

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



INTERIM REPORT
2014/2015

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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

AUTHORIZED REPRESENTATIVES

Mr. Yip Chee Lai, Charlie
Mr. Kwok Siu Man

COMPANY WEBSITE

www.otobodycare.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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
31/F., 148 Electric Road
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

The board of directors (the "Board") of OTO Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2014 (the "Period"), together with relevant comparative figures and the accompanying explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company ("Audit Committee"). Unless the context otherwise requires, capitalized terms used in this interim report shall have the same meanings set out in the annual report of the Company dated 17 June 2014.

For the six months ended 30 September	2014 (Unaudited)	2013 (Unaudited)	Changes
Profitability data (HK\$'000)			
Revenue	188,713	153,375	23.0%
Gross profit	126,231	99,384	27.0%
Profit before tax	9,293	6,825	36.2%
Profit for the period	6,636	5,372	23.5%
Earnings per share – basic and diluted (HK\$)	0.02	0.02	—
Gross profit margin	66.9%	64.8%	2.1%
Profit before tax margin	4.9%	4.4%	0.5%
Profit margin	3.5%	3.5%	—
Effective tax rate	28.6%	21.3%	7.3%

	30 September 2014 (Unaudited)	31 March 2014 (Audited)	Changes
Assets and liabilities data (HK\$'000)			
Bank balances and cash	208,241	211,636	(1.6%)
Total borrowings	12,523	15,187	(17.5%)
Net current assets	243,177	239,139	1.7%
Total assets less current liabilities	275,860	270,737	1.9%
Assets and working capital ratios/data			
Current ratio (times)	5.2	4.8	0.4
Gearing ratio (%)	3.8	4.5	(0.7)
Inventory turnover days	57.5	45.9	11.6
Trade receivables turnover days	31.7	36.1	(4.4)
Trade payables turnover days	56.5	48.0	8.5

FINANCIAL HIGHLIGHTS

Notes for key ratios:

Current ratio	Current assets / Current liabilities
Gearing ratio	Total borrowings / Total assets x 100%
Inventory turnover days	Average of beginning and ending inventory balances / Cost of sales x 183 or 365 days
Trade receivables turnover days	Average of beginning and ending trade receivables balances / Revenue x 183 or 365 days
Trade payables turnover days	Average of beginning and ending trade payables balances / Cost of sales x 183 or 365 days
Earnings per share	Profit attributable to shareholders / Weighted average number of ordinary shares
Gross profit	Revenue - (Finished goods purchased - Changes in inventories of finished goods + direct expenses attributable to purchase)
Gross profit margin	Gross profit / Revenue x 100%

CHAIRMAN'S STATEMENT

Based on its foundation in Hong Kong, OTO continued its steady growth in the market of wellness products in China and was committed to stepping up its development in the Malaysian market, aiming to export its outstanding "OTO" branded of health and wellness products and strengthen its position in the industry. Since its listing, the Group has been pursuing a geographically diversified strategy while focusing on the Chinese market. As contribution to sales from the Chinese market has significantly increased, the Group was still able to keep improving its business as a whole in the first half of FY2014/15 despite the challenging retail environment under the current political instability in Hong Kong. As of 30 September 2014, the turnover and net profit of OTO amounted to HK\$188.7 million and HK\$6.60 million respectively, representing increases of 23% and 22.2% over the same period last year.

DEVELOPMENT PLAN TO EXECUTE AS CHINA BUSINESS WELL DEVELOPED

As mentioned at the beginning of the year, "OTO" has accomplished certain market share in the health and wellness products market in China and become stronger after three years of resources allocation and consolidation. As of 30 September 2014, the Group had 94 retail outlets in China, including 80 retail stores and 14 consignment counters. Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei Region and Chengdu were still the major development areas of the Group in China.

We believe that development in the Chinese market will still be the primary strategy of the Group, and our channels will become more diversified, including e-commerce, strategic cooperation, franchising and acquisition of outlets. E-commerce has developed as an influential sale channel in consumer market in recent years, thus we opened our flagship store at "Tmall" last year. We will speed up the cooperation with other e-commerce platforms in China and will leverage internet's advantages of wide coverage, in order to increase the awareness of "OTO" brand fast and easily. In terms of strategic cooperation, we are currently working with some renowned and luxury shopping malls in China, including those of the Wanda Group. OTO can extend its foothold in different regions in short periods through their highly penetrative sales channels. Meanwhile, we have also stepped up the preparation on franchising and scheduled to begin a trial next year. In addition, we are studying the feasibility of entering into other areas of mainland China and may consider by way of merger and acquisition if suitable projects are available.

OPPORTUNITIES ARISE IN MALAYSIA WHILST HONG KONG EVER-CHANGING

Hong Kong is still an important base of the Group despite its focus on the mainland China in recent years. Facing the complicated and ever-changing business environment in Hong Kong as well as its relatively mature consumer market, our development in the Hong Kong market focus on the effectiveness of outlets by reallocation. We will not only maintain the size of our existing retail network, but also closely monitor the market and increase retail outlets timely in order to optimize the Group's sales coverage and network in Hong Kong.

