industries as well as newspapers and magazines, with an aim to expand OTO's customer base by taking advantage of the customer networks of different corporate partners. We believe that through the various partnerships, OTO will be able to develop its corporate sales channels in a more healthy and stable manner.

PAYING CLOSE ATTENTION TO MARKETS FOR CREATING VALUE TO BUSINESS

Looking ahead, the consistent concerns with regional political conflicts and slowdown of economy in the PRC will have a certain impact on the overall business environment of Hong Kong and the PRC, especially the retail industry in these markets. However, we believe that with the aging of the global population as well as the increasing public awareness of and concern towards personal health, the market of health and wellness products will still have substantial potential for development. Taking the last Mother's Day as an example, the Group's sales during the period showed an increase over the same period last year, indicating an increasing number of consumers are choosing wellness products as gifts, and consumers are gradually accepting the sales concept of "giving health through giving gifts" (送禮送健康) which we have long been promoting.

The market of wellness products in the PRC which we have been actively exploring in recent years has potential for development that deserves every attention. In view of this, OTO will continue to step up its development in the PRC market by further expanding our business to new cities in the PRC with development potential, thereby enhancing OTO's leadership in the domestic market of health and wellness products. We expect to expand our retail network to more than 100 outlets in the PRC by the end of the year.

Once again, on behalf of the Group's Board of Directors, I would like to express my heartfelt thanks to our shareholders, management and employees. Though the future operating environment will continue to be volatile, I believe that with years of operating experience, as well as our knowledge and understanding of the market of health and wellness products, OTO will move forward steadily along its path of development. While devoting ourselves to product research and development and market expansion, we will actively study the feasibility of business expansion, so as to identify the most suitable approach for the sound development of OTO's business in the future.

Yip Chee Seng
Chairman and Executive Director

Hong Kong, 17 June 2014

BUSINESS REVIEW

The global and local economy growth remained fragile in the year ended 31 March 2014 (the "Reporting Year"). Although the slowing-down trend in the PRC economy growth and increased geopolitical tension in certain regions might weaken the overall consumers buying sentiment, the Group gradually recovered from the trough of last financial year as a result of its continuing expansion in the PRC and satisfactory sales performance of the new key products. During the Reporting Year, the Group's overall revenue growth had increased to 31.1% as compared to 5.5% for the previous corresponding year. The Group's net profit had also increased by 335.0% to HK$8.7 million.

Products

The Group keeps strengthening its core competitive advantage in the design and development of new products, 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' needs.

It is the Group's strategy to design and develop about 10 to 15 new products each year. During the Reporting Year, the Group has launched of 13 new products which comprised 10 new relaxation products and 3 new fitness products. The new products launched in the market had contributed approximately HK$77.2 million or 22.7% (2013: HK$55.0 million or 21.2%) of the Group's total revenue for the Reporting Year. These new products were strategically selected and priced at a readily affordable level to maintain the Group's competitive strength in the market with appropriate gross profit margins. For the Group's new key products, the launch was usually accompanied by massive advertising and promotion activities after due consideration of the state of the consumer buying power.

Sales Channel

The Group keeps developing its diversified sales channels and expanding its geographical market coverage to offer the consumers of different regions, culture and lifestyle a full range of "OTO" products. 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 Reporting Year, the Group's traditional sales channel generated approximately 68.2% of the Group's overall revenue (2013: 70.9%). As at 31 March 2014, the Group operated the following retail stores and consignment counters:

	No. of outlets as at		
	31 March 2014	31 March 2013	31 March 2012
Hong Kong			
– Retail stores	**12**	11	13
– Consignment counters	**19**	17	17
Macau			
– Retail stores	**1**	1	1
– Consignment counters	**1**	2	2
PRC			
– Retail stores	**10**	3	1
– Consignment counters	**75**	61	33
Malaysia			
– Retail stores	**7**	—	—
– Consignment counters	**7**	—	—
Total	**132**	95	67

Hong Kong retail outlets

The Group maintained its strategy of shifting from retail stores to consignment counters in response to the high rental of certain retail stores. The Group would not renew those retail stores with significant increment in rental fee upon renewal of tenancy agreement. Rather, we will replace them with consignment counters or new retail stores that offer acceptable store rental fee and potential sales growth.

As at 31 March 2014, the Group operated 31 retail outlets in Hong Kong. The Group's retail revenue in Hong Kong maintained at an approximately same level as the revenue for the last financial year. The Group will monitor and review its retail outlets portfolio in Hong Kong from time to time so as to maintain its retail network at an optimized combination.

Macau retail outlets

As at 31 March 2014, the Group operated 1 retail store and 1 consignment counter in Macau. The revenue generated from the retail outlets in Macau had increased by approximately HK$2.0 million, representing approximately 0.6% of the Group's revenue for the year, when compared with the corresponding year in 2013.

PRC retail outlets

As part of the expansion plan, the Group had increased its retail network in the PRC to 85 retail outlets, comprising 10 retail stores and 75 consignment counters, as at 31 March 2014. 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 its expansion plan in the PRC to open more strategic retail outlets. The Group's traditional retail revenue in the PRC has grown by approximately HK$36.2 million, representing approximately 10.7% of the Group's revenue for the Reporting Year. The increase was mainly due to the opening of new retail outlets and the increase of retail revenue from existing retail outlets.

Malaysia retail outlets

On 1 October 2013, the Group entered into the Malaysia market by taking over the retail business from one of its related companies, OTO Bodycare Sdn. Bhd. ("OTO Malaysia"). As at 31 March 2014, the Group operated 7 retail stores and 7 consignment counters in Malaysia. Revenue from the date of acquisition to 31 March 2014 was approximately HK$10.9 million.

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

During the Reporting Year, the Group's proactive sales channels generated approximately 31.8% of the Group revenue (2013: 29.1%).

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, in addition to its then existing established corporate customer base in Hong Kong and Macau, the Group had successfully started to sell its selected health and wellness products through internet to the local consumers. The Group's corporate sales have grown by approximately HK$2.9 million, representing approximately 0.9% of the Group's revenue.

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 , Mauritius, Russia, Thailand, Hungary etc. During the year, the Group has managed to grow its sales to certain international customers and therefore, the Group's international sales has grown by approximately HK$6.1 million, representing approximately 1.8% of the Group's revenue.

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 PRC from time to time for marketing purposes as well as revenue generation.

The Group believes that the proactive sales channels are important marketing and revenue generating channels for the Group which allows it to penetrate into new marketing segments with minimum fixed operating expenses, in order to cushion the impact of the escalading operating costs like retail stores rental fee, 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 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$80.5 million or approximately 31.1% to approximately HK$339.7 million for the Reporting Year from approximately HK$259.2 million for the previous corresponding year, primarily as a result of the following:

Sales of the health and wellness products of the Group

	For the year ended 31 March					
	2014		2013		Increase/(Decrease)	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Relaxation products	**269,723**	**79.4**	202,752	78.2	66,971	33.0
Fitness products	**59,999**	**17.7**	44,116	17.0	15,883	36.0
Therapeutic products	**6,847**	**2.0**	8,970	3.5	(2,123)	(23.7)
Diagnostic products	**3,131**	**0.9**	3,363	1.3	(232)	(6.9)
Total	**339,700**	**100.0**	259,201	100.0	80,499	31.1

The revenue from the sales of the Group's relaxation products increased by approximately HK$67.0 million or approximately 33.0% for the Reporting Year, as compared with the last corresponding year. The increase in sales of relaxation products was primarily due to the launch of a new massage chair "Cyber Wave Plus" in October 2013 and a foot massager "Adore Foot" in May 2013. The sales of fitness products also increased by approximately HK$15.9 million or approximately 36.0% which was primarily due to launch of a fitness product "Vibro Swing" in December 2013. These increases in revenue were partially offset by the decrease in the sales of therapeutic products by approximately HK$2.1 million or approximately 23.7% which was primarily due to absence of new therapeutic products launched during the Reporting Year. The sales of diagnostic products were approximately HK$3.1 million for the Reporting Year, representing a slight decrease of approximately HK$0.2 million or 6.9%.

Sales performance of the sales channels of the Group

	For the year ended 31 March					
	2014		2013		Increase	
	HK$'000	**% of revenue**	HK$'000	% of revenue	HK$'000	%
Retail stores	**81,045**	**23.9**	66,837	25.8	14,208	21.3
Consignment counters	**150,326**	**44.3**	116,905	45.1	33,421	28.6
Roadshow counters	**33,159**	**9.8**	9,229	3.6	23,930	259.3
Corporate sales	**37,066**	**10.8**	34,207	13.2	2,859	8.4
International sales	**38,104**	**11.2**	32,023	12.3	6,081	19.0
Total	**339,700**	**100.0**	259,201	100.0	80,499	31.1

During the Reporting Year, the revenue from the Group's consignment counters increased by approximately HK$33.4 million or approximately 28.6% mainly due to the additional revenue generated from the new consignment counters opened in the PRC and Malaysia. The revenue from the Group's retail stores increased by approximately HK$14.2 million or approximately 21.3% during the Reporting Year mainly due to the opening of retail stores in Hong Kong and the PRC. The revenue generated from roadshow counters substantially increased by HK$23.9 million or approximately 259.3% to approximately HK$33.2 million. The increase was mainly due to more roadshows were organised in both Hong Kong and PRC during the year. The Group's corporate sales and international sales increased by approximately HK$2.9 million or approximately 8.4% and approximately HK$6.1 million or approximately 19.0%, respectively, during the Reporting Year. The increase in the corporate sales was primarily due to the enlargement of corporate customer base, while the increase in revenue from international sales was mainly contributed by the increase in sales to existing international customers.

