

SEC News Service

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Splash reports 8.7% hike in first quarter

WEATHERING a challenging 2013, Splash Corp. had to take the necessary but painful measures to strengthen its operations. As a result, the company registered sales of P832 million in the first quarter of 2014, or an increase of 8.7 percent versus the same period last year. Net income after tax for the first quarter stood at P32.9 million up 157.6 percent from last year's P12.7 million as a result of increase in operating profit by 47.7 percent to P42.8 million in the first quarter of 2014 from P29 million for same period last year.

The growth in sales mainly accounted for by the 14-percent growth in the domestic personal-care business as a result of successful advertising and improved sales from key accounts, a 32-percent increase in international personal-care sales driven by increasing revenues from Africa, and the 25-percent growth of sales of international food unit Barrio Fiesta from higher sales in North America and the Middle East.

This rebound in sales and net income validates the steps taken by Splash in 2013 to strengthen

its operations and profitability. A key step that Splash took was to strengthen the relationship with certain key accounts to ensure mutually beneficial terms of engagement. This resulted in a more efficient inventory management and promo-fund spending for both parties. The short-term impact was the 5-percent decline in sales in 2013 to P3.38 billion. Net income also decreased from P92 million to P73 million. Over the long term, Splash expects to grow as already evident in the first-quarter 2014 results.

Splash's Total Whitening Category grew by 14 percent in the first quarter versus same period last year, driven by the outstanding performance of SkinWhite skin tone line. This growth was attributed to the success of the recent advertising campaign for the Power Whitening products.

Splash is now focusing on efficiency. Splash Direct Sales is working toward a better mix of branches and independent business contractors, and rationalizing its credit policies. It has launched programs that will better manage sales and account receivables.

Century to price offering at ₱13.50

By Jenniffer B. Austria

CANNED tuna maker Century Pacific Food Inc. will likely price the planned initial public offering at ₱13.50 per share, an informed source said over the weekend.

The ₱13.50 offer price will be in the mid range of the indicative price of ₱12.50 to ₱14.50 per share set by the company owned by the Po family.

The source said the company might set the final offer price at ₱13.50 for the maiden offering, given the strong demand among interested investors at this price level.

"There is strong demand on that range. The people we are talking to are asking for discount, so at ₱13.50 it is giving them an upside compared to comparables like Universal Robina Corp., which is also into food manufacturing," the source said.

Century Pacific would raise as much as ₱3.1 billion in proceeds, from the sale of 229.652 million shares, based on the price of ₱13.50 per share.

Century Pacific and underwriters and issue managers BDO Capital and Investment Corp., BPI Capital Corp., and First Metro Investment Corp. will announce the final offer price Monday.

The shares on offer will comprise 10.3 percent of the company's outstanding shares, which is in compliance with the Philippine Stock Exchange's required minimum public float of 10 percent.

The offer period was set on April 23 to April 29 while listing date will be on or before May 6.

The company, based on applications with regulators, said it would use ₱1.29 billion from the proceeds to pay short-term obligations, over ₱1 billion to fund working capital and potential acquisition and the remaining amount to finance capital expenditures aimed at enhancing production capacity and cost efficiency.

The company plans to use majority of the net proceeds to settle short-term financial obligations with Metropolitan Bank & Trust Co., Bank of the Philippine Islands, BDO Unibank Inc., ANZ Banking Group and Security Bank.

Century Pacific Food is currently building a tin can factory in General Santos City to supply a certain portion of the company's tin can requirement.

The new facility is designed to have a production capacity of at least two million tin cans a year, representing 25 percent to 30 percent of the company's requirements.

The plant is expected to be operational by the end of 2014.

The company is also building a new dairy and mixes plant in Taguig City, which is expected to further increase the company's dairy production from 5,500 cases a day to 11,000 cases.

Vista Land's P5-b bonds approved

THE Securities and Exchange Commission has approved the application of property developer Vista Land & Lifescapes Inc. to issue up to P5 billion worth of retail bonds.

SEC Commissioner Juanita Cueto said in a text message the SEC en banc in a recent meeting approved Vista Land's application to issue P3 billion in bonds with the option to increase by another P2 billion in case of overallotment.

The bonds, the first for Vista Land, will have tenor of five and seven years.

Vista Land said it would use the proceeds from the planned P5-billion bond offering to partially finance the commercial developments of Communities Philippines and its subsidiaries.

