



OSIM International Ltd

(Incorporated in the Republic of Singapore)

(Registration No.: 198304191N)

Financial Statements And Dividend Announcement For 3 Months Ended 31 March 2008

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REVIEW OF PERFORMANCE OF THE GROUP

Overview

OSIM is the Pioneer of a Growing Industry. Our mission is to bring healthy lifestyle to our customers and today we are serving our customers over a worldwide network of about 1,100 outlets in 31 countries.

We are in the process of Building a Global Brand. Our strategy is to expand to more cities, more countries.

OSIM is Asia No 1 healthy lifestyle company (as validated by leading independent research firm Synovate). The restructuring in 2007 is beginning to show improved results and we expect to continue to sharpen our strategic and competitive edge.

Global Active continues to register healthy growth while there are many opportunities to continue to make improvements to Brookstone's quarterly results.

Profitability

In 1Q FY2008, revenue was \$115.6 million while EBITDA rose by 58% to \$7.6 million. Operating profit was \$2.5 million compared to a loss of \$1.8 million in the previous year. This improvement was primarily because of better focus on profitability and cost management. There have been more effective sales per store and sales per man.

Global Active continued to turn in better profitability on broad-based growth in its key countries of Singapore, Malaysia and Australia.

The Group equity accounts the results of OSIM Brookstone Inc. In 1Q FY2008, Brookstone's revenue increased by 8% to US\$89.8 million. The company posted its 8th successive positive same store growth. In 1Q FY2008, the share of losses from associated companies and joint venture amounted to \$12.7 million compared with \$14.4 million in the 1Q FY2007.

After accounting for results of Associates & Joint Venture, the Group net loss after tax was \$13.2 million.

REVIEW OF PERFORMANCE OF THE GROUP

Profitability (cont'd)

Revenue by Region – 1Q FY2008

Region	1Q08		1Q07	
	S\$m	%	S\$m	%
North Asia	58.6	51%	59.4	49%
South Asia	39.2	34%	42.8	35%
America/Africa/Europe/ Middle East/Oceania	17.8	15%	19.1	16%
Total	115.6	100%	121.3	100%

For 1Q FY2008, revenue was lower in both North & South Asia as we refine the structure & systems of the business. Sales to the rest of the world decreased due to timing of shipments to America. Our fundamentals remain strong and we expect all regions to register growth this year.

Global Network of Outlets

Region	31 Mar 2008	31 Dec 2007
North Asia	324	322
South Asia	283	291
America/Africa/Europe/ Middle East/Oceania	32	36
Total OSIM Outlets	639	649
Global Active Outlets	141	133
Brookstone Outlets	315	322
Total	1,095	1,104

In 1Q FY2008, the Group had an increase in Global Active outlets as it expands its nutritional business in Malaysia & Australia. There is a net decrease in Brookstone outlets due to expiry of leases but we expect a net increase of Brookstone outlets for the year. For OSIM, the reduction was mainly because of rationalisation of outlets with increased focus to achieve better profitability.

The Group has direct control over 1,095 outlets globally as at end March 2008. This scale continues to be a key strength of OSIM in maximising returns from the sale of innovative healthy lifestyle products to customers on a global scale.

REVIEW OF PERFORMANCE OF THE GROUP

Balance Sheet and Cash Flow & Dividends

Cash flow from operations and internal resources was used to finance the investment in fixed assets and the net repayment of bank loans. The balance sheet financial ratios were healthy.

Operating cash flows before working capital changes in 1Q FY2008 was \$8.2 million, an improvement of 68%. During the period, we repaid \$10m of syndicated bank loans.

COMMENTARY ON CURRENT PERIOD'S PROSPECTS

The performance in FY2008 is expected to improve as the Group executes the following profit growth plan:

1. To launch more innovative OSIM products every quarter, including the introduction of major products like the World's First Well-Being Chair uSpace, Massage & Exercise Chair uYoYo and Cardio-Twist Trimmer uRobic in Asia.
2. To continue to improve on effective sales per store and effective sales per man.
3. To improve the quarterly performance of Brookstone by increasing store profitability through higher store productivity, enhanced selling culture and better products.
4. To capitalise on a comprehensive product range by expanding Global Active's retailing network in Australia and Malaysia. It will also continue to develop its China network.
5. To add at least another five countries this year to its International Franchise (OSIM is currently in 31 countries). Targets include several countries in Europe & South America.

We are optimistic of the Group's performance in 2008 despite the challenging global market conditions. We will continue to develop our long term plan to establish a global healthy lifestyle retailing business. As with any longer term endeavour, some short term volatility in performance from quarter to quarter should be expected.

Barring unforeseen circumstances, the Group expects profit after tax in FY2008 to be higher than FY2007.

RISK FACTORS

Industry specific risks

1. Changes in consumer tastes

As with all other consumer products, sales of our products are dependent on consumers' demand for our products and are susceptible to changes in consumer tastes. There is no assurance that our intensive efforts in niche marketing, brand management and product innovation will continue to enable us to satisfy the evolving consumer tastes.

2. Susceptibility to downturns in economic cycles

The nature of our healthy lifestyle products make us more susceptible to reduced demand in times of economic downturn than other kinds of businesses because our products may not be considered as essential health products.

3. Health epidemics, terror alerts, terror attacks and other acts of violence or war may adversely affect sales.

A large part of our outlets are located at high traffic malls and airports. Any of the above events will lead to a decrease in consumer traffic in malls and airports and consequently may have a material adverse effect on sales.

4. Inferior quality and unsubstantiated product performance claims by imitators may lead to adverse media publicity and negative market sentiments

A number of our products have always attracted imitation products traders. Their inferior quality and unsubstantiated product performance claims may lead to adverse media publicity and negative market sentiments and may have a material adverse effect on sales.

RISK FACTORS

Company specific risks

5. Foreign exchange risks

While our sales are mainly denominated in the respective local currencies in which the sales arise, namely the S\$, RM, HK\$, RMB, NT\$, A\$ and US\$, our costs of procurement of products from our contract manufacturers are incurred mainly in US\$, Yen and Euro. There is therefore an exchange transaction risk.

6. Expansion of business and franchisee network

We plan to open OSIM Focus stores in existing and new geographical markets and sign on new franchisees. There are risks that these initiatives may not be successful.

7. The results of Brookstone are highly dependant on sales during the fourth quarter of the year.

A high percentage of our joint venture company, Brookstone's sales is transacted during the fourth quarter of the year. As a result, Brookstone's annual profits are substantially made during the year end. If there should be any unfavourable external events or deviation from projected demand for products, these could have a material adverse effect on Brookstone's sales and profitability.

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BALANCE SHEETS

(Amounts in Singapore dollars)

	Note	Group		Company	
		31 Mar 2008 \$'000	31 Dec 2007 \$'000	31 Mar 2008 \$'000	31 Dec 2007 \$'000
Equity attributable to equity holders of the Company					
Share capital	A	42,574	42,574	42,574	42,574
Accumulated profits		127,861	141,062	132,465	122,988
Enterprise expansion funds		545	545	-	-
Capital reserves		1,384	1,384	748	748
Hedging reserve		-	(12)	-	(12)
Revaluation reserve		5,237	5,237	-	-
Premium on purchase of minority interests' (MIs') shares		(7,720)	(7,720)	-	-
Foreign currency translation reserve		(25,352)	(23,355)	-	-
		144,529	159,715	175,787	166,298
Minority interests		6,783	6,940	-	-
Total equity		151,312	166,655	175,787	166,298
Non-current assets					
Fixed assets		36,919	38,144	9,086	9,532
Investment property		563	569	563	569
Subsidiaries	C	-	-	80,589	80,589
Associated companies and a joint venture		111,734	127,595	146,327	146,327
Intangible assets		34,782	35,069	1,383	1,571
Deferred tax assets		6,929	7,368	-	-
Long term investment		930	930	930	930
Long term receivables		11,332	11,746	1,882	1,716
		203,189	221,421	240,760	241,234
Current assets					
Stocks		74,735	71,698	11,721	13,891
Trade debtors		24,459	29,641	5,037	7,467
Other debtors, deposits and prepaid operating expenses		7,403	8,328	1,507	2,296
Due from subsidiaries (trade)		-	-	14,626	13,247
Due from subsidiaries (non-trade)		-	-	2,388	1,610
Due from affiliated companies (trade)		462	811	-	-
Due from affiliated companies (non-trade)		2	2	1	1
Due from associated companies (trade)		1,405	1,370	1,405	1,370
Due from associated companies (non-trade)		794	749	794	749
Due from a joint venture (trade)		245	683	245	683
Due from a joint venture (non-trade)		54	227	54	227
Loans to associated companies		624	757	624	757
Fixed deposits		2,100	5,621	-	-
Cash and bank balances		24,899	23,413	5,941	5,251
		137,182	143,300	44,343	47,549

Financial Statements

BALANCE SHEETS (Continued)

(Amounts in Singapore dollars)

	Note	Group		Company	
		31 Mar 2008 \$'000	31 Dec 2007 \$'000	31 Mar 2008 \$'000	31 Dec 2007 \$'000
Current liabilities					
Trade creditors		24,802	20,893	10,227	4,731
Other creditors, accruals and provisions		37,761	41,178	9,364	12,220
Due to subsidiaries (trade)		-	-	84	70
Due to subsidiaries (non-trade)		-	-	160	132
Due to affiliated companies (trade)		-	1	-	-
Due to affiliated companies (non-trade)		43	-	-	-
Due to associated companies (trade)		10,828	9,782	6,922	6,722
Due to associated companies (non-trade)		-	3	-	3
Due to a joint venture (trade)		-	809	-	809
Short-term bank loans	D	18,857	8,594	-	-
Provision for income tax		9,890	6,951	5,028	3,862
Bank loans - current portion	E	20,753	21,208	20,000	20,000
Obligations under finance leases – current portion		541	629	-	-
Bills payable to banks (unsecured)		27,589	38,804	23,279	33,453
Bank overdrafts		215	1,287	-	-
		<u>151,279</u>	<u>150,139</u>	<u>75,064</u>	<u>82,002</u>
Net current liabilities		(14,097)	(6,839)	(30,721)	(34,453)
Non-current liabilities					
Bank loans - non-current portion	E	33,904	43,908	30,000	40,000
Loan from a subsidiary		-	-	3,769	-
Obligations under finance leases – non-current portion		418	534	-	-
Provision for pension benefits		368	359	-	-
Deferred tax liabilities		3,090	3,126	483	483
		<u>37,780</u>	<u>47,927</u>	<u>34,252</u>	<u>40,483</u>
Net assets		<u>151,312</u>	<u>166,655</u>	<u>175,787</u>	<u>166,298</u>

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Amounts in Singapore dollars)

		Group	
		3 months ended 31 Mar	
		2008	2007
		\$'000	\$'000
	Note		
Revenue		115,588	121,336
Other operating income		1,604	1,653
Changes in inventories of finished goods		3,201	(12,404)
Finished goods purchased		(47,825)	(36,365)
Employee benefits expense		(21,732)	(21,321)
Depreciation and amortisation expenses		(3,577)	(4,846)
Other operating expenses		(43,223)	(48,076)
Profit/(loss) before taxation and financial expenses and income		4,036	(23)
Financial expenses		(1,654)	(1,837)
Financial income		71	109
		2,453	(1,751)
Share of losses of associated companies and a joint venture before financial expenses		(8,975)	(10,764)
Share of financial expenses of a joint venture		(3,713)	(3,633)
Share of losses of associated companies and a joint venture after financial expenses		(12,688)	(14,397)
Loss before taxation		(10,235)	(16,148)
Taxation	F	(3,169)	(1,265)
Net loss for the period		(13,404)	(17,413)
Attributable to:			
Shareholders of the Company		(13,201)	(17,293)
Minority interests		(203)	(120)
		(13,404)	(17,413)
Losses per share (cents)			
- Basic	G	(2.44)	(3.19)
- Diluted	G	(2.44)	(3.19)

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STATEMENTS OF CHANGES IN EQUITY

(Amounts in Singapore dollars)

2008 Group	Attributable to equity holders of the Company									Minority interests	Total equity
	Share capital	Accumulated profits	Enterprise expansion funds	Capital reserves	Hedging reserve	Revaluation reserve	Premium on purchase of MIs' shares	Foreign currency translation reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 Jan 2008	42,574	141,062	545	1,384	(12)	5,237	(7,720)	(23,355)	159,715	6,940	166,655
Net change in hedging reserve	-	-	-	-	12	-	-	-	12	-	12
Net effect of exchange differences	-	-	-	-	-	-	-	(1,997)	(1,997)	46	(1,951)
Net income/(loss) recognised directly in equity	-	-	-	-	12	-	-	(1,997)	(1,985)	46	(1,939)
Net loss for the period	-	(13,201)	-	-	-	-	-	-	(13,201)	(203)	(13,404)
Total recognised income and expenses for the period	-	(13,201)	-	-	12	-	-	(1,997)	(15,186)	(157)	(15,343)
At 31 Mar 2008	42,574	127,861	545	1,384	-	5,237	(7,720)	(25,352)	144,529	6,783	151,312

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STATEMENTS OF CHANGES IN EQUITY (Continued)

(Amounts in Singapore dollars)

	Attributable to equity holders of the Company								Minority interests	Total equity	
	Share capital	Accumulated profits	Enterprise expansion funds	Capital reserves	Hedging reserve	Revaluation reserve	Premium on purchase of MIs' share	Foreign currency translation reserve			Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2007 Group											
At 1 Jan 2007	42,501	145,947	545	1,401	(1,394)	5,237	(7,033)	(17,082)	170,122	6,217	176,339
Net change in hedging reserve	-	-	-	-	978	-	-	-	978	-	978
Net effect of exchange differences	-	-	-	-	-	-	-	(394)	(394)	(31)	(425)
Net income/(loss) recognised directly in equity	-	-	-	-	978	-	-	(394)	584	(31)	553
Net loss for the period	-	(17,293)	-	-	-	-	-	-	(17,293)	(120)	(17,413)
Total recognised income and expenses for the period	-	(17,293)	-	-	978	-	-	(394)	(16,709)	(151)	(16,860)
Exercise of employee share options	24	-	-	(7)	-	-	-	-	17	-	17
At 31 Mar 2007	42,525	128,654	545	1,394	(416)	5,237	(7,033)	(17,476)	153,430	6,066	159,496