Other income

Other income for the Reporting Year was approximately HK$10.1 million, representing an increase of approximately HK$3.6 million or approximately 55.4%, from approximately HK$6.5 million for last corresponding year. The increase was primarily due to the increase in bank interest income and delivery income which were partially offset by decrease in compensation income and sundry income for the Reporting Year.

Other gains and losses

Other gains and losses for the Reporting Year was a gain of approximately HK$0.5 million, which mainly comprised gain from increase in fair value of investment property of approximately HK$1.6 million and partially offset by net exchange loss of approximately HK$1.1 million. The other gains and losses for the last corresponding year mainly comprised a loss on written off of property, plant and equipment amounted to approximately HK$3.4 million and a gain from changes in fair value of investment property amounted to approximately HK$1.0 million.

Changes in inventories of finished goods

Changes in inventories of finished goods for the Reporting Year were approximately HK$7.3 million as compared with approximately HK$4.0 million for last corresponding year.

Finished goods purchased

Finished goods purchased for the Reporting Year was approximately HK$120.3 million, representing an increase of approximately HK$29.1 million, or approximately 31.9% from approximately HK$91.2 million for last corresponding year. The increase was in line with the increase in revenue.

Gross profit

The gross profit increased by approximately HK$53.3 million or approximately 31.7% to approximately HK$221.4 million for the Reporting Year from approximately HK$168.1 million for last corresponding year. The gross profit margin slightly increased from approximately 64.9% for last corresponding year to approximately 65.2% for Reporting Year. The slight increase in gross profit margin was 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 lower proportion of revenue as a whole to the overall revenue of the Group.

Staff costs

Staff costs for the Reporting Year were approximately HK$71.0 million, representing an increase of approximately HK$19.0 million, or approximately 36.5%, from HK$52.0 million for last corresponding year. The increase in staff costs was mainly due to the increase in the overall staff strength to 439 employees as at 31 March 2014 compared with 302 employees as at 31 March 2013, as a result of the expansion plan of the Group in the PRC and acquisition of the business in Malaysia.

Depreciation expense

Depreciation expense for the Reporting Year was approximately HK$6.8 million, representing an increase of approximately HK$3.2 million or 88.9% as compared with approximately HK$3.6 million for last corresponding year. 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 Malaysia.

Finance costs

Finance costs for the Reporting Year was approximately HK$0.3 million as compared with approximately HK$0.3 million for last corresponding year, which remained relatively stable.

Other expenses

Other expenses for the Reporting Year was approximately HK$147.4 million, representing an increase of approximately HK$30.3 million or approximately 25.9%, from approximately HK$117.1 million for last corresponding year. The increase is attributable to various items, including (1) an increase of approximately HK$11.2 million, or 29.8% in commission paid to consignment counters at department stores due to the increase in revenue generated from consignment counters; (2) an increase of approximately HK$9.0 million, or 35.6% in rent, rate and building management fees for retail stores due to the increased number of stores in PRC and (3) an increase of approximately HK$12.7 million, or 29.2% in other operating expenses mainly as a result of the expansion of retail network in the PRC and Malaysia. Such increases were partially offset by the decrease of approximately HK$2.7 million, or 99.7% in departmental store admission fee.

Profit before tax

As a result of the factors described above, the Group's profit before tax for the Reporting Year was approximately HK$11.7 million, representing an increase of approximately HK$8.0 million or approximately 216.2% from approximately HK$3.7 million for last corresponding year.

Income tax expenses

Income tax expenses for the year ended 31 March 2014 and 2013 were approximately HK$3.0 million and HK$1.7 million, respectively, representing an effective tax rate of approximately 25.4% and 44.9%, respectively. The decrease in effective tax rate for the Reporting Year was primarily due to absence of certain operating expenses which were not tax deductible in arriving at taxable profit of the Group which existed in prior year.

Profit for the year

As a result of the factors described above, the Group's profit for the Reporting Year was approximately HK$8.7 million, representing an increase of approximately HK$6.7 million or approximately 335.0% from approximately HK$2.0 million for last corresponding year.

FINANCIAL POSITION

As at 31 March 2014, total equity of the Group amounted to approximately HK$270.6 million (2013: HK$261.6 million). The increase was mainly due to the net profits for the year ended 31 March 2014.

The Group's net current assets as at 31 March 2014 amounted to approximately HK$239.1 million (2013: HK$230.9 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 March 2014 was 4.8 (as at 31 March 2013: 6.6). The decrease in the Group's current ratio was mainly due to the increase of approximately HK$5.9 million in trade payable and approximately HK$1.6 million in other tax payable during the Reporting Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had approximately HK$211.6 million (2013: HK$200.0 million) bank balances and cash. The Group's bank balances and cash consist primarily of cash on hand and bank balances which are mainly held in HKD, RMB, USD and SGD denominated accounts with banks in Hong Kong. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash from operating activities was approximately HK$19.9 million for the Reporting Year (2013: HK$2.7 million used in operating activities), primarily reflecting the operating cash flows before movements in working capital of approximately HK$13.2 million, as adjusted by an increase of approximately HK$4.3 million in inventory, an increase of approximately HK$3.4 millions in trade and other receivables, an increase of approximately HK$16.4 million in trade and other payables and net tax payment amounted to approximately HK$1.1 million during the Reporting Year.

Investing activities

Net cash used in investing activities was approximately HK$49.5 million for the Reporting Year (2013: HK$8.5 million), which was primarily due to acquisition of property, plant and equipment of approximately HK$9.5 million, acquisition of business of approximately HK$5.1 million, and increase in placement of bank deposits with original maturity over 3 months of approximately HK$39.1 million and partially offset by approximately HK$4.3 million interest received.

Financing activities

Net cash from financing activities was approximately HK$2.3 million for the Reporting Year (2013: HK$10.0 million used in financing activities), which was primarily due to the increase in trust receipt loans of approximately HK$2.8 millions and no dividend paid during the Reporting Year.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 31 March 2014 was approximately HK$15.2 million with effective interest rate ranging from 1.98% to 6.02% per annum. The Group's borrowings were denominated in United States dollars (2013: Japanese Yen and United States dollars). The Group's gearing ratio increased from approximately 4.1% as at 31 March 2013 to approximately 4.5% as at 31 March 2014, which was primarily due to an increase in bank borrowings by approximately HK$2.8 million as at 31 March 2014.

WORKING CAPITAL

As at 31 March 2014, the net working capital of the Group was approximately HK$239.1 million, representing an increase of approximately HK$8.2 million or 3.6% from approximately HK$230.9 million as at 31 March 2013.

As at 31 March 2014, the Group's inventories increased by HK$7.3 million to HK$18.5 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 acquisition of the retail business in Malaysia also required additional inventories. The inventories turnover days was 45.9 days as at 31 March 2014 as compared with 37.0 days as at 31 March 2013 which is in line with the increase in inventory.

As at 31 March 2014, the Group's trade receivables increased by approximately HK$2.2 million, to approximately HK$34.7 million from approximately HK$32.5 million as at 31 March 2013. The average trade receivables turnover days was 36.1 days, representing a decrease of approximately 5.8 days from 41.9 days as at 31 March 2013. The decrease was mainly attributable to the tighter credit control of the Group.

As at 31 March 2014, the Group's trade payables increased by approximately HK$5.9 million to approximately HK$18.5 million from approximately HK$12.6 million as at 31 March 2013 which was attributable to the increase in credit period for purchases from certain suppliers. The trade payables turnover days was approximately 48.0 days and 48.1 days as at 31 March 2014 and 2013, respectively.

CAPITAL EXPENDITURE

During the year ended 31 March 2014, the Group's total capital expenditure amounted to approximately HK$14.6 million, which were used in the acquisition of property, plant and equipment at approximately HK$9.5 million and acquisition of business of approximately HK$5.1 million.

CHARGE ON ASSETS

As at 31 March 2014, the Group had pledged certain assets, including leasehold land and buildings, investment properties and bank deposits which in aggregate amounted to approximately HK$30.1 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

The Group acquired the business in Malaysia from its related company OTO Malaysia at a consideration of RM2.1 million (equivalent to approximately HK$5.1 million) on 1 October 2013. Details of the acquisition are set out in note 28 to the consolidated financial statements in this annual report.