Communities Philippines,

which caters to the low and affordable segments of the housing market, plans to spend P3 billion for commercial developments in Iloilo City, P2 billion in Davao City and another P2 billion in Cagayan de Oro City.

The offering period for the bonds will be from April 28 to May 2. The bonds will be listed with the bond market, which is operated by Philippine Dealing & Exchange Corp. Listing was tentatively set on May 9.

The board of Vista Land early this month agreed to redeem ahead of maturity some \$150.34 million worth of debt notes due 2015.

It also approved the issuance, by wholly-owned unit Vista Land International Inc. of new notes subject to terms to be approved by the

management and subject to market conditions.

Vista Land is one of the leading property developers in the country in the low-cost and affordable housing market segments. It has built more than 250,000 homes across 34 provinces, 73 cities and municipalities.

Its four brands are Camella, Crown Asia, Brittany and Vista Residences.

Vista Land said it would launch P28 billion worth of residential projects, mostly for the low-income and affordable segments this year.

Vista Land posted a record profit of P5.1 billion in 2013, up 15 percent from a year ago, as revenues from real estate jumped 23 percent to P20 billion. Reservation sales grew 15 percent in 2013 to P46.1 billion. **Jenniffer B. Austria**

8990 Holdings obtains SEC clearance to offer ₱17.5-b shares

THE Securities and Exchange Commission approved the ₱17.5-billion, follow-on offering of mass housing developer 8990 Holdings Inc.

Documents filed with the corporate regulator showed 8990 Holdings would sell up to 1.379 billion shares, consisting of 862.186 million common shares and 382.360 million secondary shares, with an overallotment option of 134.950 shares at

₱12.70 apiece.

The final offer price will be set on April 28 while the offering period will run from April 29 to May 8. The listing date is set on May 14.

Net proceeds from the sale of primary offer shares amounting to ₱10.66 billion will be used to repay existing debts, documents showed.

"The company incurred significant expenditures to acquire land for development,

complete existing projects and commence developments of new mass housing projects. To partially fund these activities, the company obtained and secured financing, payment for which the company intends to partially be funded from the net proceeds of the primary offer," 8990 Holdings said.

Documents showed at least 70 percent or 871.182 million offer shares would be sold to investors

overseas while 30 percent of 373.364 million shares would be sold to domestic investors.

8990 Holdings appointed UBS as the sole global coordinator, international bookrunner and lead manager and UBS Investments Philippines Inc. and SB Capital as domestic lead underwriters.

8990 Holdings, formerly IP Converge Data Center Inc., operates under the brand names Deca Homes for horizontal

developments and Urban Homes for medium-rise buildings.

The company completed 16 mass housing projects consisting of 14,000 units as of end-2013 and is currently developing eight more projects across five cities.

The company in February acquired a 13-hectare property along Ortigas Avenue, which was funded through ₱2-billion five-year loan from BDO Unibank Inc. **Jennifer B. Austria**

Market seen to maintain upward trend this wk

The uptrend in local equities remains intact, a key factor that will encourage more investors to troop to the market and push the main index closer to the 6,700 territory, analysts said.

Investors will look at first quarter corporate earnings reports and several key economic data abroad for trading leads this week, analysts also said.

"While general market sentiment was expecting for a bullish pullback to major supports 6,480 and 6,265-6,300, indicators and current momentum suggests an attempt towards next resistances at 6,700 and 6,830-6,850," said Nisha S. Alicer, research strategist at DA Market Securities.

"On a technical basis, the four-month upward trend remains in-

By NEIL JEROME C. MORALES
tact," said Joyce Anne J. Ramos, an analyst at AB Capital Securities Inc. The brokerage firm pegged the support level at 6,530 and resistance at 6,740.

Week-on-week, the Philippine Stock Exchange index (PSEi) gained 1.13 percent or 74.22 points to end at 6,671.18 amid the shortened trading week due to the Lenten holiday. It is the PSEi's highest closing since ending at 6,728 on July 30.

The uptick was led by the properties (+2.13 percent) and financial sector (+1.78 percent). Average value turnover slipped to P6.68 billion from the previous week's P8.25 billion, but foreigners continued picking up local stocks.

"Positive sentiment and market

direction moving forward may still be supported with positive first quarter corporate earnings," Alicer said, adding that investors should buy on dips.

Given the shortened trading week, the index is more susceptible to a sudden drop or spike up, depending on the nature of the updates, Ramos said.

