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Agenda

1. Company Background
2. Valuation
3. Risk
* An intellectual property developer and franchise owner
  * Develops and markets healthy lifestyle products
  * Owns the OSIM brand
  * Main franchisee of GNC
  * Owns specialty retail outlets worldwide
  * Engages contract manufacturers

Source: OSIM
✓ Range of Products include

✓ Massage Chairs

✓ Foot, Neck & Shoulders, Head Massagers

✓ Fitness Equipment

✓ Health Supplements

✓ Luxury Tea

Source: OSIM
The Wellness Group (TWG)

- Acquired a 35% stake in TWG for $31.4 million

Source: OSIM
Company Background

592 Outlets
- 385 in North Asia
- 177 in South Asia
- 30 outside Asia

Source: OSIM
Constant growth in revenue

Source: OSIM
Revenue By Business Segments

- Osim (75%)
- GNC/Richlife (25%)

Source: OSIM
* Majority of Revenue from Retailing

Revenue By Product Segment

Revenue Source

Source: Bloomberg
## Business Outlook

| Group Revenue          | ✓ Rise in affluent individuals  
|                       | ✓ Introduction of new products  
|                       | ✓ Increased Chinese outlets     
|                       | ✓ Effective marketing of products  
|                       | ✓ Market leader in Asia         
|                       | ✓ Untapped market potential     
| Operating Profit       | ✓ Rationalisation of RichLife outlets  
|                       | ✓ Management’s focus on profitability |
Target Market

* Top 20% in higher-income markets
* Top 5% in lower-income markets
* Products priced uniformly
* Appropriate marketing strategies
  * Buy billboard advertisements in upmarket areas

Source: Maybank Kimeng
2.7 million high net worth individuals
63,500 ultra-high net worth individuals
Rapidly rising income levels
33% growth in millionaires in Singapore

Source: McKinsey
Affluent Individuals

China’s upper middle class currently accounts for about 12 percent of the luxury-goods market, but that share is expected to grow to 22 percent by 2015.

**Share of luxury-goods consumption in China by household income, %**

<table>
<thead>
<tr>
<th>Annual income, 2010 real renminbi¹</th>
<th>100% (millions of households)</th>
<th>Compound annual growth rate (CAGR), 2010–15, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very wealthy (&gt;10 million in income or assets)</td>
<td>~87</td>
<td>Upper middle class (100 thousand–200 thousand)</td>
</tr>
<tr>
<td>Wealthy (300 thousand–10 million)</td>
<td>~200</td>
<td>Lower middle class (55 thousand–100 thousand)</td>
</tr>
<tr>
<td>Mass affluent (200 thousand–300 thousand)</td>
<td></td>
<td>Aspirants (&lt;55 thousand)</td>
</tr>
<tr>
<td>Very wealthy</td>
<td>26</td>
<td>33</td>
</tr>
<tr>
<td>Wealthy</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>Mass affluent</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Upper middle class</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Lower middle class</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Aspirants</td>
<td>&lt;1</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

Source: McKinsey
New Geographic Markets

* Growing pool of wealthy consumers
  * Luxury sales in Wuxi and Qingdao to triple in 5 years
  * Consumption to approach Hangzhou’s current level in 2015
* Luxury-goods market to concentrate on top 36 cities
  * OSIM has outlets in 4 cities

Source: OSIM & McKinsey
Change in Chinese Consumer Attitudes

* More splurging on wellness products
* Preference for international brands
* Preference for genuine products
  * 12% want counterfeit in 2010 vs 31% in 2008