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STATEMENTS OF CHANGES IN EQUITY (Continued)

(Amounts in Singapore dollars)

2008 Company	Attributable to equity holders of the Company				
	Share capital	Accumulated profits	Capital reserves	Hedging reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 Jan 2008	42,574	122,988	748	(12)	166,298
Net change in hedging reserve	-	-	-	12	12
Net income recognised directly in equity	-	-	-	12	12
Net profit for the period	-	9,477	-	-	9,477
Total recognised income for the period	-	9,477	-	12	9,489
At 31 Mar 2008	42,574	132,465	748	-	175,787

2007 Company	Attributable to equity holders of the Company				
	Share capital	Accumulated profits	Capital reserves	Hedging reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 Jan 2007	42,501	111,266	765	(1,394)	153,138
Net change in hedging reserve	-	-	-	978	978
Net income recognised directly in equity	-	-	-	978	978
Net profit for the period	-	2,206	-	-	2,206
Total recognised income for the period	-	2,206	-	978	3,184
Exercise of employee share options	24	-	(7)	-	17
At 31 Mar 2007	42,525	113,472	758	(416)	156,339

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CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in Singapore dollars)

	Group	
	3 months ended 31 Mar	
	2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Loss before taxation	(10,235)	(16,148)
Adjustments for:		
Share of losses of associated companies and a joint venture	12,688	14,397
Depreciation of fixed assets	3,166	4,328
Loss on disposal of fixed assets	612	100
Amortisation of intangible assets	411	518
Impairment loss on fixed assets	24	-
Financial income	(71)	(109)
Financial expenses	1,654	1,837
	<hr/>	<hr/>
Operating profit before working capital changes	8,249	4,923
(Increase)/decrease in:		
Stocks	(3,033)	12,472
Trade debtors	4,986	14,003
Other debtors, deposits and prepaid operating expenses	758	1,237
Due from affiliated companies (trade)	349	251
Due from affiliated companies (non-trade)	-	1
Due from associated companies (trade)	(35)	(175)
Due from associated companies (non-trade)	(45)	161
Due from a joint venture (trade)	437	744
Due from a joint venture (non-trade)	173	-
(Decrease)/increase in:		
Trade creditors	3,910	(4,792)
Other creditors, accruals and provisions	(3,103)	(6,736)
Due to affiliated companies (trade)	(1)	-
Due to affiliated companies (non-trade)	43	(1,168)
Due to associated companies (trade)	1,046	(15,672)
Due to associated companies (non-trade)	(2)	-
Due to a joint venture (trade)	(809)	(7)
Provision for pension benefits	-	(7)
Bills payable to banks	(11,216)	11,800
	<hr/>	<hr/>
Cash flows generated from operations	1,707	17,035
Income tax refund/(paid)	681	(723)
	<hr/>	<hr/>
Net cash flows generated from operating activities	2,388	16,312
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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(Amounts in Singapore dollars)

	Group	
	3 months ended 31 Mar	
	2008	2007
	\$'000	\$'000
Cash flows from investing activities		
Purchase of fixed assets (Note A)	(2,515)	(2,215)
Proceeds from disposal of fixed assets	63	-
Interest received	71	109
Dividend received from associated companies	605	1,277
Acquisition of intangible assets	(125)	(73)
Repayment of loan from an associated company	133	207
	<hr/>	<hr/>
Net cash flows used in investing activities	(1,768)	(695)
	<hr/>	<hr/>
Cash flows from financing activities		
Receipts from new bank loans	15,186	1,671
Repayment of bank loans	(15,080)	(15,765)
Repayment of finance lease obligations	(200)	(336)
Proceeds from issuance of ordinary shares	-	17
Interest paid	(1,677)	(2,007)
	<hr/>	<hr/>
Net cash flows used in financing activities	(1,771)	(16,420)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,151)	(803)
Net effect of exchange rates changes	188	(536)
Cash and cash equivalents at beginning of period	27,747	29,766
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Cash and cash equivalents at end of period (Note B)	26,784	28,427
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CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(Amounts in Singapore dollars)

Note A: Purchase of fixed assets

During the financial period, the Group acquired fixed assets with an aggregate cost of \$2,515,000 (2007: \$2,215,000) by means of cash.

Note B: Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts

	Group	
	31 Mar 2008	31 Mar 2007
	\$'000	\$'000
Cash and bank balances	24,899	25,389
Bank overdraft	(215)	(350)
Fixed deposits	2,100	3,388
	<u>26,784</u>	<u>28,427</u>

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Singapore dollars)

A. SHARE CAPITAL

	Group and Company		Group and Company	
	31 Mar	31 Dec	31 Mar	31 Dec
	2008	2007	2008	2007
	Number of ordinary shares (‘000)		Issued and fully paid up capital (\$’000)	
Issued and fully paid				
At beginning of period/year	541,838	541,709	42,574	42,501
Share options exercised	-	129	-	66
Effect of adopting FRS 102	-	-	-	7
At end of period/year	<u>541,838</u>	<u>541,838</u>	<u>42,574</u>	<u>42,574</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. SHARE OPTIONS

Details of the options to subscribe for ordinary shares of the Company granted to directors and employees of the Group and associated companies pursuant to the scheme are as follows:

	Exercise period	Options granted during financial period under review	Aggregate options granted (including bonus issue) since commencement of the Option Scheme	Aggregate options exercised since commencement of the Option Scheme	Aggregate options lapsed since commencement of the Option Scheme	Aggregate options outstanding at end of financial period	Exercise Price \$
Charlie Teo	15.01.2002–14.01.2011	-	247,500	-	-	247,500	0.178
Chay Lee	15.01.2003–14.01.2012	-	247,500	-	-	247,500	0.236
	27.12.2003–26.12.2012	-	198,000	-	-	198,000	0.442
	16.02.2005–15.02.2014	-	95,040	-	-	95,040	0.917
Richard Leow	15.01.2002–14.01.2011	-	247,500	(247,500)	-	-	0.178
Lian Soon	15.01.2003–14.01.2012	-	247,500	(247,500)	-	-	0.236
	27.12.2003–26.12.2012	-	198,000	(198,000)	-	-	0.442
	16.02.2005–15.02.2014	-	95,040	(95,000)	-	40	0.917
Peter Lee	15.01.2002– 14.01.2011	-	135,000	-	-	135,000	0.178
Hwai Kiat	15.01.2003–14.01.2012	-	135,000	-	-	135,000	0.236
	27.12.2003–26.12.2012	-	144,000	-	-	144,000	0.442
	16.02.2005–15.02.2014	-	69,120	-	-	69,120	0.917
Michael Kan	15.01.2002–14.01.2006	-	39,063	(39,063)	-	-	-
Yuet Yun	15.01.2003–14.01.2007	-	39,063	(39,063)	-	-	-
	27.12.2003–26.12.2007	-	31,250	(31,250)	-	-	-
	16.02.2005–15.02.2009	-	21,600	-	-	21,600	0.917
Ong Kian Min	15.01.2002–14.01.2006	-	46,876	(46,876)	-	-	-
	15.01.2003–14.01.2007	-	46,876	(46,876)	-	-	-
	27.12.2003–26.12.2007	-	45,000	(45,000)	-	-	-
	16.02.2005–15.02.2009	-	21,600	-	-	21,600	0.917
Khor Peng Soon	16.02.2005–15.02.2009	-	21,600	-	-	21,600	0.917

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

B. SHARE OPTIONS (Continued)

	Exercise period	Options granted during financial period under review	Aggregate options granted (including bonus issue) since commencement of the Option Scheme	Aggregate options exercised since commencement of the Option Scheme	Aggregate options lapsed since commencement of the Option Scheme	Aggregate options outstanding at end of financial period	Exercise Price \$
Staff	15.01.2002–14.01.2006	-	30,000	(30,000)	-	-	-
	15.01.2002–14.01.2011	-	1,649,057	(1,294,682)	(151,875)	202,500	0.178
	30.08.2002–29.08.2011	-	412,186	(348,436)	(63,750)	-	-
	15.01.2003–14.01.2007	-	46,875	(46,875)	-	-	-
	15.01.2003–14.01.2012	-	2,424,620	(1,852,180)	(234,375)	338,065	0.236
	16.08.2003–15.08.2012	-	1,048,200	(695,600)	(209,600)	143,000	0.506
	27.12.2003–26.12.2007	-	54,000	(54,000)	-	-	0.442
	27.12.2003–26.12.2012	-	2,720,830	(1,935,450)	(418,900)	366,480	0.442
	19.06.2004–18.06.2013	-	1,215,000	(840,000)	(259,000)	116,000	0.488
	16.02.2005–15.02.2009	-	28,800	(28,800)	-	-	0.917
	16.02.2005–15.02.2014	-	4,140,200	(1,154,860)	(905,220)	2,080,120	0.917
			16,141,896	(9,317,011)	(2,242,720)	4,582,165	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. SUBSIDIARIES