The Group completed the acquisition of the Malaysian business of its affiliated company last October. We have been positively studying and adjusting our strategy in Malaysia during the year. We believe that the market of Malaysia is sustainable and we are confident on the long-term growth of our Malaysian businesses. In the future, we will reinforce the promotion on "OTO" in Malaysia and boost the awareness of the brand. We will also reproduce our successful Hong Kong business model in Malaysia for developing the unique customer groups of Malaysia.

CHAIRMAN'S STATEMENT

BOOSTING BRAND EQUITY BY COMMITMENT TO IMAGE PROTECTION

In the meantime, we understand that “OTO” has very high brand equity and recognition in the health products market of Hong Kong, and the image of the brand is critical to the sales and future development of the Group. As a result, the Group will continue to allocate resources on the promotion and protection of the brand. For example, we have invited Mr. Moses Chan (陳豪), a celebrity, as the spokesman for the new commercial for our key new product “Absolute Massage Chair”.

SEIZING DIVERSIFIED OPPORTUNITIES IN CHALLENGES

From types of product, business model to growing strategy, “diversification” has been a critical element of development in OTO. We strongly believe a “diversified” model can allow OTO to have further and more sustainable development. Retail industry was seriously affected by the recent confusing political environment of Hong Kong. However, as the Group’s business in China has become more developed and accounted for a higher proportion of the total revenue, we believe that the Group can offset the short-term negative impact from the political instability in Hong Kong. We are confident that the political problems can be solved and the development of retail industry in Hong Kong will get back on track gradually. In addition, as “OTO” has been well established for years with accurate positioning and sufficient cash on hand, we are still fully confident to the prospect of the Group’s business as a whole.

Yip Chee Seng

Chairman and Executive Director

Hong Kong, 20 November 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group maintained the momentum of recovery during the Period amidst several unfavorable macro factors such as slackening visits of individual Chinese tourists to Hong Kong and Macau, slowing-down trend of the PRC consumer market growth and increasing operating expenses especially the rental and staff costs.

During the Period, the Group's revenue reached HK\$188.7 million, increase of 23.0% from HK\$153.4 million for the corresponding period last year. The net profit was HK\$6.6 million, increase of 22.2% as compared to the corresponding period last year. The growth in both revenue and net profit was primarily driven by the contribution from the expansion of PRC market.

Products

During the Period, the Group has newly developed and launched seven relaxation products, one fitness product and one therapeutic product. The massage chair "ABSOLUTE" and the fitness equipment "V-Tone" were the key new products. All the new products in aggregate contributed approximately HK\$15.0 million or 8.0% of the Group's total revenue for the Period.

Sales Channel

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Period, the Group's traditional sales channel generated approximately 66.4% of the Group's total revenue (six months ended 30 September 2013: 66.7%). As at 30 September 2014, the Group operated the following retail stores and consignment counters:

	No. of outlets as at		
	30 September 2014	31 March 2014	30 September 2013
Hong Kong			
– Retail stores	11	12	12
– Consignment counters	18	19	18
Macau			
– Retail stores	1	1	1
– Consignment counters	1	1	1
PRC			
– Retail stores	14	10	7
– Consignment counters	80	75	66
Malaysia			—
– Retail stores	7	7	—
– Consignment counters	9	7	—
Total	141	132	105

Retail business in Hong Kong

The Group operated 29 retail outlets in Hong Kong as at 30 September 2014. The total retail revenue and number of outlets slightly declined as compared to the corresponding period last year. Same store sales for the Period also dropped by 5% year-on-year. The majority of the negative impact of recent political instability in Hong Kong on the Group's retail business had not been reflected in the interim results for the Period. Meanwhile, the high rental had been eroding the profitability of business in the region despite the Group's continuing efforts on reallocating the retail outlets to reduce the costs. Hence more uncertainties and challenges are expected in the second half financial year. Nevertheless, the Group keeps exploring new outlet locations that offer acceptable rental and potential of growth. At least two outlets are planned to be opened by March 2015.

Retail business in Macau

There was a steady year-on-year same store sales growth of 3% in Macau during the Period. The growth was primarily due to the increased consumption power of both domestic customers and tourists. The Group will maintain the number outlets in Macau and strive for further organic growth in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail business in PRC

During the Period, the total revenue contribution from retail business in Mainland China soared to approximately HK\$78.6 million, representing an increase of 75.0% as compared to the corresponding period last year. Same store sales also increased by 13% year-on-year. Number of retail outlets reached 94 as at 30 September 2014, representing a net increase of 9 outlets during the Period. Mainland China will still be the Group's primary focus of development in the foreseeable future and its revenue contribution is expected to be further increased.

The Group's retail outlets mainly locate in the Yangtze River Delta, the Pearl River Delta, the Beijing-Tianjin-Hebei region and the city of Chengdu. Apart from focusing on the growth in the above four existing regions, the Group has an insight into the business potential of other regions and actively considers expanding its footprint into the new regions by means of acquisition, direct entry or franchise. The Group also deepened its cooperation with the malls under the Wanda Group during the Period by way of opening retail stores and organizing roadshows or other promotional campaigns at their malls across different regions.

Retail business in Malaysia

As at 30 September 2014, the Group operated 16 retail outlets in Malaysia, a net increase of 2 outlets since 31 March 2014. Total retail revenue was approximately HK\$11.8 million during the Period. Since the business in Malaysia was acquired in October last year, year-on-year comparison is not applicable.