For instance, investors will listen to the speeches of the Bank of Japan and US Federal Reserve chiefs.

Key data to be released include US building permits, unemployment claims, existing and new home sales, Philly Fed Manufacturing index and China's HSBC Flash Manufacturing Purchasing Managers' index that might affect overseas trades, Ramos said.

Phi needs 'strong' medium-term structural reforms

The Philippines should implement strong medium-term structural reforms to ensure growth, according to an expert in international business and investments during a seminar-forum at the Philippine Institute for Development Studies (PIDS).

The country outperformed other emerging markets in Asia in the first half of 2013, noted Dr. Dan Steinbock, research director for international business at the India, China, and America Institute in the United States, during the Pulong Saliksikan on "Navigating in uncharted waters: Advanced and emerging economies after the US Fed's tapering" at the Romulo Hall of Neda sa Makati Building last Feb. 18.

However, natural calamities such as last year's Super Typhoon Yolanda could derail the Philippines' economic growth, highlighting the need for the government to adopt medium-term structural reforms.

"The impact of Typhoon Yolanda prevented the economy

from ending the year on a high note," Dr. Steinbock said. "The typhoon did affect agricultural production, which will increase price pressures in near term, and upside risks to core inflation, which could be exacerbated by strong aid-related capital inflows."

The current account surplus is enough to support the peso, but does not necessarily ensure an upside in growth. "There is a need for structural reforms to address issues on exports, regional maritime disputes, and natural disasters," Dr. Steinbock said.

Moreover, the country should sustain its momentum, he said. It is important to know where the country is headed to even after President Aquino ends his term in 2016, Dr. Steinbock said.

He lauded the country's fiscal situation as shown by the decline in the debt-to-GDP ratio, but said it was important to know if the result of fiscal reforms was truly structural.

With an overwhelmingly young demographic profile, "eco-

nomical growth must be accompanied by job creation to address the country's unemployment rate," he said.

The manufacturing sector should be a top priority for rapid industrialization, he added, noting China's refocusing on global manufacturing, which has vastly improved the Chinese economy's growth potential.

Dr. Steinbock also lauded the Philippines' initiative for public-private partnerships in infrastructure and public services development. However, more reforms are needed to boost foreign direct investments (FDIs) to the country, he said.

He pointed out that the Philippines' share of FDI flows to gross fixed capital formation (GFCF) shrank to 5.6 percent in 2012 from 10.3 percent prior the 2008 crisis period. "The country should have reforms favorable for FDIs, given the abundance of alternatives for foreign investors to invest in other South-Asian countries and elsewhere," he said.

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PSE seeks more investors from Visayas, Mindanao

By NEIL JEROME C. MORALES

The operator of the country's stock exchange aims to encourage more residents of southern Philippines to invest in the local bourse.

The Capital Markets Investment Conference of the Philippine Stock Exchange (PSE) would bring together experts from various fields to talk about the economic prospects of the country and the outlook for the capital markets on May 16.

"The PSE has had several market education projects in the Visayas to address the growing interest in the stock market in the region," said PSE chief operating officer Roel A. Refran.

"We hope that the investment conference that the PSE is organizing will further boost interest and confidence in the equities market," Refran said.

The investment conference would have a plenary session in the morning that would feature speakers from the government, brokerage houses, and the PSE, among others.

Breakout sessions will be conducted in the af-

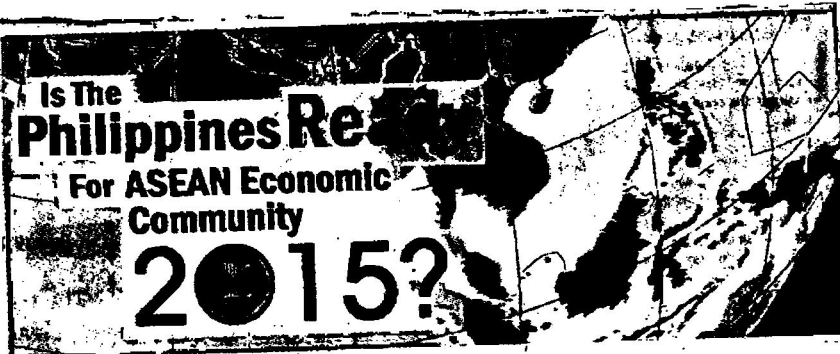
ternoon with topics like the Basics of Stock Market Investing, How to Raise Capital in the Stock Market, Investing in Shariah Compliant Securities, Online Trading, How to Invest in Unit Investment Trust Funds, Trading Strategies, How to Invest in Exchange Traded Funds and Enhancing Investor Safeguards.

