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OTO Holdings Limited

豪特保健控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 6880

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary review and analysis of the latest available unaudited management consolidated accounts of the Group, it anticipates that the Group may not be able to meet the profit forecast of HK\$50.8 million in net profit for the year ending 31 March 2012 as disclosed in the Prospectus, mainly as a result of lower than anticipated demand for the Group's massage chair products, the delay of some of the Group's sales orders and intensified market competition. The exact figures are however yet to be confirmed pending completion of the auditing process by the external auditors.

The information contained in this announcement is only based on the preliminary review and analysis of the latest draft management accounts of the Group and the information currently available to the Board, which have not been reviewed by the Company's independent external auditors.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by OTO Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary review and analysis of the latest available unaudited management consolidated accounts of the Group, it anticipates that the Group may not be able to meet the profit forecast of HK\$50.8 million in net profit for the year ending 31 March 2012 as disclosed in the prospectus of the Company dated 1 December 2011 (the “**Prospectus**”) mainly as a result of the following reasons:

- i. a lower than anticipated revenue of the Group, despite an increase in the number of retail outlets in the PRC, mainly due to the lower than anticipated demand for the Group’s massage chair products during the two festival months of Christmas and Chinese New Year, as well as the delay of some sales orders from the Group’s corporate and international customers, as impacted by the worsening market conditions and business environment caused by the debt crisis in Europe and the United States;
- ii. a lower gross profit margin of the Group attributable to the intensified market competition in Hong Kong which led to reduction in the retail prices of the Group’s products commencing from the end of 2011; and
- iii. an increase in general and administrative expenses arising from an increase in advertising and promotional activities in response to the intensified market competition.

The exact figures are however yet to be confirmed pending completion of the auditing process by the external auditors.

According to the interim report for the six months ended 30 September 2011 published by the Company on 23 December 2011, revenue of the Group for the six months ended 30 September 2011 amounted to approximately HK\$118.2 million (six months ended 30 September 2010: approximately HK\$100.0 million), representing an increase of approximately 18.2% over the same period in 2010. Net profit of the Group for the six months ended 30 September 2011 amounted to approximately HK\$12.6 million (six months ended 30 September 2010: approximately HK\$18.6 million), representing a decrease of approximately 32.3% over the same period in 2010. The net profit for the six months ended 30 September 2011 represented approximately 24.8% of the profit forecast of HK\$50.8 million in net profit for the year ending 31 March 2012 as set out in the Prospectus.

The information contained in this announcement is only based on the preliminary review and analysis of the latest draft management accounts of the Company and the information currently available to the Board. As at the date of this announcement, the Group's consolidated results for the year ending 31 March 2012 have not yet been finalised, and are subject to audit by the Company's independent external auditors and, if required, necessary adjustments. Investors are advised to read carefully the profit forecast and other relevant information contained in the Prospectus and the financial results announcement of the Company for the year ending 31 March 2012 which is expected to be published before 30 June 2012.

OUTLOOK FOR 2012

With a challenging economic and business environment and industry competition, year 2012 will remain to be challenging for our industry in China and Hong Kong. In anticipation of these challenges, the Group will continue to focus on the followings: (i) the Group has prepared 13 new products, including 3 new key products for 2012, which are expected to make noticeable positive impact on the performance of the Group. (ii) the Group will continue with its planned retail outlet expansion in the PRC including the cooperation with its strategic investor, Tianjin Pharmaceutical Group Jingyitang Chained Company Limited (天津醫藥集團敬一堂連鎖股份有限公司), for setting up consignment counters located in its pharmaceutical retail chain stores in the PRC. (iii) the Group will continue to cooperate closely with its corporate and international customers to expand sales in these channels. (iv) the Group will continue to enhance the style, functions, quality and competitiveness of its products so as to give new inspiration and to add more innovative and modern design elements to its products; (v) the Group is committed to improve the operational efficiency of its product value chain, to enhance the efficiency of supply chain as well as effectiveness in products research and development by leveraging on the Group's resources and connections globally; and (vi) the Group will improve its internal operational efficiency through organizational restructuring, operational streamlining, enhancement of existing information technology, recruitment of management personnel that better meet the needs of its current development.

Although the business environment is expected to continue to be difficult, the financial position of the Group remains solid with a strong net cash position. The dedicated management team of the Company will continue to take all necessary actions and measures to strengthen the Group's business operations and to maintain its competitiveness going forward.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
OTO Holdings Limited
Mr. Yip Chee Seng
Chairman

Hong Kong, 16 March 2012

As at the date of this announcement, the executive Directors are Mr. Yip Chee Seng, Mr. Yip Chee Lai Charlie and Mr. Yip Chee Way, David, the non-executive Director is Mr. Yep Gee Kuarn, and the independent non-executive Directors are Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang.