



OSIM International Ltd (Reg No : 198304191N)

Business Update and Profit Guidance

The board of directors of OSIM International Ltd would like to provide shareholders of the Company with an update on the performance of the business prior to the announcement of the unaudited consolidated financial statements for the year ended 31 December 2006.

For the year ended 31 December 2006, based on preliminary estimate, we expect the group profit after tax to be lower than the S\$46.7 million achieved in FY2005 by between 20% and 28%. The consolidated financial statements for the year ended 31 December 2006 are currently being audited and the audited figures may vary from the preliminary estimate.

The main reasons for the under performance are:

1. Despite positive same store sales growth in 2006 (an improvement over the negative 8% in 2005) and stronger EBITDA for Brookstone Inc., interest expenses at Brookstone Inc and at the joint venture OSIM Brookstone Inc. resulted in losses at OSIM Brookstone Inc.
2. Unsubstantiated product claims by some local marginal players in North Asia in third quarter 2006 triggered sanctions by the authorities and negative reports in the media. The resultant negative public sentiments caused a temporary slowdown in the overall industry which spilled over into fourth quarter 2006. In addition, we had to increase our advertising and promotional expenses during this period to counter the negative public sentiments.

The directors are optimistic of the Group's performance in 2007 and believe that the short term under performance will progressively correct itself during the current year as the Group executes its profit growth plan by:

1. Continuing to improve the quarterly performance of Brookstone Inc., and consequently the performance of the joint venture OSIM Brookstone Inc.;
2. Launching new range of innovative OSIM products. New products launched in Asia in first quarter 2007 include our Designer Massage Chair uPilot and Power Drum Massager uPapa;
3. Continuing to capitalize on the profit growth momentum at Global Active;
4. Opening new OSIM, Brookstone and GNC outlets around the world;
5. Continuing to expand the OSIM international franchise.

Barring unforeseen circumstances, the Group expects profit after tax for the financial year ending 31 December 2007 to be higher than for 2006.

The Group will release its consolidated financial statements for the year ended 31 December 2006 on 22 February 2007.

By Order of the Board

Lee Hwai Kiat
Company Secretary
31 January 2007