PSE regularly conducts investor education initiatives in the Visayas region, including regular stock market orientation for retail investor and companies as well as briefing on new PSE products and services.

PSE earlier partnered with the University of San Carlos Cebu to offer the Certified Securities Specialist Course.

Total investor accounts rose 4.1 percent to 525,850 accounts in 2012 from 505,054 accounts in 2011, PSE data showed. Of the total 525,850 accounts, retail investors accounted for 96.4 percent while the remaining 3.6 percent were classified as institutional accounts, which are held by corporations and investment firms.

However, stock market investors account for less than one percent of the Philippines' 90 million population.



PH Banks Are Strong, But...

By **LEE C. CHIPONGIAN**

The country's top lenders are strong enough capital-wise, but inherent weaknesses due to the ownership structure of the family-run banks will continue to pose challenges going forward as regional economies start to integrate markets next year.

In a commentary before Holy Week break, Standard & Poor's Ratings Services said that while local banks are resilient and have sufficient capital and liquidity to "take advantage of the healthy economic growth," they remain concerned about the vulnerability of family-owned businesses and how it could compete with the larger regional financial institutions. ▶B-6

Foreign Restriction Hindrance To ASEAN

By **CHINO S. LEYCO**

The Philippines remains one of the world's most restricted nations for foreign investors and this will become a hindrance for the Asia's second fastest growing economy come the ASEAN 2015 integration, according to Washington, DC-based World Bank.

Compared with other major ASEAN economies, the Philippines attracts relatively little foreign direct investments (FDI). Between 1970 and 2012, investment inflows from overseas averaged ▶B-8

◀B-1

PH Banks...

The report particularly noted four of the biggest banks in the Philippines which it rates, namely the Henry Sy-controlled BDO Unibank Inc., the Ty family's Metropolitan Bank & Trust Co., the Ayala Group's Bank of the Philippine Islands and the Yuchengco's Rizal Commercial Banking Corp.

"Consolidation in the Philippines' overcrowded banking system has been an uphill task due to its closely held family ownership structure," emphasized S&P.

S&P reported that the future of Philippine banks as regional players is still uncertain, dwarfed by the larger banks in Malaysia, Singapore and China in terms of asset size. The size of the

whole domestic banking system alone is the size equivalent of Singapore's biggest bank.

"It remains to be seen whether Philippine banks can emerge as regional champions ahead of the impending ASEAN 2015 integration, which envisages a single market and production base," said S&P. "(Local) banks will need scale to deal with more intense competition from potential new entrants."

As it is, the report noted that Philippine banks are well positioned to meet the new Basel 3 requirements, with capital ratios that are comfortably above the regulatory minimum, commented S&P analyst Ivan Tan.

"Philippine banks also benefit from healthy funding positions and maintain a sizable amount of liquid assets, the bulk of which is in the form of cash and domestic government bonds," said

Tan.

Tan further cautioned that a narrow revenue profile and high operating costs constrain the profitability of Philippine banks.

"Philippine banks depend heavily on interest income from domestic corporate lending, with little diversification in terms of geography and business lines such as bank assurance and wealth management," he said.

S&P remarked that local banks continue to be hounded by structural weaknesses which "cast a shadow" over the whole banking industry.

"In addition, bank lending is heavily skewed toward corporates, particularly to large local conglomerates. Banks face significant concentration risks to the same handful of conglomerates, which follow broadly similar business models," S&P said.

◀B-1

Foreign Restriction...

less than \$500 million per year. The World Bank said the reason for this anemic condition is the country's foreign equity restriction, particularly in the services sector.

Despite the country's macroeconomic stability since 2009, the Philippines' constitutional limitation on foreign equity and the long negative list have remained in place, hampering foreign interest. World Bank suggested these government policies have to be reviewed and shortened.

The 1987 Constitution has explicitly restricts foreign ownership and management in a number of sectors, like natural resources, public utilities, and nonsectarian educational institutions, corporations.

Likewise, advertising is restricted to corporations 70 percent owned by Filipinos, while mass media and all professions are generally reserved for Philippine citizens. And ultimately, the President also has a power to impose additional foreign restriction in other sectors if he feels it is deemed necessary.