Source: McKinsey
Change in Chinese Consumer Attitudes

Exhibit 2

Chinese consumers increasingly prefer internationally well-known brands.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready-to-wear</td>
<td>1 Good material</td>
<td>1 Superior craftsmanship</td>
</tr>
<tr>
<td></td>
<td>2 Superior craftsmanship</td>
<td>2 Internationally well-known brands</td>
</tr>
<tr>
<td></td>
<td>3 Innovative design</td>
<td>3 Good material</td>
</tr>
<tr>
<td>Leather goods</td>
<td>1 Superior craftsmanship</td>
<td>1 Internationally well-known brands</td>
</tr>
<tr>
<td></td>
<td>2 Innovative design</td>
<td>2 Superior craftsmanship</td>
</tr>
<tr>
<td></td>
<td>3 Good material</td>
<td>3 Good material</td>
</tr>
<tr>
<td>Jewelry</td>
<td>1 Innovative design</td>
<td>1 Superior craftsmanship</td>
</tr>
<tr>
<td></td>
<td>2 Superior craftsmanship</td>
<td>2 Innovative design</td>
</tr>
<tr>
<td></td>
<td>3 Timeless style</td>
<td>3 Internationally well-known brands</td>
</tr>
<tr>
<td>Watches</td>
<td>1 Superior craftsmanship</td>
<td>1 Superior craftsmanship</td>
</tr>
<tr>
<td></td>
<td>2 Innovative design</td>
<td>2 Internationally well-known brands</td>
</tr>
<tr>
<td></td>
<td>3 Internationally well-known brands</td>
<td>3 Innovative design</td>
</tr>
</tbody>
</table>

Source: McKinsey
Launch of innovative and good-selling products
  * uDivine application with the massage chair
    * Out of stock in Singapore
    * Good performance in revenue contribution
  * uPixie
    * USD Device which relies on Electronic Muscle Stimulation (EMS)

Source: OSIM FY12 Q1 Press Release and AMFraser
Marketing Campaigns

* Endorsements by international artistes
* Andy Lau as official spokesperson for uDivine

Source: OSIM
Increased outlets in China

* OSIM outlets
  * Currently in 45 cities with 267 outlets
  * Target increase of 50 outlets

* RichLife / GNC outlets
  * Currently 264 GNC/RichLife outlets
  * Acquired majority stake in GNC Taiwan
  * Target increase of 50 outlets a year in key cities

Source: OSIM FY12 Q1 Press Release and IIFL
### Increased outlets

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia</td>
<td>329</td>
<td>301</td>
<td>386</td>
<td>385</td>
<td>435</td>
<td>485</td>
<td>535</td>
</tr>
<tr>
<td>South Asia</td>
<td>227</td>
<td>194</td>
<td>183</td>
<td>177</td>
<td>177</td>
<td>177</td>
<td>177</td>
</tr>
<tr>
<td>Others</td>
<td>36</td>
<td>39</td>
<td>39</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>GNC/ RichLife</td>
<td>153</td>
<td>188</td>
<td>251</td>
<td>270</td>
<td>300</td>
<td>350</td>
<td>400</td>
</tr>
<tr>
<td>TWG</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>13</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>745</td>
<td>722</td>
<td>859</td>
<td>872</td>
<td>955</td>
<td>1059</td>
<td>1164</td>
</tr>
</tbody>
</table>

* Assumptions
  * All new outlets are in China

Source: OSIM FY12 Q1 Press Release and IIFL
Untapped Market Potential

* Management estimates the following penetration rate for massage chair
  * Hong Kong and Singapore: 10%
  * Malaysia & Taiwan: 5%
  * China: <1%

Source: OSIM
* Best-performing franchisee globally
* In charge of every aspect of product sales
* Currently holds the rights to many Asian countries
* Demand for TCM to rise in China

![Graph showing demand for health supplements in China (RMB million)]

Source: Maybank Kimeng & China Health Care Association
The Wellness Group (TWG)

* TWG outlets
  * Serve a variety of tea, including house blends
  * Boutique which sells variety of products
* Focus on North Asia
  * Prevalent tea-drinking habits in region
  * Sizeable retail experience
* Optimistic prospects
  * Similar profit margins