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

The proactive sales channels are important marketing and revenue generating channels for the Group. These channels not only facilitate penetration into new marketing segments with minimum fixed operating expenses, but also mitigate the impact of the escalating operating costs such as retail stores rental, staff costs and advertising expenses. During the Period, the Group's proactive sales channels generated approximately 33.6% of the Group's revenue (six months ended 30 September 2013: 33.3%).

The Group's corporate sales represent the sales of selected health and wellness products to corporate customers such as financial institutions, retail chain stores and professional bodies. During the Period, corporate sales dropped by 15.9% to HK\$17.1 million from HK\$20.3 million for the corresponding period last year. The decrease was mainly attributable to fewer orders from certain existing corporate customers.

International sales represent export of the Group's health and wellness products to its international distributors / wholesalers for their distribution in overseas markets such as United Kingdom, Saudi Arabia, Russia, Thailand, Kuwait and Hungary etc. During the Period, international sales declined by 24.6% to HK\$14.7 million from HK\$19.5 million for the corresponding period last year. The decrease was mainly due to fewer orders from certain distributors in Eastern Europe and Middle East which were affected by the geopolitical unrest in the region.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's internet sales represent sales through an online group-buying platform and sales at the its online stores at the Tmall (天貓商城) and Yihaodian (一號店). The Group sees a great potential of internet sales and is confident that it will become one of the key sources of growth in the long run.

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

RESULTS OF OPERATION

Revenue

The Group's revenue, which represents the amount received or receivable for the sales of health and wellness products, net of sale-related taxes, increased by approximately HK\$35.3 million or 23.0% to approximately HK\$188.7 million for the Period from approximately HK\$153.4 million for the corresponding period last year, primarily as a result of the following:

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

	For the six months ended 30 September					
	2014		2013		Increase	
	HK\$'000 (Unaudited)	% of revenue	HK\$'000 (Unaudited)	% of revenue	HK\$'000	%
Relaxation products	128,681	68.2	121,548	79.2	7,133	5.9
Fitness products	54,325	28.8	27,018	17.7	27,307	101.1
Therapeutic products	3,417	1.8	3,363	2.2	54	1.6
Diagnostic products	2,290	1.2	1,446	0.9	844	58.4
Total	188,713	100.0	153,375	100.0	35,338	23.0

During the Period, the sales of relaxation products increased by approximately HK\$7.1 million or 5.9% to HK\$128.7 million whilst the sales of fitness products soared by approximately HK\$27.3 million or 101.1% to HK\$54.3 million, as compared to those for the corresponding period last year. The slight increase in sales of relaxation products and the surge in sales of fitness product were primarily due to the Group's endeavour to promote its key fitness product "Vibro Swing". The sales of therapeutic and diagnostic products were stable in term of the contribution to the revenue, as most of the products in these categories were mature in the product life cycle.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Sales performance of the sales channels

	For the six months ended 30 September					
	2014		2013		Increase/(Decrease)	
	HK\$'000 (Unaudited)	% of revenue	HK\$'000 (Unaudited)	% of revenue	HK\$'000	%
Retail stores	48,872	25.9	34,465	22.5	14,407	41.8
Consignment counters	76,558	40.5	67,841	44.2	8,717	12.8
Roadshow counters	31,470	16.7	11,217	7.3	20,253	180.6
Corporate sales	17,105	9.1	20,333	13.3	(3,228)	(15.9)
International sales	14,708	7.8	19,519	12.7	(4,811)	(24.6)
Total	188,713	100.0	153,375	100.0	35,338	23.0

During the Period, revenue from retail stores increased by approximately HK\$14.4 million or 41.8% to approximately HK\$48.9 million as compared to HK\$34.5 million for last corresponding period. The increase was mainly due to more retail stores opened in the PRC and acquisition of the retail network in Malaysia. Revenue from consignment counters increased by approximately HK\$8.7 million or 12.8% to approximately HK\$76.6 million from approximately HK\$67.8 million for last corresponding period. The increase was mainly due to the revenue generated from the new consignment counters opened in the PRC and the organic growth from existing counters. Revenue from roadshows soared by approximately HK\$20.3 million or 180.6% to approximately HK\$31.5 million from approximately HK\$11.2 million for last corresponding period. The significant increase was mainly due to more roadshow events being organized in PRC and Hong Kong during the Period. The Group's corporate sales and international sales for the Period dropped by approximately HK\$3.2 million or 15.9% and HK\$4.8 million or 24.6%, respectively, as compared to the corresponding period last year. The reductions were mainly due to fewer orders from existing customers.

Other income

Other income for the Period was approximately HK\$6.0 million, representing an increase of approximately HK\$2.0 million or 50.0%, from approximately HK\$4.0 million for the corresponding period last year. The increase was primarily due to an increase in bank interest income.

Other gains and losses

Other gains and losses for the Period was approximately HK\$1.0 million, which mainly comprised of foreign exchange gain of approximately HK\$1.1 million. The other gains and losses for the corresponding period last year was approximately HK\$2.8 million, which comprised of a gain from changes in fair value of investment property of approximately HK\$1.7 million and foreign exchange gain of approximately HK\$1.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes in inventories of finished goods

Changes in inventories of finished goods for the Period were approximately HK\$2.3 million as compared with approximately HK\$3.0 million for the corresponding period last year.

