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5 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1544.3	15.8	1.0
Catalist	66.0	-1.0	-1.5
Finance	349.6	2.2	0.6
Property	297.9	1.7	0.6
Electronics	337.0	1.5	0.5
Vol (m)	1082.5	24.2	2.3
Val (S\$m)	969.0	-149.8	-13.4

World Indices			
	Close	Chg	% Chg
Dow Jones	6875.8	149.8	2.2
Nasdaq	1353.7	32.7	2.5
S&P500	712.9	16.5	2.4
FTSE	3645.9	133.8	3.8
KLCI	866.9	-1.8	-0.2
Hang Seng	12331.2	297.3	2.5
Nikkei	7291.0	61.2	0.8
SET	417.9	4.8	1.2
KOSPI	1059.3	33.7	3.3
TWSE	4541.4	106.1	2.4

Market Statistics (SG)		
STI 52-week range	1,474	3,270
No. of gainers		219
No. of losers		175
No. of unchanged		190

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	99.2	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	45.3	3.6

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Key Idea

WesTech Electronics: In dire situation

WesTech Electronics (WTE) recently posted a dreary set of FY08 results as guided. Despite the positive bottomline from continuing operations, WTE suffered hefty provisions for doubtful debts due to default by major customers in the Display segment. Consequently, FY08 earnings came in at a net loss of S\$63.6m, as compared to S\$7.5m profit in FY07. This had also inadvertently wiped out its earnings accumulated over the years, dragging the group into a negative equity position of S\$18.1m, or negative NTA of 13.2 S cents/share. Our view on WTE's business viability had grown increasingly pessimistic. Its finance costs, which appear seemingly small at S\$0.5m in FY08, are likely to balloon to S\$2-3m in FY09 when the group assumes all the debt liabilities (including those from discontinued operations). In this exceptionally tough global environment, we see difficulty for the group to breakeven at net profit level in FY09. As its equity, hence NTA, is not likely to turn positive even with a successful insurance claim (not forgetting missing all dividend prospects, and uncertain outcome from standstill agreement), we are recommending that investors exit WTE.

SELL.

News Headlines

- MM Lee said Singapore's economy may contract by 10% if 2Q09 shows further drop of another 30-40% in cargo handled by PSA but added that the economy will also bounce back quickly once it recovers.
- Results of the half-yearly review of the constituents of the STI and 19 other indices in the FTSE ST Index Series will be announced after market close on 12 Mar 09. The changes will be implemented after market close on 20 Mar 09.
- The SGX and the Taiwan Stock Exchange Corporation have been talking about cross-listing ETFs to strengthen ties and provide investors with a greater choice of products.
- A unit of Ezra has secured a charter contract for its Lewek Conqueror heavy lift accommodation crane barge worth US\$68m if extension options are exercised.
- Datapulse reported a 45.5% YoY rise in attributable net profit to S\$3.58m for 2Q09 despite a 8.9% fall in revenue to S\$16m.
- Yellow Pages has announced the acquisition of Singapore Information Services, a wholly owned subsidiary of IE Singapore Holdings, for S\$6m.
- KS Energy said that the total compensation for KS Titan 1 will amount to US\$57.8m including interest and costs.
- KTL Global said it has utilized S\$5.6m of its IPO proceeds and still has S\$3.95m remaining.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

WesTech Electronics: In dire situation

Heavy losses amid provision for doubtful debts. WesTech Electronics (WTE) recently posted a dreary set of FY08 results as guided. For its continuing operations, revenue declined 6.4% to S\$123.5m due to the downturn in the semiconductor and electronics industry, while net profit fell 23.5% to S\$3.7m on unfavourable sales mix, pricing pressures and higher-percentage operating expenses. Its Components division saw steep margin erosion, which fell 2ppt from 4.2% in FY07 to 2.2% at the operating profit level. By contrast, its Systems division actually improved 0.5ppt to 9.9%. Despite the positive bottomline from continuing operations, WTE suffered hefty provisions for doubtful debts amounting to S\$65.1m from its discontinued operations, due to default by major customers in the Display segment. Consequently, FY08 earnings came in at a net loss of S\$63.6m, as compared to S\$7.5m profit in FY07. This had also inadvertently wiped out its earnings accumulated over the years, dragging the group into a negative equity position of S\$18.1m, or negative NTA of 13.2 S cents/share.

In dire situation. Following the default, WTE had filed an insurance claim of around US\$13.5m on the bad debts and is currently in the process of liaising with the insurer. In addition, it had entered into a standstill agreement with certain financial institutions on 19 Dec 2008, which will be in force for a period of six months. Facing the weak economic environment, WTE is also expecting the semiconductor and electronics industry to remain highly challenging. As such, it will continue to streamline its operations to reduce costs, while intensifying its focus on core business segments. Based on preliminary projections, WTE is expecting sales from both Systems and Components divisions to register approximately 30-40% decline in FY09, and for its operating costs to reduce by a similar percentage as well.

String of unfavourable developments, SELL. Our view on WTE's business viability had grown increasingly pessimistic. While finance costs appear seemingly small at S\$0.5m in FY08, we note that most of the expenses have been charged to its discontinued operations. As such, interest expenses are likely to balloon to S\$2-3m in FY09 when the group assumes all the debt liabilities. In this exceptionally tough global environment, we see difficulty for the group to breakeven at the net profit level in FY09. As its equity, hence NTA, is not likely to turn positive even with a successful insurance claim (not forgetting missing all dividend prospects, and uncertain outcome from standstill agreement), we are recommending exiting the stock. **SELL. (Kevin Tan)**

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Monday		Tuesday		Wednesday		Thursday		Friday	
02-Mar		03-Mar		04-Mar		05-Mar		06-Mar	
US Personal Spending		SG Feb PMI/Electronics sector Index		SG Mar 4 COE		US Jan Factory Orders		US Feb Change in Nonfarm Payrolls	
US Feb ISM Manufacturing				US Feb ISM Non-Manf Composite				US Feb Unemployment Rate	
09-Mar		10-Mar		11-Mar		12-Mar		13-Mar	
		SG 2Q Manpower Survey		China Feb Trade Balance		China Feb Retail Sales		SG Jan Retail Sales	
		China 2Q Manpower Survey/China Feb PPI				China Feb Ind Production		US Jan Trade Balance	
		China Feb CPI				US Feb Advance Retail Sales		US Mar U. of Michigan Confidence	
		US Jan Wholesale Inventories							
16-Mar		17-Mar		18-Mar		19-Mar		20-Mar	
US Feb Industrial Production		SG Feb NODX							
		US Feb PPI							
		US Feb Housing Starts							
23-Mar		24-Mar		25-Mar		26-Mar		27-Mar	
SG Feb CPI									
30-Mar		31-Mar		01-Apr		02-Apr		03-Apr	
		SG Feb Money Supply							
		SG Feb Bk Loans							

**Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday*

All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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