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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

CLARIFICATION ANNOUNCEMENT

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

Reference is made to the announcement of the Company dated 16 March 2012 in relation to the profit warning of the Group's financial results for the year ending 31 March 2012. The Board would like to clarify certain information in the Announcement.

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**”).

Reference is made to the announcement of the Company dated 16 March 2012 in relation to the profit warning of the Group's financial results for the year ending 31 March 2012 (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

The Board would like to clarify that based on the audited consolidated results of the Group for the five months ended 31 August 2011, the unaudited management consolidated accounts of the Group for the six months ended 29 February 2012, and the preliminary estimate and assessment of the Group's financial performance for the one month ending 31 March 2012, it anticipates that the Group may only be able to achieve approximately 30% to 40% of the profit forecast of HK\$50.8 million for the year ending 31 March 2012 ("FY2012") as disclosed in the Prospectus, mainly as a result of an anticipated revenue shortfall of approximately HK\$90 million as compared to the forecasted revenue of the Group for FY2012, mainly attributable to:

- (i) the unanticipated price reduction on certain massage chair and partial body massage products by major competitors of the Group in Hong Kong since December 2011, which is expected to lead to a revenue shortfall of approximately HK\$70 million in retail sales (sales from retail stores, consignment counters, and road show counters) as compared to that of the forecasted revenue for FY2012. In particular, we anticipate a decrease of approximately 2,900 units in sales volume of two key massage chair products, namely OTO Cyber Wave and OTO Master Sense, as compared to the forecasted sales volume for FY2012 and a reduction of approximately HK\$3,500 in average selling price per massage chair in response to the unanticipated price reduction from our major competitors. As a result, we anticipate a revenue shortfall of approximately HK\$55 million as compared to the forecasted revenue for the two key massage chair products for FY2012; and
- (ii) the unanticipated delay of sales orders amounted to approximately HK\$20 million 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.

Furthermore, the Board would like to inform the shareholders of the Company and the potential investors that although the Group anticipates to record an increase of approximately 20% in revenue for FY2012 as compared to that for the year ended 31 March 2011 ("FY2011"), the net profit of the Group for FY2012 is expected to be substantially lower than that for FY2011 by approximately 45% to 55%, mainly as a result of the following reasons:

- (i) a lower gross profit margin of the Group, which is expected to decline to approximately 67-68% for FY2012 from 70.0% for FY2011, mainly attributable to the unanticipated price reduction by major competitors of the Group in Hong Kong since December 2011, which led to the lowering of the average selling prices of the Group's products; and

- (ii) Although the general and administrative expenses for FY2012 is expected to be generally in line with those of the forecasted expenses, the general and administrative expenses for FY2012 is expected to be higher by approximately 35-45% as compared to those of FY2011, arising mainly from (a) the IPO expenses relating to the Global Offering, (b) the increase in commission for consignment counters at department stores due to the increase in consignment counters in the PRC, (c) the increase in staff costs due to the increase in retail outlets in the PRC, (d) the increase in rent, rates and building management fee for retail stores at shopping malls as a results of higher revenue compared to that of FY2011 and (e) the increase in advertising and promotional activities in response to the intensified market competition.

The information contained in this announcement is only based on the preliminary estimate and assessment of the latest draft management accounts of the Company and other information currently available to the Board. As at the date of this announcement, the Group's consolidated results for FY2012 have not yet been finalized, 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, the interim report dated 23 December 2011, and the financial results announcement of the Company for FY2012 which is expected to be published on or before 30 June 2012.

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, 18 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. Yip Gee Kuarn, and the independent non-executive Directors are Mr. Chan Yip Keung, Mr. Chung Kin Fai and Ms. Lo Yee Hang.