Finished goods purchased

Finished goods purchased for the Period was approximately HK\$62.3 million, representing an increase of approximately HK\$7.6 million, or 13.9% from approximately HK\$54.7 million for the corresponding period last year. The increase was in line with the increase in sales.

Gross profit

The gross profit increased by approximately HK\$26.8 million or 27.0% to approximately HK\$126.2 million for the Period from approximately HK\$99.4 million for the corresponding period last year. The gross profit margin slightly increased by 2.1% to 66.9% for the Period from 64.8% for the corresponding period last year. The increase was mainly attributed to larger proportion of revenue generated from the retail segment, which has higher gross profit margin.

Staff costs

Staff costs for the Period were approximately HK\$40.0 million, representing an increase of approximately HK\$9.4 million, or 30.7%, from approximately HK\$30.6 million for the corresponding period last year. The increase in staff costs was mainly due to the increase in the number of staffs from 330 employees as at 30 September 2013 to 548 employees as at 30 September 2014 as a result of the acquisition of Malaysia business and expansion of retail network in PRC.

Depreciation expense

Depreciation expense for the Period was approximately HK\$3.7 million, representing an increase of approximately HK\$1.0 million or 37.0% as compared with HK\$2.7 million for the corresponding period last year. The increase was mainly due to acquisition of certain fixed assets for Malaysia business, the expansion of the retail network in the PRC and the refurbishment of outlets in Hong Kong.

Finance costs

Finance costs for the Period was approximately HK\$0.2 million, which remained relatively stable as compared with that of the corresponding period last year.

Other expenses

Other expenses for the Period was approximately HK\$82.6 million, representing an increase of approximately HK\$14.5 million or 21.3%, from approximately HK\$68.1 million for the corresponding period last year. The increase is mainly attributable to various items, including an increase of approximately HK\$3.4 million in commissions paid to the department stores for the increased revenue generated from the consignment counters and an increase of approximately HK\$10.2 million in rental expenses for office, warehouse, staff quarters and retail stores.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit before tax

Profit before tax for the Period was approximately HK\$9.3 million, representing an increase of approximately HK\$2.5 million or 36.8%, from approximately HK\$6.8 million for the corresponding period last year.

Income tax expenses

Income tax expense for the Period and corresponding period last year was approximately HK\$2.7 million and HK\$1.5 million, respectively, representing an effective tax rate of approximately 28.6% and 21.3%, respectively. The higher effective tax rate for the Period was primarily due to the higher proportion of profit generated from PRC which has a higher tax rate and more non-deductible expenses incurred during the Period.

Profit for the period

As a result of the factors described above, the Group's profit for the period was approximately HK\$6.6 million, representing an increase of approximately HK\$1.2 million or 22.2% from approximately HK\$5.4 million last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group had approximately HK\$208.2 million (as at 31 March 2014: HK\$211.6 million) bank balances and cash, which were mainly held in HKD, RMB, USD, MYR and SGD denominated accounts at the banks in Hong Kong, the PRC and Malaysia. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Operating activities

Net cash generated from operating activities was approximately HK\$5.2 million for the Period (six months ended 30 September 2013: HK\$13.4 million), primarily reflecting the operating cash flows before movements in working capital of approximately HK\$11.0 million, as adjusted by increase of approximately HK\$2.2 million in inventory, decrease of approximately HK\$3.5 million in trade receivables, prepayments and other receivables, increase of approximately HK\$2.0 million in rental deposits and decrease of approximately HK\$3.8 million in trade and other payables.

Investing activities

Net cash used in investing activities was approximately HK\$3.2 million for the Period (six months ended 30 September 2013: HK\$4.4 million), primarily reflecting the additions of property, plant and equipment of approximately HK\$5.4 million and increase in pledged deposits of approximately HK\$1.0 million which were partly offset by the interest received of approximately HK\$2.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Financing activities

Net cash used in financing activities was approximately HK\$5.8 million for the Period (six months ended 30 September 2013: HK\$1.3 million), primarily reflecting the decrease of trust receipt loans of approximately HK\$3.0 million and payment of dividend in respect of year ended 31 March 2014 of approximately HK\$2.6 million.

BORROWINGS AND GEARING RATIO

Total borrowings of the Group as at 30 September 2014 was approximately HK\$12.5 million as compared with approximately HK\$15.2 million as at 31 March 2014. The Group's gearing ratio decreased from approximately 4.5% as at 31 March 2014 to approximately 3.8% as at 30 September 2014. The decrease was attributable to the decrease of total borrowings.

WORKING CAPITAL

As at 30 September 2014, the Group's inventories increased by approximately HK\$2.4 million to approximately HK\$20.9 million from approximately HK\$18.5 million as at 31 March 2014. The inventory turnover days was 57.5 days as at 30 September 2014 as compared with 45.9 days as at 31 March 2014. The increase in both inventories and inventory turnover days was mainly attributable to more inventories required for expansion of retail outlets.

As at 30 September 2014, the Group's trade receivables decreased by approximately HK\$3.8 million to approximately HK\$30.9 million from approximately HK\$34.7 million as at 31 March 2014. The trade receivables turnover days was 31.7 days, representing a decrease of 4.4 days from 36.1 days as at 31 March 2014. The decrease was mainly attributable to shorter collection period for corporate and international customers.