Aside from this complex legal framework for foreign ownership restrictions, the World Bank also cited several barriers to FDI, which is expected to continue to persist in an integrated economic environment.

In the country, investment requirements and promotion schemes are not standardized across sectors. This, and the lack of a central body to coordinate investment promotion agencies, creates confusion for prospective investors.

"Investors face complex procedures in acquiring permits and licenses, with some investment promotion agencies characterized by red tape, a lack of transparency in guidelines and procedures, slow processing, and allegations of corruption," World Bank said.

Existing enterprises also face high costs of doing business, owing to poor infrastructure, the high cost and irregular supply of power, insecure property rights, inconsistent tariff and nontariff barriers, and policy inconsistency.

"The ASEAN Economic Community 2015 blueprint brings new challenges and opportunities for ASEAN countries. Countries that relax foreign ownership restrictions in services stand to attract more FDI, which will enhance the competitiveness of producers of both services and goods," World Bank said.

Currently, Singapore receives over 50 percent of total FDI to the ASEAN region, while Thailand, Indonesia, and Malaysia each account for about 10 percent. The Philippines receives relatively low FDI inflows

at 3 percent.

The Philippines' FDI as a share of the country's gross domestic product (GDP), likewise, continued to contract from 1.9 percent between 1995 and 1997, around 1.6 percent from 1998 to 2008, and at only 0.9 percent by 2009 to 2012.

In ASEAN, Thailand is the most restrictive nation for foreign investors, followed by the Philippines and Malaysia. Cambodia, which allows 100 percent foreign ownership in most sectors, however, is the most open country in the region, followed by Singapore.

And even with the presence of the ASEAN Framework Agreement on Trade in Services (AFAS) that promotes liberalization of FDI in services through a positive-list approach, which explicitly spells out sectors to be opened, the Philippines remains non-compliant, the World Bank said.

AFAS focuses on removing discrimination against foreign service suppliers, for instance through limits on market entry, or limits on the scope and nature of operations after entry. Liberalization can also target specific barriers to market access, as covered in the General Agreement on Trade in Services (GATS) under the World Trade Organization.

World Bank cited the Philippines has yet to fully open its tourism, airport transport and health care to foreign interest as required by the AFAS.

In the Philippines, the retail sector, including restaurants, is largely closed to foreign ownership, except for very large retailers and luxury stores. Retail establishments must be at least 60 percent Filipino owned.

In the air transport industry, which is considered public utilities, foreign equity is limited to 40 percent by the Constitution and increasing the limit requires a constitutional amendment.

For hospitals, foreign equity ownership is capped at 40 percent. However, no ceiling currently exists for health maintenance organizations (HMOs).

If the Philippine will further relax foreign restrictions, the World Bank said the nation has endowments to emerge as assemblers of final products and not just as suppliers of intermediate items, but this requires other deeper structural reforms.

The government has to lower trading costs in the country through more effective infrastructure investment and trade facilitation forms, further liberalization of foreign investment regime, and avoiding loss of competitiveness through sustained appreciation of the real effective exchange rate.

B3-2

BUSINESS

Condo unit sales boosted Shang Properties earnings

Leasing operations also pushed up 2013 net income

By Doris C. Dumlao

UPSCALE property developer Shang Properties Inc. last year posted a 22.8-percent growth in net profit attributable to shareholders to P2 billion on higher revenues from the sale of residential condominium units and leasing operations.

Gross revenues reached P6.9 billion in 2013, about 28 percent higher than the level in the previous year due to higher income from residential development and rental from mall and office properties.

Revenues from residential condominium projects rose by 44 percent to P3.9 billion due to higher revenues recognized from One Shangri-La Place and Shang Salcedo Place projects.

Sales from residential condominium units accounted for 57 percent of the total revenues.

Shopping mall Shangri-La Plaza

grew revenues by P343 million, mainly due to the additional income booked from newly opened East Wing Mall as well as rental escalation of the existing mall.

Office leasing operations at The Enterprise Center, on the other hand, grew by P141.2 million to reach P803.8 million in 2013, mainly due to improved average occupancy rate to 97 percent from 86 percent in 2012.

Total expenses of the group amounted to P3.8 billion last year, P845.1 million higher compared with the previous year.

During the period, cost of condominium sales increased due to more units sold in 2013. General and administrative expenses declined by P24.7 million, mainly due to lower marketing and advertising and condominium dues expenses this year compared with last year.