The Group has no plan to make any substantial investment in or acquisition of capital assets at the date of this annual report 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 2014 and 31 March 2013.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 31 March 2014, the Group was exposed to foreign exchange risk as a result of holding bank deposits denominated in Renminbi of approximately HK$159.0 million, representing approximately 69.2% 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 31 March 2014, the Group had a total number of 439 (2013: 302) full-time employees. Total staff costs for the Reporting Year amounted to approximately HK$71.0 million (2013 : HK$52.0 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 recommend to the Board for approval the remuneration and compensation packages of the Directors and senior management by reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

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

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

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

On 29 January 2014, the Company offered to grant 3,180,000 share options to the directors and certain employees of the Group under the share option scheme adopted by the Company on 25 November 2011. Details of the share options grant are set out in the Directors' Report and note 34 to the consolidated financial statements in this annual report.

STRATEGIES AND PROSPECTS

In the opinion of the Directors, the outlook for the year 2014/2015 will be cautiously optimistic despite the slowing-down of PRC economy, the rising operating costs and the weakening consumers' buying sentiments. The Group will continue focusing on (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) improving the operational efficiency; (v) strengthening its re-branding exercise and (vi) seeking appropriate merger and acquisition opportunities to enhance existing retail network or diversify the original core business.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The proceeds from the global offering of the Company (the "Global Offering"), after deduction related issuance expenses, amounted to approximately HK$92.6 million. As at 31 March 2014, there was no change on the proposed use of net proceeds from the Global Offering. The unused proceeds were deposited in licensed bank in Hong Kong. Details of use of the net proceeds are set out in to table below.

	Net proceeds HK$ mil	Utilized up to 31 March 2014 HK$ mil	Unutilized as of 31 March 2014 HK$ mil
Use of proceeds:			
Expansion of the Group's PRC operations	**45.9**	**15.5**	**30.4**
Advertising and promotional activities in the PRC	**20.0**	**1.8**	**18.2**
Renovation and redecoration the existing retail outlets in Hong Kong and Macau	**10.7**	**6.7**	**4.0**
Enhancement of the research and development capability	**8.0**	**8.0**	**—**
Upgrade of the Group's information systems	**8.0**	**1.0**	**7.0**
	92.6	**33.0**	**59.6**

The board (the "Board") of directors (the "Directors") of OTO Holdings Limited (the "Company") is pleased to present the annual report together with the audited consolidated financial statements for the Reporting Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS & DIVIDENDS

Results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 52. Other movements in reserves are set out in the consolidated statement of changes in equity on page 55.

The Board has recommended the payment a final dividend of HK cents 0.814 per ordinary share amounting to a total dividend of approximately HK$2.6 million for the Reporting Year (2013: Nil). The financial statements do not reflect the dividend payable. The proposed final dividend is subject to approval by the Company's shareholders at the forthcoming annual general meeting ("AGM") to be held on 5 August 2014. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on 10 September 2014.

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 112 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 Reporting Year are set out in note 27 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company's aggregate amounts of reserves available for distribution were approximately HK$245,646,000.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 17 to the consolidation financial statements of this annual report.

BANK BORROWINGS AND INTEREST

Details of the Group's bank borrowings are set out in note 26 to the consolidated financial statements of this annual report. 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 Reporting Year, the Group's sales to its five largest customers accounted for approximately 14.8% of the Group's total sales and the Group's sales to its largest customer for the year accounted for approximately 4.9% of the Group's total sales. The Group's five largest suppliers accounted for approximately 72.0% of the Group's total purchases, while the largest supplier for the year accounted for approximately 48.2% of the Group's total purchases.

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

CHARITABLE DONATIONS

No charitable donation was made by the Group during the Reporting Year. (2013: HK$64,000).

DIRECTORS

The Directors as at the date of this annual report are:

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

Independent non-executive Directors
Mr. Chan Yip Keung
Mr. Chung Kin Fai
Ms. Lo Yee Hang

Note

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

According to the Articles, the newly appointed Directors are subject to re-election at the following annual general meeting. Furthermore, one-third of the Directors for the time being, if the number of Directors is not three or a multiple of three, then the number of Directors nearest to but not less than one-third, shall retire from office but eligible for re-election, and every Director shall be subject to retirement by rotation at least once every three years at annual general meeting. Accordingly, Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, and Mr. Yip Chee Way, David 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 45 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 "Stock Exchange") (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, Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David 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.

The executive Director, Mr. Yep Gee Kuarn, entered into a service agreement with the Company for a term of one year with effect from 25 November 2013, 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 independent non-executive Directors had been appointed for an initial term of three years with effect from 25 November 2011 and is subject to termination provisions as set out in the appointment contracts and provisions on retirement by rotation of the Directors as set out in the Articles.

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

REMUNERATION OF THE DIRECTORS

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

Details of the emoluments of every Director for the Reporting Year is set out in note 13 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 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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	103,980,000	32.5%
	Beneficial owner	36,290,260	11.4%
	Interests of parties to an agreement to acquire interests of the Company	63,243,740	19.8%
	Total	203,514,000	63.7%
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	89,927,764	28.2%
	Total	203,514,000	63.7%

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company
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	91,127,052	28.6%
	Total	203,514,000	63.7%
Mr. Yep Gee Kuarn (note)	Interest of controlled corporation and deemed interest	103,980,000	32.5%
	Beneficial owner	35,950,260	11.2%
	Interests of parties to an agreement to acquire interests of the Company	63,583,740	20.0%
	Total	203,514,000	63.7%

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 held 103,980,000 shares of the Company as at 31 March 2014. Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in the Group, it was agreed that all decisions must be subject to unanimous decision of them unless such decisions so made would be in breach of any applicable laws or regulations. By virtue of such arrangements, each of Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is taken to be interested in the shares in which BSEL is interested and the Shareholders, as beneficial owner of the Company, are interested pursuant to section 318 of the SFO.

Pursuant to a shareholders' agreement between the Shareholders and BSEL dated 25 November 2011, 50% of the shares of the Company held by BSEL were distributed from BSEL to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL on 5 September 2013. The remaining 50% of the Company's shares held by BSEL were distributed to the Shareholders in proportion to the Shareholders' respective shareholding in BSEL on 9 May 2014. Thereafter, all the shares of the Company held by BSEL had been transferred to the Shareholders.

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

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

Saved as disclosed above, as at 31 March 2014, 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Saved as disclosed in the note 32 to the consolidated financial statements and in the section "Continuing Connected Transactions", no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, the Directors of the Company, and their respective associates, are interested in OTO Bodycare Pte. Ltd. ("OTO Singapore") and OTO Bodycare Sdn. Bhd. ("OTO Malaysia"). OTO Singapore is principally engaged in the retail sales of health and wellness products in Singapore while OTO Malaysia is principally engaged in the retail sales of health and wellness products in Malaysia. During the Reporting Year, 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.

On 1 October 2013, the Group and OTO Malaysia entered into the Sales and Purchase Agreement, pursuant to which the Group agreed to acquire and OTO Malaysia agreed to sell the business in Malaysia operated by OTO Malaysia. OTO Malaysia ceased its business in Malaysia after the acquisition.

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 Reporting Year 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 2014, 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	103,980,000	32.5%
Ms. Yap Hui Meng (note 2)	Interest of spouse	203,514,000	63.7%
Ms. Yeo Bee Lian (note 2)	Interest of spouse	203,514,000	63.7%
Ms. Yeo Lang Eng (note 2)	Interest of spouse	203,514,000	63.7%
Ms. Tan Swee Geok (note 2)	Interest of spouse	203,514,000	63.7%
Mr. Tan Geng 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	92,393,852	28.9%
	Total	203,514,000	63.7%
Ms. Lee Lay Hoon (note 2)	Interest of spouse	203,514,000	63.7%
Ms. Chua Siew Hun (note 1)	Interest of controlled corporation	103,980,000	32.5%
	Beneficial owner	2,140,148	0.7%
	Interests of parties to an agreement to acquire interests of the Company	97,393,852	30.5%
	Total	203,514,000	63.7%
Dr. Lim Kim Show (note 2)	Interest of spouse	203,514,000	63.7%

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 103,980,000 shares of the Company as at 31 March 2014. Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of them, from 1 April 2008, in the process of decision-making in the shareholders' meeting of each company in the Group, it was agreed that all decisions must be subject to unanimous decision of them unless such decisions so made would be in breach of any applicable laws or regulations. By virtue of such arrangements, each of Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie, Mr. Yip Chee Way, David, Mr. Yep Gee Kuarn, Mr. Tan Beng Gim and Ms. Chua Siew Hun is taken to be interested in any Shares in which BSEL is interested and the Shareholders, as beneficial owner of the Company, are 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 and the total shares owned by the Shareholders as beneficial owner of the Company 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 2014, the Directors were not aware of any persons, other than a Director or a chief executive of the Company, who had or were deemed or taken to have interests or short positions in shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Share Option Scheme") on 25 November 2011 for the purpose of recognizing and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors may, at its absolute discretion, invite any person belonging to any of the following classes or participants, to take up options to subscribe for shares:

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

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

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

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

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

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

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

(h) any other group of classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The Directors were authorized to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on the day on which trading of the shares commenced on the main board of the Stock Exchange, being 32,000,000 shares.