Source: OSIM & Kim Eng
Management’s renewed focus on higher sales/store

* OSIM outlets
  * Opened 23 new outlets
  * Closed 21 outlets

* RichLife Outlets in China rationalised
  * 65 outlets in 8 cities
  * Profitability within existing outlets increased

Source: OSIM FY11 & FY12 Q1 Press Release
Margin Trends

OSIM - Margin Trend

Source: OSIM
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012F</th>
<th>2013F</th>
<th>2014F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (millions)</td>
<td>509</td>
<td>554</td>
<td>616</td>
<td>693</td>
<td>781</td>
</tr>
<tr>
<td>Operating Income (millions)</td>
<td>70</td>
<td>107</td>
<td>111</td>
<td>126</td>
<td>144</td>
</tr>
<tr>
<td>Net Income (millions)</td>
<td>50</td>
<td>69</td>
<td>75</td>
<td>86</td>
<td>99</td>
</tr>
<tr>
<td>CAPEX (millions)</td>
<td>(12)</td>
<td>(12)</td>
<td>(49)</td>
<td>(51)</td>
<td>(53)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>82</td>
<td>87</td>
<td>60</td>
<td>71</td>
<td>84</td>
</tr>
</tbody>
</table>
OSIM Financial Data

* Beta: 1.24 (Bloomberg)
* Risk Free Rate: 1.59% (SGS 10-year bond yield)
* Required Market Return: 10.7% (Bloomberg)
* Required Stock Return: 12.9%
* WACC: 11.4%
Free Cash Flow to Firm (FCFF)

OSIM management has emphasized its dedication to cash-flow generation.

Using FCFF,

- Market Value of Firm = $1.1 billion
- Total Debt = $137 million
- Shares outstanding = 737 million
- Fair Value = $1.49
### Peers Analysis

<table>
<thead>
<tr>
<th>Company</th>
<th>Gross Margin (%)</th>
<th>Operating Margin (%)</th>
<th>Profit Margin (%)</th>
<th>P/E Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eu Yan Sang</td>
<td>51</td>
<td>12</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>OTO Holdings</td>
<td>71</td>
<td>22</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>The Hour Glass</td>
<td>24</td>
<td>11</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>FJ Benjamins</td>
<td>43</td>
<td>5</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>OSIM</td>
<td>69</td>
<td>19</td>
<td>12</td>
<td>11</td>
</tr>
</tbody>
</table>

- Compare various margins among premium retailers
- Fair P/E Ratio: 14.5
- Using Peer Analysis,
  - Fair Value: **$1.45**

Source: Bloomberg
## Trading Data

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>52 Week Range</td>
<td>$0.92 - $1.59</td>
</tr>
<tr>
<td>Average Volume</td>
<td>1.7 million</td>
</tr>
<tr>
<td>Market Capitalisation ($)</td>
<td>828.8 million</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>730.2 million</td>
</tr>
</tbody>
</table>

Source: Bloomberg
Financial Risk

* Liquidity Risk – Low
  * Current Ratio: 2.3
  * Quick Ratio: 1.8
  * Cash Ratio: 1.5
  * Cash Position: $193.8 million

* Solvency Risk - Low
  * Debt to Assets: 0.3
  * Interest Coverage: 34.4

Source: Bloomberg
Key Business Risk

* Macroeconomic Factors in China
  * Hard-landing scenario will affect earnings
* Founder Risk
* Poor Merger and Acquisition (M&A) execution
* Imitation products
* Higher-than-expected competitive pressure

Source: OSIM & Kim Eng Securities
## Summary

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow to Firm</td>
<td>$1.49</td>
</tr>
<tr>
<td>Peer Analysis</td>
<td>$1.45</td>
</tr>
<tr>
<td>Current Price</td>
<td>$1.15</td>
</tr>
</tbody>
</table>

- Solid and premium market position
- Focus on profits & cash flow rather than revenue (Annual Report)
- Revenue less affected by economic downturn