Details of subsidiaries are as follows:

Name	Principal activities	Country of incorporation	Percentage of equity held		Cost of investment	
			31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
			%	%	\$'000	\$'000
OSIM International Trading (Shanghai) Co., Ltd	Import, trading and distribution of healthy lifestyle products	People's Republic of China	100	100	295	295
OSIM (M) Sdn Bhd	Sale and marketing of healthy lifestyle products	Malaysia	80	80	7,354	7,354
OSIM (HK) Company Limited	Sale and marketing of healthy lifestyle products	Hong Kong	100	100	12,070	12,070
OSIM (Taiwan) Co., Ltd	Sale and marketing of healthy lifestyle products	Taiwan	92.50	92.50	7,156	7,156
Nutrition Focus (USA) Inc*	Dormant	British Virgin Island	100	100	-	-
Global Active Limited	Specialty retailer and distributor of nutraceutical products	Singapore	82.77	82.77	41,990	41,990
OSIM (China) Co., Ltd	Sale and marketing of healthy lifestyle products	People's Republic of China	100	100	11,008	11,008
OSIM International (Australia) Pty Ltd	Sale and marketing of healthy lifestyle products	Australia	60	60	716	716
					<u>80,589</u>	<u>80,589</u>

*Cost of Investment in Nutrition Focus (USA) Inc is \$2.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. SUBSIDIARIES (Continued)

Name	Principal activities	Country of incorporation	Percentage of equity held		Cost of investment	
			31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
			%	%	\$'000	\$'000
<u>Held through Global Active Limited</u>						
Nutri Active Pte Ltd	Wholesale of nutraceutical products and supplements	Singapore	82.77 [^]	82.77 [^]	-	-
Victoria House Pte Ltd	Retailing of nutraceutical products and supplements	Singapore	82.77 [^]	82.77 [^]	-	-
VHE China Limited	Dormant	Hong Kong	82.77 [^]	82.77 [^]	-	-
VHE Shanghai Limited	Wholesale of nutraceutical products and supplements	People's Republic of China	82.77 [^]	82.77 [^]	-	-
Nutrition Imports Pty Ltd	Wholesale of nutraceutical products and supplements	Australia	82.77 [^]	82.77 [^]	-	-
Green Valley Nutrition Pty Ltd	Retailing of nutraceutical products and supplements	Australia	82.77 [^]	82.77 [^]	-	-
USB Inc	Retailing of nutraceutical products and supplements	Guam	82.77 [^]	82.77 [^]	-	-
<u>Held through Victoria House Pte Ltd</u>						
Victoria House Sdn Bhd	Retailing of nutraceutical products and supplements	Malaysia	70.35 [^]	70.35 [^]	-	-
Nutri Active Sdn Bhd	Wholesale of nutraceutical products and supplements	Malaysia	70.35 [^]	70.35 [^]	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. SUBSIDIARIES (Continued)

Name	Principal activities	Country of incorporation	Percentage of equity held		Cost of investment	
			31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
			%	%	\$'000	\$'000
<u>Held through OSIM (China) Co., Ltd</u>						
OSIM (Shengzhen) Trading Co., Ltd	Sale and marketing of healthy lifestyle products	People's Republic of China	100 [^]	-	-	-
OSIM (Guangzhou) Trading Co., Ltd	Sale and marketing of healthy lifestyle products	People's Republic of China	100 [^]	-	-	-
OSIM (Beijing) Trading Co., Ltd	Sale and marketing of healthy lifestyle products	People's Republic of China	100 [^]	-	-	-

[^] Group's effective shareholdings

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

D. SHORT-TERM BANK LOANS

	Group	
	31 Mar 2008	31 Dec 2007
	\$'000	\$'000
Secured	7,650	-
Unsecured	11,207	8,594
	<u>18,857</u>	<u>8,594</u>

The secured short-term bank loans are secured by fixed deposits amounting to \$990,000 (2007:\$nil) and a freehold land and building of a subsidiary. These loan bear interest at the rates of 2.760% to 3.160% per annum and are repayable within the next twelve months from the balance sheet date.

The unsecured short-term bank loans bear interest at the rates of 3.800% to 8.233% (2007: 5.300% to 7.908%) per annum and are repayable within the next twelve months from the balance sheet date.