As at 30 September 2014, the Group's trade payables increased by approximately HK\$1.9 million to approximately HK\$20.4 million from approximately HK\$18.5 million as at 31 March 2014 which was mainly attributable to the increase in purchases during the Period. The trade payables turnover days increased from 48.0 days as at 31 March 2014 to 56.5 days as at 30 September 2014. The increase was primarily due to longer repayment period to suppliers.

CAPITAL EXPENDITURE

During the Period, the Group's total capital expenditure amounted to approximately HK\$6.2 million (six months ended 30 September 2013: HK\$5.3 million), which was used mainly in the acquisition of property, plant and equipment.

CHARGE ON ASSETS

As at 30 September 2014, the Group had pledged certain assets, including leasehold land and buildings, investment property and bank deposits which in aggregate amounted to approximately HK\$31.1 million (as at 31 March 2014: HK\$30.1 million) for the purpose of securing certain banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Period, there were no significant investment, material acquisition and disposals of subsidiaries by the Company. The Group has no plan to make any substantial investment in or acquisition of capital assets saved as disclosed in the section headed "Future Plans and Uses of Proceeds" in the prospectus of the Company dated 1 December 2011.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2014.

FOREIGN EXCHANGE RISK MANAGEMENT

As at 30 September 2014, the Group was exposed to foreign exchange risk as a result of holding RMB bank deposits of approximately HK\$170 million, representing approximately 75% of the Group's total of bank balances, cash and pledged deposits. Certain transactions denominated in foreign currencies would also incur the foreign exchange risk. The Group currently does not use any derivative financial instrument to hedge the foreign exchange risk. The Group manages the foreign exchange risk by closely monitoring the movement of the foreign currency rates.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2014, the Group had a total of 548 (as at 31 March 2014: 439) full-time employees. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds, state-managed retirement benefits scheme and share options under the share option schemes of the Company. The Group determines the remuneration packages of all employees based on factors including individual qualifications, contributions to the Group, performance and years of experience of the respective staff. The remuneration committee of the Company will review and determine the remuneration and compensation packages of the Directors and senior management of the Company by reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIES AND PROSPECTS

The Directors expected the uncertainty in Hong Kong retail market for the second half financial year would increase as a result of the recent political conflicts, which is detrimental to the overall spending sentiment and to our retail outlets at certain locations. Nevertheless, the Group will continue to focus on the followings: (i) the launching of new health and wellness products with new features, design and functions; (ii) adjusting its retail outlets portfolio when necessary; (iii) its planned retail network expansion in the PRC; and (iv) to improve the operational efficiency of its product value chain and supply chain to reduce operation cost.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 December 2011 with net proceeds received by the Company from the global offering (the "Global Offering") amounting to approximately HK\$92.6 million after deducting underwriting commissions and all related expenses. As at 30 September 2014, there is no change on the proposed use of net proceeds from the Global Offering. As at 30 September 2014, the unused proceeds were deposited in licensed banks in Hong Kong.

	Net proceeds HK\$ million	Utilized up to 30 September 2014 HK\$ million	Unutilized as of 30 September 2014 HK\$ million
Use of proceeds:			
Expansion of the Group's PRC operations	45.9	17.5	28.4
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	9.6	1.1
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	37.9	54.7

DISCLOSURE OF INTERESTS

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

As at 30 September 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, Chapter 571 of the laws of Hong Kong (the "SFO")) which were required (i) 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) pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) 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:

Long position in ordinary shares of the Company (the "Shares")

Name of Directors	Capacity/Nature of Interest	Number of Shares Held	Approximate percentage of shareholding in the Company
Mr. Yip Chee Seng (note)	Beneficial owner	72,240,520	22.6%
	Interests of parties to an agreement to acquire interests of the Company	129,693,480	40.5%
	Total	201,934,000	63.1%
Mr. Yip Chee Lai, Charlie (note)	Beneficial owner	18,998,472	5.9%
	Interests of parties to an agreement to acquire interests of the Company	182,935,528	57.2%
	Total	201,934,000	63.1%
Mr. Yip Chee Way, David (note)	Beneficial owner	16,813,896	5.1%
	Interests of parties to an agreement to acquire interests of the Company	185,120,104	58.0%
	Total	201,934,000	63.1%
Mr. Yep Gee Kuarn (note)	Beneficial owner	71,900,520	22.5%
	Interests of parties to an agreement to acquire interests of the Company	130,033,480	40.6%
	Total	201,934,000	63.1%

DISCLOSURE OF INTERESTS

Note:

Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between 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 (the "Concert Parties"), 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 arrangement, each of the Concert Parties is taken to be interested in the shares of the Company in which the Concert Parties are interested pursuant to section 318 of the SFO.

