Highlights

Stellar results despite SARS - Maintain Buy

Management successfully delivered a strong set of results despite the SARS outbreak. This clearly demonstrates strong control of the marketing and sales channel, thereby giving management the flexibility to fine-tune its marketing plan and play catch-up post crisis. Osim’s share price has risen to a high of 84.5cts since our last company update a week ago. We are have raised our earnings estimates and 1 year price target (previously $1.00) accordingly. Maintain BUY.

Profit growth slowed but outlook remains intact– Maintain Buy

Prospects for Qian Hu remains strong despite temporary slowdown in profits in 2Q as both retail sales and export activities have returned to normal pre-SARS levels. The company is still on target to achieve our profit forecast of $8.5m led by the establishment of sales teams and improved supply of Arowana fish. Maintain BUY. Price target of $1.00 remains unchanged.

Comments

Secured 2 newbuild orders for S$110m - Maintain BUY

SembCorp Marine has secured a S$110m order to design and build two units of 2600TEU container vessels for Wan Hai Lines. The contract includes an option for two more units, exercisable by Oct 2003, at the same price. The ships will be delivered in March and July 2005, spread over 20-24 months.

Assuming Wan Hai exercises the option (strong possibility), this contract will represent 18% of SMM’s order book of S$1.2bn. With this order, SMM should be able to sustain its forward order book at S$1.2bn (after offsetting est delivery of $200m in 2Q03).

Of the S$1.2bn order book, 58% is for delivery in 2H03, the balance of S$500m for 2004 vs a total of S$750m to be delivered from the order book in 2003. SMM need to secure more jobs to sustain its 2004 earnings stream.

Potential jobs in the pipeline include offshore conversion tenders for P53 and P54 (expect award early next year), each worth S$250m, new container orders and variation order for P50. Petrobras had just announced that it expects to spend S$120m more on P50 - which has been won by SembCorp Marine (Oct 02 to 1Q04).

SMM has been building several series of container vessels, the latest being the 2500TEUs series for a European client. The Wan Hai order is an improved version of the 2500TEU series and with learning curve largely over, we expect the contract to yield attractive margins of
>10%. The contract is expected to yield PBT of S$11m spread over FY03 and FY04.

We are raising our FY04 earnings by 9% to S$96m, assuming SMM recognises 70% of the profits from this contract in 2004. The stock is trading at PE of 15x(FY03) and 14.7x(FY04), yield of 6.5%. There could be potential earnings upside if SMM succeeds in acquiring S.M.O.E at attractive valuations. Maintain BUY.

### Top Large-Cap Picks*

<table>
<thead>
<tr>
<th>Price (S$)</th>
<th>PE (03F) (x)</th>
<th>MktCap (S$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitaland</td>
<td>1.40</td>
<td>19.2</td>
</tr>
<tr>
<td>Keppel Corp</td>
<td>5.00</td>
<td>10.6</td>
</tr>
<tr>
<td>Singapore Airline</td>
<td>10.90</td>
<td>40.7</td>
</tr>
<tr>
<td>Singapore Telecom</td>
<td>1.64</td>
<td>13.1</td>
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<tr>
<td>Venture</td>
<td>17.60</td>
<td>20.4</td>
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</table>

* Market cap above S$1,000m

### Top Small- and Mid-Cap Picks*

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<th>Price (S$)</th>
<th>PE (03F) (x)</th>
<th>Mkt Cap (S$m)</th>
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<tr>
<td>Fu Yu</td>
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<td>Hong Leong Asia</td>
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<td>Lindeteves-Jacoberg</td>
<td>1.17</td>
<td>12.1</td>
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<td>MFS Technology</td>
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<td>12.8</td>
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<tr>
<td>Unideal Technology</td>
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<td>9.1</td>
</tr>
</tbody>
</table>

* Market cap below S$1,000m

### General Data

- **STI Index**: 1,570.79 (-0.6%)
- **UOBDAQ Index**: 82.76 (-1.9%)
- **SGD Curncy**: 1.76 (-0.3%)
- **Daily Volume (m shrs)**: 875
- **Daily Turnover (US$m)**: 301
- **Daily Turnover (S$m)**: 528

### Growth Data

- **2002 EPS Gth**: 16.2
- **2003F EPS Gth**: 16.7
- **2004F EPS Gth**: 22.0
- **2002 Div Yield**: 2.9
- **2003F Div Yield**: 2.9
- **2004F Div Yield**: 3.0

### Substantial Shareholders’ Transactions*

- **Jurong Technologies**: 4,250,000 (Sell) S$0.54, 1,250,000 (Sell) S$0.55
- **UIC**: 976,000 (Buy) S$3.98

* for stocks under coverage only

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**DBS Vickers Research Star Rating System**

- ★★★★★ - Strong Buy (>30% upside over the next 6 months)
- ★★★★★ - Buy (>20% upside over the next 12 months)
- ★★★★★ - Hold (10-20% upside over the next 12 months)
- ★★★★★ - Fully Valued (Trade within a +/-10% range over the next 12 months)
- ★★★★★ - Sell (>10% downside over the next 12 months)

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