E. BANK LOANS

	Group		Company	
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
	\$'000	\$'000	\$'000	\$'000
Bank loan A	1,264	1,266	-	-
Bank loan C	2,264	2,286	-	-
Bank loan E	50,000	60,000	50,000	60,000
Bank loan F	-	563	-	-
Bank loan G	1,129	1,001	-	-
	<u>54,657</u>	<u>65,116</u>	<u>50,000</u>	<u>60,000</u>
Due within 12 months	<u>(20,753)</u>	<u>(21,208)</u>	<u>(20,000)</u>	<u>(20,000)</u>
Due after 12 months	<u>33,904</u>	<u>43,908</u>	<u>30,000</u>	<u>40,000</u>

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

E. BANK LOANS (Continued)

Bank loan A, taken up by a subsidiary, is repayable in 180 equal monthly installments over a period of 15 years from the date of drawdown. This loan is secured by the freehold land and building of a subsidiary and bears interest at the rate of 3.595% (2007: 3.515%) per annum.

Bank loan C, taken up by a subsidiary, is repayable monthly over a period of 25 years from the date of drawdown. This loan was secured by a leasehold building of a subsidiary. The terms of the bank loan were revised in January 2008 and bears interest at the rate of 3.500% per annum for the first year, 4.125% per annum for the second year, and thereafter at 0.750% per annum above the lending bank's prevailing prime rate calculated on monthly rests basis.

Bank loan E, taken up at Company, is repayable half yearly over a period of 5 years from the date of drawdown. This is a syndicated loan supported by corporate guarantees from fellow subsidiaries. The loan's interest rate is at SGD Swap Offer Rate plus 1.000% per annum. The loan agreement includes a debt service coverage ratio covenant that the Company has to fulfill. Subsequent to year ended 2007, the lenders have granted waiver for the debt service coverage ratio covenant.

Bank loan F, taken up by a subsidiary, is repayable monthly over a period of 3 years from August 2006. In 2005, this loan bore interest at the rate of 5.946% per annum. The terms of the bank loan were revised in September 2006 and bears interest at 2.250% (2007: 2.250%) per annum above the lending bank's cost of fund. The loan had been fully paid in February 2008.

Bank loan G, taken up by a subsidiary, is repayable in 36 monthly installments commencing from 1 month after the full drawdown. This loan is secured by a corporate guarantee from the Company and personal guarantee from a director of a subsidiary. The bank loan bears interest at the rate of 6.000% per annum or 1.750% per annum over the 3 years effective cost of fund whichever is higher on monthly rests.

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

F. TAXATION

This comprises:

	Group	
	3 months ended 31 Mar	
	2008	2007
	\$' 000	\$' 000
Current tax		
- Current period	2,777	1,142
Deferred tax		
- Movement in temporary differences	392	123
Income tax expenses recognised in profit and loss account	<u>3,169</u>	<u>1,265</u>

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

G. EARNINGS PER SHARE

The weighted average number of ordinary shares is determined as follows:

	Group	
	3 months ended 31 Mar	
	2008	2007
	No. of shares (‘000)	No. of shares (‘000)
Basic losses per share:		
Shares outstanding at beginning of the year	541,838	541,709
Weighted average number of shares issued during the period under the Share Option Scheme	-	19
Weighted average number of shares used in calculation of basic earnings per share	<u>541,838</u>	<u>541,728</u>
Basic losses per share (cents)	(2.44)	(3.19)
Diluted losses per share:		
Weighted average number of shares used in calculation of basic earnings per share	541,838	541,728
Adjustment for assumed conversion of share options	-	-
Weighted average number of shares used in calculation of diluted earnings per share	<u>541,838</u>	<u>541,728</u>
Diluted losses per share (cents)	(2.44)	(3.19)

Financial Statements

NOTES TO FINANCIAL STATEMENTS (Continued)

H. NET ASSET VALUE PER SHARE

	Group		Company	
	31 Mar 2008	31 Dec 2007	31 Mar 2008	31 Dec 2007
Net asset value per share based on existing issued share capital as at the respective period/year	27 cents	29 cents	32 cents	31 cents

I. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions < \$100,000)	
	3 months ended 31 Mar	
	2008	2007
	\$'000	\$'000
Sales		
OSIM (Guangzhou) Co., Ltd	974	1,114
OSIM (Langfang) Co., Ltd	548	407
FK Marketing	315	197
	<u>1,837</u>	<u>1,718</u>

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

J. SEGMENT INFORMATION

Geographical segments

Revenue, assets and capital expenditure are based on the location of the business operations.