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

As at 30 September 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 Held	Approximate percentage of shareholding in the Company
Ms. Yap Hui Meng (note)	Interest of spouse	201,934,000	63.1%
Ms. Yeo Bee Lian (note)	Interest of spouse	201,934,000	63.1%
Ms. Yeo Lang Eng (note)	Interest of spouse	201,934,000	63.1%
Ms. Tan Swee Geok (note)	Interest of spouse	201,934,000	63.1%
Mr. Tan Beng Gim (note)	Beneficial owner	14,280,296	4.5%
	Interests of parties to an agreement to acquire interests of the Company	187,653,704	58.6%
	Total	201,934,000	63.1%
Ms. Lee Lay Hoon (note)	Interest of spouse	201,934,000	63.1%
Ms. Chua Siew Hun (note)	Beneficial owner	7,700,296	2.4%
	Interests of parties to an agreement to acquire interests of the Company	194,233,704	60.7%
	Total	201,934,000	63.1%
Dr. Lim Kim Show (note)	Interest of spouse	201,934,000	63.1%

DISCLOSURE OF INTERESTS

Note:

Pursuant to a confirmatory agreement dated as of 1 February 2011 and entered into between each of the Concert Parties, 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 arrangement, each of the Concert Parties is deemed under the SFO to be interested in the shares of the Company in which the Concert Parties are interested pursuant to section 318 of the SFO. 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 interested and are deemed to be interested.

Save as disclosed above, as at 30 September 2014, the Directors were not aware of any persons, other than a director or the chief executive of the Company, who had or were deemed or taken to have 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 were required to be entered in the registered kept by the Company under the SFO.

SHARE OPTION SCHEME

The Company had 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 Share Option Scheme became effective on 13 December 2011. The principal terms of the Share Option Scheme are summarized under the paragraph headed "Share Option Scheme" in Appendix VI to prospectus of the Company dated 1 December 2011.

No share options were granted under the Share Option Scheme during the Period and up to the date of this interim report.

DISCLOSURE OF INTERESTS

Details of the movements in share options to subscribe for the Shares under the Share Option Scheme during the Period are set out below:

Grantees	Date of grant	Exercisable period	Exercise price per Share HK\$	Outstanding as at 1 April 2014	Number of underlying Shares comprised in Share Options			Outstanding as at 30 September 2014
					Granted during the 6 months ended 30 September 2014	Exercised during the 6 months ended 30 September 2014	Lapsed/ cancelled during the 6 months ended 30 September 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
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	—	277,200	—	172,800
		29.1.2015 – 28.1.2017	0.62	600,000	—	—	—	600,000
		29.1.2016 – 28.1.2017	0.62	450,000	—	—	—	450,000
Total				3,180,000	—	277,200	—	2,902,800

Details of the Share Option Scheme of the Company as at 30 September 2014 are set out in Note 19 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Period, the Company had complied with all applicable code provisions under the Corporate Governance Code (the “Code”) and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONTINUING CONNECTED TRANSACTION

On 25 November 2011, the Group entered into an agreement for sharing research and development expenses with OTO Bodycare Pte. Ltd ("OTO Singapore") and OTO Bodycare Sdn. Bhd. ("OTO Malaysia") (the "R&D Sharing Agreement") for a term of three years, pursuant to which following the listing of the Company's share 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 share the research and development expenses on an annual basis in proportion to their respective turnovers during the same year.

During the Period, no research and development expenses was shared by OTO Malaysia as it had become dormant since its business in Malaysia was acquired by the Group on 1 October 2013. The amount of research and development expenses shared by OTO Singapore is set out in Note 18 to the condensed consolidated financial statements. The R&D Sharing Agreement will expire on 24 November 2014. The Group is in the process of renewal of the R&D Sharing Agreement at the date of this interim report.

INTERIM AND SPECIAL DIVIDENDS

The Board has declared an interim dividend of HK cent 0.622 per share amounting to approximately HK\$2.0 million and a special dividend of HK cent 0.415 per share amounting to approximately HK\$1.3 million for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil) to the shareholders of the Company whose names appear on the Company's register of members on 8 December 2014. The interim and special dividends are expected to be paid on 31 December 2014. These declared dividends are not reflected as a dividend payable as of 30 September 2014, but will be recorded as a distribution of retained earnings for the year ending 31 March 2015.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM AND SPECIAL DIVIDENDS

The register of members of the Company will be closed from Friday, 5 December 2014 to Monday, 8 December 2014, both days inclusive. During this period, no transfer of shares will be registered for the purpose of determining the entitlement to the proposed interim and special dividends in respect of the six months ended 30 September 2014. In order to qualify for the above proposed dividends, all transfer forms of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 4 December 2014.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To THE BOARD OF DIRECTORS OF OTO HOLDINGS LIMITED

INTRODUCTION

We have reviewed the condensed consolidated financial statements of OTO Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 38, which comprise the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