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

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

SHARE OPTIONS

On 29 January 2014, the Company granted 3,180,000 share options to the directors and certain employees of the Group under the Share Option Scheme.

Details of the movements in share options to subscribe for shares in the Company under the Share Option Scheme during the Reporting Year are set out below:

				Number of Share Options				
Grantees	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2014
Directors								
Mr. Yip Chee Seng	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	95,400	—	—	95,400
		29.1.2015 – 28.1.2017	0.62	—	127,200	—	—	127,200
		29.1.2016 – 28.1.2017	0.62	—	95,400	—	—	95,400
Mr. Yep Gee Kuarn	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	95,400	—	—	95,400
		29.1.2015 – 28.1.2017	0.62	—	127,200	—	—	127,200
		29.1.2016 – 28.1.2017	0.62	—	95,400	—	—	95,400
Mr. Yip Chee Lai, Charlie	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	90,000	—	—	90,000
		29.1.2015 – 28.1.2017	0.62	—	120,000	—	—	120,000
		29.1.2016 – 28.1.2017	0.62	—	90,000	—	—	90,000
Mr. Yip Chee Way, David	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	90,000	—	—	90,000
		29.1.2015 – 28.1.2017	0.62	—	120,000	—	—	120,000
		29.1.2016 – 28.1.2017	0.62	—	90,000	—	—	90,000
Mr. Chan Yip Keung	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	44,400	—	—	44,400
		29.1.2015 – 28.1.2017	0.62	—	59,200	—	—	59,200
		29.1.2016 – 28.1.2017	0.62	—	44,400	—	—	44,400

				Number of Share Options				
Grantees	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2014
Mr. Chung Kin Fai	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	44,400	—	—	44,400
		29.1.2015 – 28.1.2017	0.62	—	59,200	—	—	59,200
		29.1.2016 – 28.1.2017	0.62	—	44,400	—	—	44,400
Ms. Lo Yee Hang	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	44,400	—	—	44,400
		29.1.2015 – 28.1.2017	0.62	—	59,200	—	—	59,200
		29.1.2016 – 28.1.2017	0.62	—	44,400	—	—	44,400
Other employees	29.1.2014	29.1.2014 – 28.1.2017	0.62	—	450,000	—	—	450,000
		29.1.2015 – 28.1.2017	0.62	—	600,000	—	—	600,000
		29.1.2016 – 28.1.2017	0.62	—	450,000	—	—	450,000
				—	3,180,000	—	—	3,180,000

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased or sold any of the listed securities of the Company and the Company has not redeemed any of its shares of the Company during the Reporting Year.

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 Reporting Year and up to the date of this report.

CONTINUING CONNECTED TRANSACTIONS

(a) Exempted continuing connected transactions

During the Reporting Year, 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. During the Reporting Year, the landlords agreed to extend the tenancy for two months at a monthly rental of HK$12,000. 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 Reporting Year, the total amount of rental paid by the Group was HK$48,000 (2013: HK$144,000).

The details of the transactions during Reporting Year are set out in note 32 to the consolidated financial statements.

Trade purchases from OTO Singapore

During the Reporting Year, the Group purchased certain finished goods from OTO Singapore amounting approximately HK$805,000 at cost plus a mark-up of 15% for freight and handling charges. In the opinion of the Directors, the above transactions were conducted in the normal course of business and based on the terms mutually determined and agreed by the respective parties.

The details of the transactions during the Reporting Year are set out in note 32 to the consolidated financial statements.

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

During the Reporting Year, 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 with own approximately 100.0% of the issued share capital in OTO Singapore, and that Mr. Yep Gee Kuarn, the 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 and Mr. Yep Gee Kuarn, the Executive Directors of the Company, together directly own approximately 100.0% respectively 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 Reporting Year, the total amount of R&D Expenses borne by the Group was approximately HK$1,995,000 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 on 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 Reporting Year are set out in note 32 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 2014 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 32 to the consolidated financial statements, and saved as disclosed in "Continuing Connected Transactions" above, none of which constitutes a connected transaction as defined under 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 Reporting Year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the company has complied with the Corporate Governance Code (the "CG code") (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the Reporting Year. The Corporate Governance Report is set out on pages 35 to 44 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 2014.

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 on 5 August 2014.

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Thursday, 31 July 2014 to Tuesday, 5 August 2014, 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 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 30 July 2014.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

Following the approval of the proposed final dividend at the AGM, the register of members of the Company will be closed from Monday, 11 August 2014 to Thursday, 14 August 2014, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, 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 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 8 August 2014.

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

Hong Kong, 17 June 2014

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 increasingly 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 2014 (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 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 Model Code during the Reporting Year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board oversees the Group's businesses, strategic decisions, internal control, risk management systems and monitors 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 four executive Directors namely, Mr. Yip Chee Seng (Chairman), Mr. Yip Chee Lai, Charlie (Chief Executive Officer), Mr. Yip Chee Way, David and, 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 financial management expertise.

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

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

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. Yip Chee Seng, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David shall retire from office by rotation at the forthcoming AGM. Mr. Yip Chee Seng, Mr. Yip Chee Lai, Charlie and Mr. Yip Chee Way, David, being eligible, will offer themselves for re-election.

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

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

DIRECTORS' ATTENDANCE RECORDS

Eight 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)*	8/8	—	—	—
Mr. Yip Chee Lai, Charlie *(Chief Executive Officer)*	8/8	—	—	—
Mr. Yip Chee Way, David	6/8	—	—	—
Mr. Yep Gee Kuarn (Note)	8/8	—	—	2/2
Independent non-executive Directors				
Mr. Chan Yip Keung	8/8	2/2	1/1	—
Mr. Chung Kin Fai	8/8	2/2	1/1	2/2
Ms. Lo Yee Hang	8/8	2/2	1/1	2/2

The attendance of the Directors at the Annual General Meeting held on 29 July 2013 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
Mr. Yep Gee Kuarn (Note)	1/1
Independent non-executive Directors	
Mr. Chan Yip Keung	1/1
Mr. Chung Kin Fai	1/1
Ms. Lo Yee Hang	1/1

Note:

Mr. Yep Gee Kuarn was redesignated from a Non-executive Director to an Executive Director of the Company on 25 November 2013.

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 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 professional. The Directors will continue to undergo training that may be required from time to time keeping abreast with latest changes in laws, regulations and the business environment.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee 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 2014, including the accounting principles and practice adopted by the Group.

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 annual results of the Group for the year ended 31 March 2013;

ii. reviewed the interim results of the Group for six months ended 30 September 2013; and

iii. reviewed the financial status and performance and internal control issues of the Group.

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.

All Directors do not participate in determining their own remuneration.

Details of the Directors' remuneration for the Reporting Year are set out in note 13 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policy" section contained in the Management Discussion and Analysis on page 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.

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 2014 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 the Reporting Year. The Company's accounts are prepared in accordance with all relevant statutory requirements and suitable accounting standards.

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

A statement from the auditor about its reporting responsibilities on the financial statements is set out on page 50 of this annual report.

Independent Auditor's Remuneration

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

	Fee paid/payable HK$'000
Annual audit services	1,300
Non-audit services:	
Review of interim results	300
Total	1,600

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 staffs with appropriate qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the Reporting Year.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries, Mr. Tam Ka Tung and Mr. Kwok Siu Man (in place of Ms. Lim Yi Ping who resigned with effect from 30 September 2013), are responsible for 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. Tam Ka Tung is set out in the "Biographies of Board of Directors and Senior Management" section in this annual report while Mr. Kwok Siu Man 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. Tam Ka Tung, who is also the Group Financial Controller.

According to Rule 3.29 of the Listing Rules, Mr. Tam Ka Tung has taken no less than 15 hours or the relevant professional training during the Reporting Year.

As Mr. Kwok Siu Man was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at substantial times since then, he was not required to have at least 15 hours of relevant continuous professional development training during the Reporting Year under the Listing Rules.

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. 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.

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.

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

Procedures for shareholders to convene an Extraordinary General Meeting

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

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 26th Floor, Pacific Plaza, 410 Des Voeux road West, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders.
- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.
- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for shareholders to put forward proposals at shareholders' meetings

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

Procedures for sending enquiries to the Board

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

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

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

EXECUTIVE DIRECTORS

Mr. Yip Chee Seng ("Mr. CS Yip"), aged 64, 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 55, 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 52, 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.

Mr. Yep Gee Kuarn ("Mr. GK Yep"), aged 71, is an executive Director of the Company. Mr. GK Yep was appointed as a non-executive Director on 11 February 2011 and redesignated as an executive director on 25 November 2013. He is a co-founder of the Group and responsible for the Group's strategic development and providing input on human resource matters in his capacity as a member of the nomination committee.