	North Asia		South Asia		America / Africa / Europe / Middle East / Oceania		Eliminations		Total	
	3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar		3 months ended 31 Mar	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
Sales to external customers	58,631	59,380	39,146	42,861	17,811	19,095	-	-	115,588	121,336
Inter-segment sales	16,608	7,937	26,097	21,102	-	111	(42,705)	(29,150)	-	-
	<u>75,239</u>	<u>67,317</u>	<u>65,243</u>	<u>63,963</u>	<u>17,811</u>	<u>19,206</u>	<u>(42,705)</u>	<u>(29,150)</u>	<u>115,588</u>	<u>121,336</u>
Other segment information										
Segment assets	113,483	124,761	60,869	67,598	25,490	25,911	-	-	199,842	218,270
Investment in associated companies and a joint venture	11,684	10,354	1,095	994	98,955	113,810	-	-	111,734	125,158
Unallocated assets									28,795	27,720
Total asset									<u>340,371</u>	<u>371,148</u>
Capital expenditure										
- Fixed assets	805	548	964	1,166	746	501	-	-	2,515	2,215
- intangible assets	85	-	40	9	-	64	-	-	125	73

Financial Statements

NOTES TO FINANCIAL STATEMENTS (Continued)

J. SEGMENT INFORMATION (Continued)

Business segments

The Group is organised on a worldwide basis into two main operating divisions, namely retail and distribution.

	<u>Retail</u>	<u>Distribution</u>	<u>Eliminations</u>	<u>Group</u>
31 Mar 2008	\$'000	\$'000	\$'000	\$'000
Revenue				
External sales	107,108	8,480		115,588
Inter-segment sales	-	42,705	(42,705)	-
Total revenue	<u>107,108</u>	<u>51,185</u>	<u>(42,705)</u>	<u>115,588</u>
Results				
Segment results	(232)	12,522	(8,254)	4,036
Financial expenses, net				(1,583)
Share of results of associated companies and a joint venture	(13,370)	682	-	(12,688)
Taxation				(3,169)
Net loss for the period				<u>(13,404)</u>
Assets				
Segment assets	144,574	55,268	-	199,842
Investment in associated companies and a joint venture	99,440	12,294	-	111,734
Unallocated assets				28,795
Total assets				<u>340,371</u>
Liabilities				
Segment liabilities	38,858	34,577	-	73,435
Unallocated liabilities				115,624
Total liabilities				<u>189,059</u>
Others segment information				
Capital expenditure				
- Fixed assets	2,375	140	-	2,515
- Intangible assets	-	125	-	125
Depreciation				
- Fixed assets	2,775	385	-	3,160
- Investment property	-	6	-	6
Amortisation of intangible assets	250	161	-	411

Financial Statements

NOTES TO FINANCIAL STATEMENTS (Continued)

J. SEGMENT INFORMATION (Continued)

Business segments

31 Mar 2007	<u>Retail</u> \$'000	<u>Distribution</u> \$'000	<u>Elimination</u> \$'000	<u>Group</u> \$'000
Revenue				
External sales	110,054	11,282	-	121,336
Inter-segment sales	-	29,150	(29,150)	-
	<u>110,054</u>	<u>40,432</u>	<u>(29,150)</u>	<u>121,336</u>
Results				
Segment results	(3,852)	3,297	532	(23)
Financial expenses, net				(1,728)
Share of results of associated companies and a joint venture	(15,023)	626	-	(14,397)
Taxation				(1,265)
Net loss for the period				<u>(17,413)</u>
Assets				
Segment assets	165,470	52,800	-	218,270
Investment in associated companies and a joint venture	114,415	10,743	-	125,158
Unallocated assets				27,720
Total assets				<u>371,148</u>
Liabilities				
Segment liabilities	42,838	18,929	-	61,767
Unallocated liabilities				149,885
Total liabilities				<u>211,652</u>
Others segment information				
Capital expenditure				
- Fixed assets	2,156	59	-	2,215
- Intangible assets	64	9	-	73
Depreciation				
- Fixed assets	3,884	438	-	4,322
- Investment property	-	6	-	6
Amortisation of intangible assets	497	21	-	518

Financial Statements

NOTES TO FINANCIAL STATEMENTS (Continued)

K. QUARTERLY ANALYSIS

	Group	
	3 months ended 31 Mar	
	2008	2007
	\$'000	\$'000
Revenue		
First Quarter	115,588	121,336
Loss before tax and minority interest		
First Quarter	(10,235)	(16,148)
Net loss after tax and minority interest		
First Quarter	(13,201)	(17,293)

Financial Statements

ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the preparation of financial statements for the current reporting period compared with the audited financial statements as at 31 December 2007.

DIVIDENDS

No dividend has been recommended or declared for the quarter ended 31 March 2008 (2007: \$nil)


AUDIT

The figures have not been audited or reviewed by the Company's auditors.

CONFIRMATION BY THE BOARD

We, Ron Sim Chye Hock and Peter Lee Hwai Kiat, being two directors of OSIM International Ltd (the Company), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the 1st quarter 2008 financial results to be false or misleading.

On behalf of the Board of directors



Ron Sim Chye Hock
Director



Peter Lee Hwai Kiat
Director