The company's unreimbursed share in common expenses in-

creased by P85 million, mainly due to unrecovered cost of utilities, janitorial and security expenses of the newly opened East Wing Mall that were borne by the group.

Total assets of the company at the end of last year amounted to P39 billion, a growth of 8.3 percent from the previous year's level. Cash holdings increased by P290.5 million to P1.9 billion due to collections from sales of condominium projects and proceeds from bank loans.

Shang Properties' principal stockholder, the Kuok Group of Malaysia, is a diversified regional conglomerate with interests in real estate, trading, transportation, food, manufacturing, finance, leisure and recreation and media. It is well-known for its Shangri-La Hotels and Resorts and luxury real estate unit, Kerry Properties Ltd., which has extensive operations in Hong Kong and China.

Bourse to woo Cebu stock mart investors

THE PHILIPPINE Stock Exchange (PSE) seeks to grow Cebu's domestic investor base with a roadshow that brings together experts to talk about Philippine economic prospects and the outlook for the capital markets.

The PSE's "Capital Markets Investment Conference" will be held at the Cebu Marriott Hotel on May 16.

"The PSE has had several market education projects in the Visayas to address the growing interest in the stock market in the region. We hope that the investment conference that the exchange is organizing will further boost interest and confidence in the equities market," PSE chief operating officer Roel Refran said in a press statement.

The investment conference will have a plenary session in the morning which will feature speakers from the government, brokerage houses and the PSE, among others.

Breakout sessions will be conducted in the afternoon with topics such as the basics of stock market investing, how to raise capital in the stock market, investing in Shariah-com-

pliant securities, online trading, how to invest in unit investment trust funds, trading strategies, how to invest in exchange traded funds and enhancing investor safeguards.

Among the PSE's investor education initiatives in the Visayas are regular stock market orientation for retail investor and companies, as well as briefing on new PSE products and services.

The PSE also teamed up with University of San Carlos Cebu to offer the Certified Securities Specialist Course.

Since the start of the year, the main-share Philippine Stock Exchange has gained by about 13 percent. Average value turnover in 2013 amounted to P10.52 billion, which has slowed down this year.

By growing the retail market, the PSE seeks to deepen the local capital market.

For more information on the investment conference, interested parties can send an e-mail marketeducation@pse.com.ph or call the PSE's Cebu office at +63(32) 266-3464. *Doris C. Dumlao*

Power to take up bulk of Phinma capex for 2014

Trans-Asia Oil set to receive 91.5% of P11.8B set aside for spending

By Riza T. Olchondra

THE PHINMA Group has set a capital expenditure (capex) program of P11.8 billion for 2014, and much of it will be taken up by its flagship energy unit Trans-Asia Oil and Energy Development Corp.

Regina B. Alvarez, Phinma's SVP for Finance, told reporters that around P10.8 billion had been set aside for Trans-Asia. That is 91.5 percent of the group's budget pie. The rest of the capex, or P60 million, will be taken up by Union Galvasteel Corp.

This year, Trans-Asia is embarking on several projects with Trans-Asia Renewable Energy Corp. (Tarec) and South Luzon Thermal Energy Corp. (Sltec), a joint venture between Trans-Asia and AC Energy Holdings Inc. of the Ayala Group.

The 54-megawatt San Lorenzo wind farm in Guimaras, the first of Tarec's wind project portfolio, is under construction and may be completed in the third quarter of 2014.

Sltec is undertaking the 270-megawatt clean coal power project in Calaca, Batangas. The project is ex-

pected be fully operational by 2016, with the first phase to be completed by end-2014 and the second phase by 2015. Each phase involves 135-megawatt of capacity.

Phinma's flagship company in the energy industry plans to expand capacity to "close to 500 megawatts" or so by 2016, president and CEO Francisco L. Viray said in an interview on the sidelines of the parent firm's stockholders meeting. Presently the firm has 250 megawatts in capacity.

Trans-Asia recently took on a P1-

billion, 5-year term loan agreement with Security Bank Corp. and a P1.5-billion 10-year corporate note facility with China Banking Corp. Proceeds of the loans will be used to fund the company's projects.

Beyond coal and wind, Trans-Asia may go into hydroelectric power and gas-fired power plant operation, Viray said. The company has asked the Department of Energy to grant it a service contract for a 300-megawatt hydropower project in Pililla, Rizal, and a 10-megawatt hydropower project in Hagan, Isabela.