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 48, 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 45, was appointed as an independent non-executive Director of the Company on 25 November 2011. He is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. He is currently a director and the sole owner of Capital Market Advisors Limited, which has been providing investor relations and business advisory services. Mr. Chung obtained Bachelor of Business Administration Degree (with honours) from The Chinese University of Hong Kong in December 1990. He graduated with Master of Business Administration Degree from Monash University in July 1993. Mr. Chung was admitted as a certified practising accountant of CPA Australia and a member of the Institute of Certified Public Accountants of Singapore in October 1996 and March 2010, respectively. He was first qualified as a Chartered Financial Analyst awarded by CFA Institute in September 2000. He became a regular member of CFA Singapore and a member of the Hong Kong Society of Financial Analysts in April 2000 and May 2009, respectively.

Mr. Chung joined Arthur Andersen & Co. in July 1990 as a staff accountant and left in June 1991. Between July 1991 and July 1993, he pursued his Master of Business Administration studies in Australia. He returned to Hong Kong in October 1993 and joined Shui On Investment Company Limited as a corporate review officer and was promoted to assistant manager — corporate finance in April 1995. He left in September 1995 and joined Sun International Limited as their group financial controller until June 1996.

Mr. Chung joined J.M. Sassoon & Co (Pte.) Ltd. in Singapore in October 1996 as their investment analyst. In May 2000, he was seconded to their Hong Kong office as their head of research and general manager. He returned to the Singapore headquarters in March 2001. In March 2003, he left J.M. Sassoon & Co (Pte.) Ltd. and returned to Hong Kong to establish, with some other business partners, a company called JC Premier Capital Limited, which carried on the business of providing corporate finance advice and consultancy services. In July 2004, he joined Luen Fat Securities Company Limited as their managing director until December 2005. In August 2006, Mr. Chung established Financial PR HK Limited (currently known as Capital Market Advisors Limited) with another business partner, which was in the business of investor relations and business advisory services. In November 2008, he acquired the entire interest in that company and became its sole shareholder.

Mr. Chung has experience in areas of corporate finance, financial accounting, internal audit, equity research and securities trading.

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

Ms. Lo Yee Hang, aged 38, 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. Tam Ka Tung, aged 31, joined the Group in 2012 as the Group Accountant and was appointed as the Group Financial Controller and Joint Company Secretary in July 2013. His responsibilities include overseeing the financial, accounting and taxation aspects of the Group. Mr. Tam is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Tam holds a bachelor degree in Accounting and Financial Management from the University of Hull and a master degree in Finance and Investment from the University of Nottingham. 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.

Ms. Siu Yuet Tong, aged 37, 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 51, 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 45, 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.

Deloitte.
德勤

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

We have audited the consolidated financial statements of OTO Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 111, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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 predecessor Hong Kong Companies Ordinance, Cap. 32, 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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance, Cap. 32.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	7	**339,700**	259,201
Other income	8	**10,126**	6,549
Other gains and losses	9	**541**	(1,771)
Changes in inventories of finished goods		**7,268**	4,000
Finished goods purchased		**(120,305)**	(91,186)
Staff costs		**(71,046)**	(52,049)
Depreciation expense		**(6,827)**	(3,595)
Finance costs	10	**(344)**	(350)
Other expenses		**(147,416)**	(117,083)
Profit before tax	11	**11,697**	3,716
Income tax expense	12	**(2,975)**	(1,670)
Profit for the year		**8,722**	2,046
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(30)**	(155)
Total comprehensive income for the year		**8,692**	1,891
Earnings per share	16		
Basic (HK$)		**0.03**	0.01
Diluted (HK$)		**0.03**	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	NOTES	31.3.2014 HK$'000	31.3.2013 HK$'000
Non-current assets			
Property, plant and equipment	17	**14,216**	10,336
Investment property	18	**9,290**	7,650
Deferred tax assets	19	**966**	888
Deposit placed at an insurance company	23	**3,061**	3,061
Utility and other deposits paid		**4,065**	9,145
		31,598	31,080
Current assets			
Inventories	20	**18,510**	11,242
Trade and other receivables	21	**49,712**	39,865
Amounts due from related parties	22	**978**	386
Tax recoverable		**3,298**	2,930
Pledged bank deposits	23	**18,111**	17,984
Bank balances and cash	23	**211,636**	200,013
		302,245	272,420
Current liabilities			
Trade and other payables	24	**44,816**	28,476
Amount due to a related party	22	**127**	—
Obligations under finance leases	25	**186**	179
Tax payable		**3,139**	878
Bank borrowings	26	**14,838**	11,990
		63,106	41,523
Net current assets		**239,139**	230,897
Total assets less current liabilities		**270,737**	261,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	NOTES	31.3.2014 HK$'000	31.3.2013 HK$'000
Capital and reserves			
Share capital	27	**24,928**	24,928
Reserves		**245,646**	236,701
		270,574	261,629
Non-current liability			
Obligations under finance leases	25	**163**	348
		270,737	261,977

The consolidated financial statements on pages 52 to 111 were approved and authorised for issue by the Board of Directors on 17 June 2014 and are signed on its behalf by:

Yip Chee Seng
DIRECTOR

Yip Chee Lai, Charlie
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000 (Note)	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2012	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 (note 15)	—	—	—	—	—	—	—	—	(7,616)	(7,616)
At 31 March 2013	24,928	227,643	32	—	(48)	(128,447)	393	180	136,948	261,629
Profit for the year	—	—	—	—	—	—	—	—	8,722	8,722
Other comprehensive expense for the year – exchange difference arising on translation	—	—	—	—	(30)	—	—	—	—	(30)
Total comprehensive (expense) income for the year	—	—	—	—	(30)	—	—	—	8,722	8,692
Recognition of share-based payments	—	—	—	253	—	—	—	—	—	253
Expiry of warrants	—	—	—	—	—	—	—	(180)	180	—
At 31 March 2014	24,928	227,643	32	253	(78)	(128,447)	393	—	145,850	270,574

Note: The Article of Association of 騰多商貿(上海)有限公司 Dainty (Shanghai) Co., Ltd. ("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 2014

	NOTE	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**11,697**	3,716
Adjustments for:			
Gain on fair value of investments at fair value through profit or loss		**—**	(45)
Depreciation of property, plant and equipment		**6,827**	3,595
Finance costs		**344**	350
Gain on fair value of investment property		**(1,640)**	(950)
Gain on disposal of property, plant and equipment		**—**	(166)
Loss on written off of property, plant and equipment		**—**	3,351
Share-based payment expense		**253**	—
Interest income		**(4,314)**	(1,982)
Operating cash flows before movements in working capital		**13,167**	7,869
Increase in inventories		**(4,314)**	(4,000)
Increase in trade and other receivables		**(3,448)**	(7,893)
Increase in amounts due from related parties		**(509)**	(190)
Increase in trade and other payables		**16,404**	6,707
Increase in utility and other deposits paid		**(412)**	(1,228)
Increase in amount due to a related party		**127**	—
Cash generated from operations		**21,015**	1,265
Hong Kong Profits Tax paid		**(1,140)**	(2,074)
Macau Complimentary Income Tax paid		**(767)**	(684)
PRC Enterprise Income Tax refunded (paid)		**795**	(1,168)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**19,903**	(2,661)
INVESTING ACTIVITIES			
Placement of bank deposits with original maturity over three months		**(39,056)**	—
Acquisition of business	28	**(5,126)**	—
Proceeds from redemption of equity-linked note		**—**	1,979
Interest received		**4,314**	1,937
Proceeds from disposal of property, plant and equipment		**—**	59
Additions of property, plant and equipment		**(9,506)**	(10,395)
Increase in pledged bank deposits		**(127)**	(2,066)
NET CASH USED IN INVESTING ACTIVITIES		**(49,501)**	(8,486)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014	2013
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Dividend paid	**—**	(7,616)
Repayment of obligations under finance leases	**(178)**	(157)
Interest paid	**(344)**	(350)
Increase (decrease) in trust receipt loans	**2,848**	(791)
Repayment of bank loans	**—**	(1,044)
Proceeds from issue of warrants	**—**	180
Payments of share repurchase	**—**	(199)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,326**	(9,977)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,272)**	(21,124)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**200,013**	221,211
Effect of foreign exchange rate changes	**(66)**	(74)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**172,675**	200,013
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**211,636**	200,013
Bank deposits with original maturity over three months	**(38,961)**	—
	172,675	200,013

1. GENERAL

The Company was incorporated in the Cayman Islands on 20 January 2011 as an exempted company with limited liability under the Companies Law (2004 Revision), Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 - 1111, Cayman Islands and its principal place of business is located on 26th Floor, Pacific Plaza, 410 Des Voeux Road West, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prior to 5 September 2013, the parent and ultimate holding company of the Company was Brilliant Summit Enterprise Limited ("BSEL"), a company incorporated in the British Virgin Islands ("BVI") and collectively controlled by 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").

On 5 September 2013 and 13 May 2014 respectively, 50% of the Company's shares owned by BSEL (i.e. 103,980,000 shares) were transferred from BSEL to the Controlling Shareholders in proportion to their respective shareholding in BSEL, pursuant to a shareholders' agreement between the Controlling Shareholders and BSEL dated 25 November 2011. Thereafter, all the shares of the Company held by BSEL had been transferred to the Controlling Shareholders.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 37.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 Interests 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
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
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 Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised 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.