20 November 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	188,713	153,375
Other income		6,018	4,017
Other gains and losses	4	952	2,754
Changes in inventories of finished goods		2,343	2,993
Finished goods purchased		(62,275)	(54,746)
Staff costs		(39,998)	(30,600)
Depreciation expense		(3,661)	(2,717)
Finance costs	5	(198)	(184)
Other expenses		(82,601)	(68,067)
Profit before tax	6	9,293	6,825
Income tax expense	7	(2,657)	(1,453)
Profit for the period		6,636	5,372
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		468	817
Total comprehensive income for the period		7,104	6,189
Earnings per share	9		
– Basic (HK\$)		0.02	0.02
– Diluted (HK\$)		0.02	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	15,642	14,216
Investment property	11	9,330	9,290
Deferred tax assets		966	966
Deposit placed at an insurance company		3,247	3,061
Utility and other deposits paid		3,498	4,065
		32,683	31,598
Current assets			
Inventories		20,853	18,510
Trade and other receivables	12	48,919	49,712
Amounts due from related parties		735	978
Tax recoverable		3,298	3,298
Pledged bank deposits		19,136	18,111
Bank balances and cash		208,241	211,636
		301,182	302,245
Current liabilities			
Trade and other payables	13	41,136	44,816
Amount due to a related company		13	127
Obligations under finance leases		264	186
Tax payable		4,791	3,139
Bank borrowings	14	11,801	14,838
		58,005	63,106
Net current assets		243,177	239,139
Total assets less current liabilities		275,860	270,737
Capital and reserves			
Share capital	15	24,950	24,928
Reserves		250,452	245,646
		275,402	270,574
Non-current liability			
Obligations under finance leases		458	163
		275,860	270,737

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share option 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 2013 (audited)	24,928	227,643	32	—	(48)	(128,447)	393	180	136,948	261,629
Profit for the period	—	—	—	—	—	—	—	—	5,372	5,372
Other comprehensive income for the period										
– exchange difference arising on translation	—	—	—	—	817	—	—	—	—	817
Total comprehensive income for the period	—	—	—	—	817	—	—	—	5,372	6,189
At 30 September 2013 (unaudited)	24,928	227,643	32	—	769	(128,447)	393	180	142,320	267,818
At 1 April 2014 (audited)	24,928	227,643	32	253	(78)	(128,447)	393	—	145,850	270,574
Profit for the period	—	—	—	—	—	—	—	—	6,636	6,636
Other comprehensive income for the period										
– exchange difference arising on translation	—	—	—	—	468	—	—	—	—	468
Total comprehensive income for the period	—	—	—	—	468	—	—	—	6,636	7,104
Recognition of equity-settled share-based payments	—	—	—	156	—	—	—	—	—	156
Issue of shares upon exercise of share options	22	206	—	(56)	—	—	—	—	—	172
Dividend paid (note 8)	—	—	—	—	—	—	—	—	(2,604)	(2,604)
At 30 September 2014 (unaudited)	24,950	227,849	32	353	390	(128,447)	393	—	149,882	275,402

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, capitalization into capital and expansion of the production and operation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash from operating activities	5,234	13,372
Investing activities		
Additions of property, plant and equipment	(5,433)	(5,347)
Interest received	2,690	1,154
Other investing cash flows	(456)	(187)
Net cash used in investing activities	(3,199)	(4,380)
Financing activities		
Dividend paid	(2,604)	—
New trust receipt loans raised	34,088	38,601
Repayment of trust receipt loans	(37,125)	(39,626)
Other financing cash flows	(118)	(273)
Cash used in financing activities	(5,759)	(1,298)
Net (decrease) increase in cash and cash equivalents	(3,724)	7,694
Cash and cash equivalents at the beginning of the period	211,636	200,013
Effect of foreign exchange rate changes	329	297
Cash and cash equivalents at the end of the period	208,241	208,004

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new Interpretation and Amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments, i.e. the four (six months ended 30 September 2013: three) geographical locations, Hong Kong, Macau, the PRC and Malaysia, for the Period under review.

Six months ended 30 September 2014

	Hong Kong HK\$'000	Macau HK\$'000	PRC HK\$'000	Malaysia HK\$'000	Total HK\$'000 (Unaudited)
Revenue					
External sales	81,448	16,857	78,566	11,842	188,713
Inter-segment sales	8,733	—	—	—	8,733
Segment revenue	90,181	16,857	78,566	11,842	197,446
Elimination					(8,733)
Group revenue					188,713
Segment profit	12,513	6,189	15,467	2,414	36,583
Unallocated administrative expenses					(30,734)
Other gains and losses					952
Interest income					2,690
Finance costs					(198)
Profit before tax					9,293
Income tax expense					(2,657)
Profit for the period					6,636

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2013

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

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Gain from changes in fair value of investment property	40	1,640
Net exchange gain	1,144	1,114
Loss on disposals of property, plant and equipment	(232)	—
	952	2,754

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

5. FINANCE COSTS

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	180	167
Finance leases	18	17
	198	184

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	59,932	51,753
Operating lease payments in respect of rented premises (included in other expenses)		
– Minimum lease payments	25,542	16,282
– Contingent rent	25,938	22,490
Interest income	(2,690)	(1,154)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax :		
Hong Kong Profits Tax	—	232
Macau Complimentary Income Tax	620	486
PRC Enterprise Income Tax	1,924	570
Malaysia Corporate Income Tax	113	—
	2,657	1,288
Deferred tax	—	165
	2,657	1,453

No Hong Kong Profits Tax is provided for the Period as the subsidiary operating in Hong Kong incurred an estimated tax loss for the Period. Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profit for the prior period.

Macau Complimentary Income Tax is calculated progressively at 12% of the estimated assessable profit exceeding MOP300,000 (six months ended 30 September 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% for both periods.

Taxable income of the subsidiary in Malaysia is subject to corporate tax at the rate of 25% for the Period.

8. DIVIDENDS

During the Period, a final dividend of HK cent 0.814 per share in respect of the year ended 31 March 2014, amounting to HK\$2,604,000 in aggregate, was declared and paid to the shareholders of the Company.