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see note 18 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the '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. Furthermore, 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet 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 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) - Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2016

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. 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 predecessor Hong Kong Companies Ordinance, Cap. 32.

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 at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses 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, except that:

- deferred tax assets or liabilities, and assets or liabilities 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 arrangements 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 (see the accounting policy below); 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. 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 properties 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. 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.

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 related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Financial assets 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.

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.

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 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 are recognised 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.

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 and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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 profit or loss and other 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 the 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets 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, rather than through sale.

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 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. When 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 (or a cash-generating unit) 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 immediately in profit or loss.

3. 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 activities (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 recognised in 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 recognised as an expense when employees have rendered service entitling them to the contributions.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

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 period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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.

The following are the 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 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 2014 amounting to HK$18,510,000 (2013: HK$11,242,000).

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 profit or loss and other comprehensive income. The carrying amount of investment property as at 31 March 2014 amounting to HK$9,290,000 (2013: HK$7,650,000).

5. 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 debts, 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**270,909**	255,489
Financial liabilities		
Liabilities at amortised cost	**47,320**	35,301

(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 and interest rate 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(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, bank borrowings 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**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar ("US$")	**5,743**	11,312	**24,997**	20,330
HK$	**19,218**	3,964	**—**	—
Renminbi ("RMB")	**134,088**	41,069	**257**	—
Singapore dollar ("SGD")	**3,214**	10,405	**138**	—
Japanese Yen ("JPY")	**—**	—	**—**	323

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(i) Foreign currency risk (Continued)

Sensitivity analysis

As US$ and Macau Pataca ("MOP") are pegged to HK$, the sensitivity analysis does not include US$ denominated assets and liabilities 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% (2013: 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% (2013: 10%) change in foreign currency rates. The following table indicates the impact to the profit after tax where HK$ strengthens 10% (2013: 10%) against the respective foreign currencies. For a 10% (2013: 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**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Decrease) increase in profit after tax	**(11,175)**	(3,429)	**(257)**	(869)	**—**	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.

6. 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 bank deposits (note 23) and fixed-rate obligations under finance leases (note 25). 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 Rate 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 (2013: 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 (2013: 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:

	2014 HK$'000	2013 HK$'000
Decrease in profit after tax	**(62)**	(50)

If interest rates had been 50 basis points (2013: 50 basis points) lower and all other variables were held constant, there would be an equal and opposite impact on the profit after tax.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) 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 56% (2013: 45%) 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) 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 31.3.2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2014						
Non-derivative financial liabilities						
Trade and other payables	—	32,355	—	—	32,355	32,355
Amount due to a related company	—	127	—	—	127	127
Bank borrowings at variable interest rate	2.21	14,838	—	—	14,838	14,838
Obligations under finance leases	3.58	52	158	172	382	348
		47,372	158	172	47,702	47,668

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) 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 31.3.2013 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

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 2014 and 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$14,838,000 and HK$11,990,000 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 2015 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 2014 will amount to HK$14,893,000 (2013: HK$12,042,000).

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.

6. 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.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received or receivable for the sales of health and wellness products, net of sales 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 four geographical locations, Hong Kong, Macau, PRC and Malaysia (2013: Hong Kong, Macau and PRC). Segment information in Malaysia is presented for the current year upon the acquisition of business from OTO Bodycare Sdn. Bhd. ("OTO Malaysia") in October 2013, details of which are set out in note 28.

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments, i.e. the four (2013: three) geographical locations as mentioned above, for the year:

Year ended 31 March 2014

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Malaysia HK$'000	Total HK$'000
Revenue					
External sales	181,057	34,802	112,896	10,945	339,700
Inter-segment sales	12,348	—	—	237	12,585
Segment revenue	193,405	34,802	112,896	11,182	352,285
Elimination					(12,585)
Group revenue					339,700
Segment profit	28,013	11,715	21,188	820	61,736
Unallocated administrative expenses					(54,550)
Other gains and losses					541
Interest income					4,314
Finance costs					(344)
Profit before tax					11,697
Income tax expense					(2,975)
Profit for the year					8,722

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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 3. 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.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Other information

Year ended 31 March 2014

	Hong Kong HK$'000	Macau HK$'000	PRC HK$'000	Malaysia HK$'000	Total HK$'000
Depreciation expense	**3,192**	**13**	**3,385**	**237**	**6,827**
Additions to property, plant and equipment	**5,169**	**—**	**4,195**	**1,428**	**10,792**

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 a property, plant and equipment	(3,351)	—	—	(3,351)

(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:

	2014 HK$'000	2013 HK$'000
Relaxation products	**269,723**	202,752
Fitness products	**59,999**	44,116
Therapeutic products	**6,847**	8,970
Diagnostic products	**3,131**	3,363
	339,700	259,201

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

(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.

	2014	2013
	HK$'000	HK$'000
Hong Kong	**21,805**	23,232
Macau	**47**	476
PRC	**4,122**	3,422
Malaysia	**1,597**	—
Total assets	**27,571**	27,130

(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.

8. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Repair income	**1,816**	1,480
Delivery income	**3,499**	2,418
Bank interest income and interest income from deposit placed at an insurance company	**4,314**	1,982
Warranty income	**28**	1
Rental income	**229**	192
Other service income	**160**	160
Compensation income	**9**	31
Sundry income	**71**	285
	10,126	6,549

9. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Gain from changes in fair value of investment property	**1,640**	950
Net exchange (loss) gain	**(1,099)**	419
Gain on disposal of property, plant and equipment	**—**	166
Loss on written off of property, plant and equipment	**—**	(3,351)
Gain from changes in fair value of investments at fair value through profit or loss	**—**	45
	541	(1,771)

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**313**	317
Finance leases	**31**	33
	344	350

11. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Profit before tax has been arrived at after charging:		
Auditors' remuneration	**1,300**	1,050
Cost of inventories recognised as an expense	**113,037**	87,186
Depreciation for property, plant and equipment	**6,910**	3,625
– Shared by related companies as part of the research and development expenditure	**(83)**	(30)
– Shared by the Group	**6,827**	3,595
Staff retirement benefit costs (including directors' retirement benefit scheme contribution)	**4,115**	2,757
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	**28,159**	23,699
– Contingent rent	**48,604**	37,431
Share-based payment expenses (included in staff costs)	**253**	—
Research and development expenditure		
– Included in staff costs	**1,522**	1,207
– Included in depreciation expense	**523**	130
– Included in other expenses	**326**	283
	2,371	1,620
Research and development expenditure shared by related companies (note 32)		
– Staff costs	**(241)**	(288)
– Depreciation expense	**(83)**	(30)
– Other expenses	**(52)**	(68)
	(376)	(386)
Research and development expenditure shared by the Group	**1,995**	1,234

12. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong Profits Tax	—	1,262
Macau Complimentary Income Tax	**1,166**	877
PRC Enterprise Income Tax	**1,887**	—
	3,053	2,139
(Over) underprovision of taxation in prior years:		
Hong Kong Profits Tax	—	224
Macau Complimentary Income Tax	—	(89)
PRC Enterprise Income Tax	—	(730)
	—	(595)
Deferred tax (note 19)	**(78)**	126
	2,975	1,670

No Hong Kong Profits Tax is provided for the current year as the subsidiary operating in Hong Kong incurred tax loss for the year. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2013.

The Macau Complimentary Income Tax is calculated at 12% of the estimated assessable profit exceeding MOP300,000 (2013: progressively at rates ranging from 3% to 12% of the estimated assessable profit exceeding MOP200,000).

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

Taxable income of the subsidiary in Malaysia is subject to corporate tax at the rate of 25%. No Malaysia Corporate Income Tax is provided for the current year as the subsidiary operating in Malaysia incurred tax loss for the year.

12. INCOME TAX EXPENSE *(Continued)*

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**11,697**	3,716
Tax at Hong Kong Profits Tax rate of 16.5%	**1,930**	613
Tax effect of income not taxable for tax purposes	**(895)**	(956)
Tax effect of expenses not deductible for tax purposes	**1,053**	1,116
Tax effect on tax exemption	**(35)**	(24)
Tax effect of tax loss not recognised	**629**	1,030
Tax effect on different tax rate of operations in other jurisdictions	**206**	297
Overprovision of taxation in prior years	**—**	(595)
Others	**87**	189
Income tax expense for the year	**2,975**	1,670

Details of deferred taxation are set out in note 19.

13. DIRECTORS' EMOLUMENTS

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

	Year ended 31 March 2014					
	Fee HK$'000	Salary and other benefits HK$'000	Performance related incentive payments HK$'000 (Note 1)	Retirement benefits scheme contributions HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Mr. Yip Chee Seng	—	3,148	—	—	25	3,173
Mr. Yip Chee Lai, Charlie	—	2,733	936	15	24	3,708
Mr. Yip Chee Way, David	—	1,448	190	—	24	1,662
Mr. Yep Gee Kuarn	67	671	—	—	25	763
Mr. Chan Yip Keung	270	—	—	—	12	282
Mr. Chung Kin Fai	220	—	—	—	12	232
Ms. Lo Yee Hang	220	—	—	—	12	232
	777	8,000	1,126	15	134	10,052

13. DIRECTORS' EMOLUMENTS *(Continued)*

	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	Share-based payments 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

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.

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 2014 and 2013.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: three) were the directors of the Group during the year, whose emoluments are included in note 13 above. The emoluments of remaining two (2013: two) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Salary and other benefits	**1,592**	2,053
Performance related bonus	**887**	—
Share-based payments	**23**	—
Total emoluments	**2,502**	2,053

Their emoluments were within the following bands:

	2014 HK$'000	2013 HK$'000
Less than HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	—
	2	2

During the years ended 31 March 2014 and 2013, 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.

15. DIVIDEND

	2014 HK$'000	2013 HK$'000
Dividend recognised as distribution during the year:		
2012 Final – HK cents 0.950 per share	—	3,040
2012 special dividend – HK cents 1.430 per share	—	4,576
	—	7,616

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2014 of HK cents 0.814 (2013: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	8,722	2,046
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	319,594	319,870
Effect of dilutive potential ordinary shares in respect of share options	18	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	319,612	319,870

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

17. 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 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
Additions	—	—	3,254	—	6,252	9,506
Acquired on acquisition of business (note 28)	—	—	568	194	524	1,286
Exchange adjustments	—	—	(2)	(3)	(23)	(28)
At 31 March 2014	1,091	4,250	13,571	1,628	23,156	43,696
DEPRECIATION						
At 1 April 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
Provided for the year	44	94	1,116	310	5,346	6,910
Exchange adjustments	—	—	11	—	(37)	(26)
At 31 March 2014	830	1,793	9,682	1,219	15,956	29,480
CARRYING VALUES						
At 31 March 2014	261	2,457	3,889	409	7,200	14,216
At 31 March 2013	305	2,551	1,196	528	5,756	10,336

17. 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 carrying value of motor vehicles includes an amount of HK$250,000 (2013: HK$528,000) 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.

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 April 2012	6,700
Increase in fair value	950
At 31 March 2013	7,650
Increase in fair value	1,640
At 31 March 2014	9,290

The Group's property interest held under operating lease to earn rentals or for capital appreciation purpose is measured using fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property at 31 March 2014 and 2013 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.

18. INVESTMENT PROPERTY *(Continued)*

The fair value of the property was determined based on the direct comparison approach. In the valuation, which falls under Level 3 of the fair value hierarchy, market unit rate, taking into account the floor level, view, size and building age, is one of the key inputs. The higher the market unit rate, the higher the fair value, and vice versa. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into or out of Level 3 during the year.

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

19. DEFERRED TAX ASSETS

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

	Depreciation in excess of tax allowance on property, plant and equipment	**Fair value adjustments on customer loyalty programmes**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 April 2012	1,003	11	1,014
(Charge) credit to profit or loss	(127)	1	(126)
As at 31 March 2013	876	12	888
(Charge) credit to profit or loss	(40)	118	78
As at 31 March 2014	836	130	966

As at 31 March 2014, the Group has unused tax losses of HK$3,814,000 available for offset against future assessable profits. No deferred tax asset has been recognised due to the unpredictability of future assessable profit streams. The tax losses may be carried forward indefinitely.

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 is HK$4,179,000 (2013: HK$Nil). 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.

20. INVENTORIES

All inventories represent finished goods held for resale.

21. TRADE AND OTHER RECEIVABLES

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**34,682**	32,474
Prepayments	**3,736**	3,342
Other receivables	**2,441**	1,571
Utility and other deposits	**8,853**	2,478
	49,712	39,865

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 presented based on the invoice date at the end of the reporting period:

	2014 **HK$'000**	2013 HK$'000
0 - 30 days	**27,345**	21,293
31 - 60 days	**4,413**	5,679
61 - 90 days	**2,202**	3,099
Over 90 days	**722**	2,403
	34,682	32,474

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 2014, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,857,000 (2013: HK$9,149,000) 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.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2014	2013
	HK$'000	HK$'000
1 - 30 days	**3,571**	6,399
31 - 60 days	**1,723**	2,043
61 - 90 days	**139**	199
Over 90 days	**424**	508
	5,857	9,149

As at 31 March 2014 and 2013, 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.

22. AMOUNTS DUE FROM (TO) RELATED PARTIES

	Notes	**2014**	2013
		HK$'000	HK$'000
Amount due from			
OTO Malaysia	i	**657**	93
OTO Bodycare Pte. Ltd. ("OTO Singapore")	ii	**321**	293
		978	386
Amount due to			
OTO Singapore	ii	**127**	—

Notes:

(i) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are shareholders of OTO Malaysia in which hold 45.8% and 54.2% interest respectively. Included in the amount due from OTO Malaysia is an amount of HK$602,000 (2013: Nil) which arose from collection of payments by OTO Malaysia on behalf of the Group and is considered as non-trade in nature. The amount is repayable on demand and the maximum amount outstanding during the year was HK$602,000.

The remaining amount is trade in nature and repayable within 30 days.

(ii) Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hua 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 in nature and repayable within 30 days.

23. DEPOSIT PLACED AT AN INSURANCE COMPANY/PLEDGED BANK DEPOSITS/ BANK BALANCES AND CASH

Deposit placed at an insurance company carries interest rate of 4% (2013: 4%) per annum and will mature in 2016.

Pledged bank deposits carry interest rates ranging from 0.25% to 3.3% (2013: 0.1% to 3.25%) per annum.

Deposits amounting to HK$18,111,000 (2013: HK$17,984,000) 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 rates ranging from 0.12% to 0.41% (2013: 0.08% to 0.51%) per annum and fixed interest rates ranging from 2.85% to 3.35% (2013: 0.25% to 0.38%) per annum.

Bank deposits with original maturity over three months carry fixed interest rates ranging from 3.05% to 3.3% (2013: Nil) per annum.

24. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	HK$'000
Trade payables	**18,477**	12,620
Receipts in advance	**4,634**	3,920
Accruals	**10,931**	8,493
Others (note)	**10,774**	3,443
	44,816	28,476

Note: Includes HK$811,000 (2013: HK$215,000) deferred revenue in relation to customer loyalty programmes.

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

	2014	2013
	HK$'000	HK$'000
0 - 30 days	**11,682**	9,246
31 - 60 days	**3,771**	2,575
61 - 90 days	**2,964**	799
Over 90 days	**60**	—
	18,477	12,620

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

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**210**	210	**186**	179
In more than one year but not more than two years	**172**	382	**163**	348
	382	592	**349**	527
Less: Future finance charges	**(33)**	(65)	**N/A**	N/A
Present value of lease obligations	**349**	527	**349**	527
Less: Amounts due within one year shown under current liabilities			**(186)**	(179)
Amounts due after one year shown as non-current liability			**163**	348

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 2014 is 3.58% (2013: 3.59%) per annum. Interest rate is fixed and ranged from 3.5% to 3.75% (2013: 3.5% to 3.75%) on the contract date. The leases 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.

26. BANK BORROWINGS

	2014	2013
	HK$'000	HK$'000
Secured trust receipt loans	**14,838**	11,990
Carrying amount of bank borrowings that contain a repayment on demand clause and are repayable within one year	**14,838**	11,990

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

	2014	2013
	HK$'000	HK$'000
Variable rates:		
—Best Lending Rate plus margin	**721**	712
—LIBOR plus 1.75% to 2.25%	**13,618**	9,491
—Standard Bills Rates	**499**	1,787
	14,838	11,990

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

	2014	2013
Variable rate borrowings	**1.98% - 6.02%**	1.85% - 5.44%

The Group's borrowings are denominated in US$ (2013: JPY and US$).

27. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.01 each		
Authorised:		
At 1 April 2012, 31 March 2013 and 31 March 2014	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
Shares repurchased and cancelled	(406,000)	(4,060)
At 31 March 2013 and 2014	319,594,000	3,195,940

	2014 HK$'000	2013 HK$'000
Presented as	**24,928**	24,928

In December 2012, 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** HK$	**Lowest price paid per share** HK$	**Aggregate consideration paid** HK$'000
December, 2012	406,000	0.50	0.48	199

The above shares were cancelled upon repurchase.

28. ACQUISITION OF BUSINESS

On 1 October 2013, OTO Wellness Sdn. Bhd. ("OTO Wellness"), a subsidiary of the Company, entered into a sales and purchase agreement with OTO Malaysia, pursuant to which OTO Wellness agreed to acquire and, OTO Malaysia agreed to sell, the business in Malaysia operated by OTO Malaysia (the "Target Business") for an aggregate consideration of RM2,127,000 (equivalent to approximately HK$5,126,000), which was determined with reference to the carrying amount of the acquired assets of the Target Business as at the date of acquisition.