Subsequent to the end of the Period, the directors have determined that an interim dividend of HK cent 0.622 per share amounting to approximately HK\$1,990,000 and a special dividend of HK cent 0.415 per share amounting to approximately HK\$1,327,000 for the Period (six months ended 30 September 2013: nil) will be paid to the shareholders of the Company whose names appear in the Register of Members of the Company on 8 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	6,636	5,372
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	'000 319,750	'000 319,594
Effect of dilutive potential ordinary shares in respect of share options	262	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	320,012	319,594

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of HK\$5,433,000 (six months ended 30 September 2013: HK\$5,347,000), of which included property, plant and equipment under finance leases of HK\$561,000 (six months ended 30 September 2013: nil).

11. MOVEMENT IN INVESTMENT PROPERTY

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

During the Period, a gain from changes in fair value of HK\$40,000 (six months ended 30 September 2013: HK\$1,640,000) was included in other gains and losses in the statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

12. TRADE AND OTHER RECEIVABLES

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade receivables	30,892	34,682
Prepayments	5,221	3,736
Other receivables	1,409	2,441
Deposits	11,397	8,853
	48,919	49,712

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
0 – 30 days	18,804	27,345
31 – 60 days	9,951	4,413
61 – 90 days	1,724	2,202
Over 90 days	413	722
	30,892	34,682

13. TRADE AND OTHER PAYABLES

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade payables	20,441	18,477
Receipts in advance	4,399	4,634
Accruals	9,091	10,931
Others (note)	7,205	10,774
	41,136	44,816

Note: Includes HK\$470,000 (31 March 2014: HK\$811,000) of deferred revenue in relation to customer loyalty programmes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
0 – 30 days	19,259	11,682
31 – 60 days	1,129	3,771
61 – 90 days	9	2,964
Over 90 days	44	60
	20,441	18,477

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

14. BANK BORROWINGS

During the Period, the Group raised and repaid trust receipt loans amounting to HK\$34,088,000 and HK\$37,125,000, respectively (six months ended 30 September 2013: raised and repaid trust receipt loans amounting to HK\$38,061,000 and HK\$39,626,000, respectively).

15. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$0.01 each		
Authorized:		
At 1 April 2013, 31 March 2014 and 30 September 2014	10,000,000,000	100,000,000
Issued and fully paid or credited as fully paid:		
At 1 April 2014	319,594,000	3,195,940
Exercise of share options	277,200	2,772
At 30 September 2014	319,871,200	3,198,712
		HK\$'000
Presented as		24,950

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

16. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to secure the banking facilities granted to the Group at the end of the reporting periods:

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Leasehold land and buildings	2,650	2,718
Investment property	9,330	9,290
Bank deposits	19,136	18,111
	31,116	30,119

In addition, the Group's obligations under finance leases are secured by the lessors' charge over the leased assets with carrying values of HK\$758,000 as at 30 September 2014 (31 March 2014 : HK\$250,000).

17. OPERATING LEASES

The Group as lessee

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within one year	22,089	32,275
In the second to fifth year inclusive	2,814	6,779
	24,903	39,054

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

18. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transaction	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
OTO Singapore (Note i and iv)	Share of research and development expenses	143	169
	Purchases	904	—
OTO Malaysia (Note ii and iv)	Share of research and development expenses	—	54
Mr. Yip Chee Lai, Charlie (Note iii)	Rental expenses	—	48

Notes:

- (i) Mr. Yip Chee Seng, Mr. Yep Gee Kuarn, Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun are the shareholders of OTO Singapore. Mr. Yep Gee Kuarn is a director of OTO Singapore. Mr. Yip Chee Way, David, Mr. Tan Beng Gim and Ms. Chua Siew Hun have an indirect interest in OTO Singapore by holding 36.4%, 31.8% and 31.8% interests respectively in The Essence Shop Pte. Ltd., a company which has a 4.2% interest in OTO Singapore. Mr. Yip Chee Seng and his spouse together hold a 90.4% interest in OTO Singapore and Mr. Yep Gee Kuarn and his spouse together hold a 5.4% interest in OTO Singapore.
- (ii) Mr. Yep Gee Kuarn and Mr. Yip Chee Seng are shareholders of OTO Malaysia, who held 45.8% and 54.2% interests respectively.
- (iii) In prior period, pursuant to a tenancy agreement dated as of 1 September 2011 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. The landlords agreed to extend the tenancy for two months at monthly rental of HK\$12,000.
- (iv) On 25 November 2011, the Group entered into an agreement to share in research and development expenses with OTO Singapore and OTO Malaysia on an annual basis in proportion to their respective turnovers during the same year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

18. RELATED PARTY TRANSACTIONS *(Continued)*

- (b) Compensation of key management personnel

The remuneration of directors of the Company during the periods are as follows:

	Six month ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	4,421	3,651
Retirement benefits scheme contributions	9	8
Performance related incentive payments	589	559
Share-based payments	83	—
	5,102	4,218

19. 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 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.

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

Option type	Outstanding at 1 April 2014	Exercised during the Period	Outstanding at 30 September 2014
Type I	3,180,000	(277,200)	2,902,800

The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.93.