The carrying amount of the acquired assets of the Target Business comprised:

	HK$'000
Property, plant and equipment	1,286
Inventories	2,970
Deposits	870
	5,126

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of a valuation carried out on 1 October 2013 by Roma Appraisals Limited, independent qualified professional valuers not connected with the Group. Since the difference between the consideration and the fair value of the identifiable assets acquired and liabilities assumed was minimal, no goodwill was recognised from the acquisition.

Net cash outflow on acquisition of business:

	HK$'000
Cash consideration paid	5,126

Details of the acquisition are set out in the announcement of the Company dated 2 October 2013.

Revenue of HK$10,945,000 and loss of HK$133,000 attributable to the Target Business for the period from the acquisition date to 31 March 2014 was consolidated in the Group's profit and loss for the year ended 31 March 2014.

Had the acquisition been completed on 1 April 2013, total group revenue for the year would have been HK$349,128,000, and profit for the year would have been HK$9,822,000. 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 2013, nor is it intended to be a projection of future results.

29. 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.

30. PLEDGE OF ASSETS

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

	2014 HK$'000	2013 HK$'000
Leasehold land and buildings		
– included in property, plant and equipment	**2,718**	2,856
Investment property	**9,290**	7,650
Bank deposits	**18,111**	17,984
	30,119	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 as disclosed in note 17.

31. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, an investment property was let out under an operating lease. Gross rental income earned during the year is HK$229,000 (2013: HK$192,000).

At the end of the reporting period, the Group had contracted with a tenant for the future minimum lease payments of HK$Nil (2013: HK$229,000) under a non-cancellable operating lease which fall due within one year.

Lease is negotiated and rental is fixed for a term 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:

	2014 HK$'000	2013 HK$'000
Within one year	**32,275**	26,872
In the second to fifth years inclusive	**6,779**	12,203
	39,054	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.

32. RELATED PARTY DISCLOSURES

Other than those balances and transactions disclosed in notes 22 and 28, during the year the Group entered into following transactions with related parties:

Name of related parties	Nature of transaction	2014 HK$'000	2013 HK$'000
OTO Singapore	Trade purchases	**805**	—
	Share of research and development expenses	**321**	293
OTO Malaysia	Share of research and development expenses	**55**	93
Mr. Yip Chee Lai, Charlie	Rental expenses	**48**	144

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 year, the landlords agreed to extend the tenancy for two months at a monthly rental of HK$12,000.

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/to related parties are disclosed in the consolidated statement of financial position and in note 22.

The compensation to key management personnel comprises only the directors' emoluments, details of which are disclosed in note 13.

33. 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.

The employees employed in Malaysia are members of Employees Provident Fund, a Malaysian government agency under the Ministry of Finance. The subsidiary established in Malaysia is required to contribute 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 2014 and 2013, the Group had no significant obligation apart from the contribution as stated above.

34. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution in writing passed by all the shareholders of the Company on 25 November 2011 for the primary purpose of recognising and acknowledging the contribution of the eligible participant had or may have made to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares of the Company.

On 29 January 2014, the Company granted 3,180,000 share options (the "Share Options"), to subscribe for the ordinary shares of the Company at a price of US$0.01 each in the capital under the Scheme.

The grant of Share Options comprised (i) 1,680,000 Share Options to the directors of the Company and (ii) 1,500,000 Share Options to certain members of the senior management and employees of the Company to subscribe for shares in the Company at HK$0.62 per share.

At 31 March 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 3,180,000 (2013: Nil), representing approximately 1% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date on which trading of the shares commenced on the Main Board of the Stock Exchange being 32,000,000 shares.

34. SHARE-BASED PAYMENTS *(Continued)*

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per eligible participant. Options may be exercised at any time during the exercise period as disclosed below. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the shares options are as follows:

	Date of Grant	Vesting period	Exercise period	Exercise Price	Exercise Date
Type I	29 January 2014	30%: exercisable on the date of grant	29.1.2014 to 28.1.2017	HK$ 0.62 per share	Any date within the exercise period
		40%: 29.1.2014 to 28.1.2015	29.1.2015 to 28.1.2017		
		30%: 29.1.2014 to 28.1.2016	29.1.2016 to 28.1.2017		

The following table discloses movement of the Company's share options held by directors and eligible employees during the year:

Option type	Outstanding at 1 April 2013	Granted during the year	**Outstanding at 31 March 2014**
Type I	—	3,180,000	**3,180,000**
Exercisable at the end of the year			**954,000**
Weighted average exercise price	—	HK$0.62	**HK$0.62**

During the year ended 31 March 2014, 3,180,000 share options were granted on 29 January 2014. The estimated fair value of the options granted on this date is HK$636,000.

34. SHARE-BASED PAYMENTS *(Continued)*

The fair values were calculated using the Binomial model. The inputs into the model were as follows:

	31 March 2014
Share price on the date of grant	**HK$0.62**
Exercise price	**HK$0.62**
Expected volatility	**48.468%**
Contractual life	**3 years**
Risk-free rate	**0.658%**
Expected dividend yield	**0.00%**
Option type	**Call**

Expected volatility was determined by using the historical price volatilities of Company's share price as at the date of valuation as extracted from Bloomberg.

Total consideration received during the year from employees, including the directors of the Company, for taking up the options granted was HK$18 (2013: Nil).

The Group recognised the total expenses of HK$253,000 for the year ended 31 March 2014 (2013: Nil) in relation to share options granted by the Company.

35. 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 had received HK$180,000 from the warrant holders upon issue of these warrants.

The warrant placing was completed on 19 October 2012. The warrants were classified as equity instrument of the Company and have no material effect on profit or loss of the Group. The warrants were expired on 19 October 2013, no warrant was exercised.

36. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 HK$'000	2013 HK$'000
Investments in subsidiaries	**132,087**	132,087
Prepayments and other receivables	**463**	537
Amounts due from subsidiaries	**27,141**	31,792
Bank balances and cash	**97,856**	95,423
Other payables and accrued expenses	**(1,069)**	(443)
Amounts due to subsidiaries	**(1,286)**	(1,286)
	255,192	258,110
Share capital	**24,928**	24,928
Reserves	**230,264**	233,182
	255,192	258,110

Movement of reserves

	Share premium HK$'000	Warrants reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 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 March 2013	227,643	180	32	—	5,327	233,182
Loss for the year	—	—	—	—	(3,171)	(3,171)
Recognition of share-based payments	—	—	—	253	—	253
Expiry of warrants	—	(180)	—	—	180	—
At 31 March 2014	227,643	—	32	253	2,336	230,264

37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries, all of which are wholly-owned by the Company, as at 31 March 2014 and 2013 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
			2014	2013	
OTO (BVI) Investment Limited	BVI 7 January 2011	US$16,252	**100%**	100%	Investment holding
OTO (HK) Investment Limited	Hong Kong 17 February 2011	HK$1	**100%**	100%	Investment holding
OTO Bodycare (H.K.) Limited	Hong Kong 14 November 1986	HK$1,000,000	**100%**	100%	Sales of health and wellness products in Hong Kong
OTO International (Macau) Company Limited	Macau 13 September 2005	MOP30,000	**100%**	100%	Sales of health and wellness products in Macau
Dainty (Shanghai) Co., Ltd.	PRC 25 March 2010	Registered and paid-up capital US$5,150,000 (2013: Registered capital US$5,150,000 (Paid up capital US$3,157,959))	**100%**	100%	Sales of health and wellness products in PRC
OTO Wellness Sdn. Bhd.	Malaysia 17 July 2013	MYR1,000,000	**100%**	N/A	Sales of health and wellness products in Malaysia
OTO Wellness Pte. Ltd.	Singapore 1 October 2013	SGD10,000	**100%**	N/A	Inactive

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

FIVE YEARS FINANCIAL SUMMARY

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				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**339,700**	259,201	245,658	209,402	289,283
Other income	**10,126**	6,549	6,434	4,700	3,102
Other gains and losses	**541**	(1,771)	1,354	1,185	1,783
Changes in inventories of finished goods	**7,268**	4,000	(861)	1,574	495
Finished goods purchased	**(120,305)**	(91,186)	(77,694)	(59,773)	(82,124)
Staff costs	**(71,046)**	(52,049)	(36,728)	(29,186)	(40,217)
Depreciation expense	**(6,827)**	(3,595)	(1,471)	(1,465)	(1,491)
Finance costs	**(344)**	(350)	(333)	(404)	(600)
Listing expenses	**—**	—	(19,266)	(2,691)	—
Other expenses	**(147,416)**	(117,083)	(95,689)	(79,308)	(88,737)
Profit before tax	**11,697**	3,716	21,404	44,034	81,494
Income tax expense	**(2,975)**	(1,670)	(6,050)	(6,855)	(12,355)
Profit for the year	**8,722**	2,046	15,354	37,179	69,139

ASSETS, LIABILITIES AND EQUITY

	At 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**333,843**	303,500	305,124	172,392	160,961
TOTAL LIABILITIES	**63,269**	41,871	37,751	43,876	66,001
TOTAL EQUITY	**270,574**	261,629	267,373	128,516	94,960