



# SEC News Service

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# Tax watch zeroing in on resorts

AS resorts are sure to rake in plenty of cash during the summer, the Department of Finance (DOF) has turned its sights on these establishments to make sure that they are paying the right amount of taxes.

The DOF's latest shame campaign listed some hotels and resorts as culled from various websites, such as It's More Fun in the Philippines, Trip Advisor, Wayph.com, Tourism.gov.ph, and Wego.com.ph which failed to file their income tax returns for 2012.

Among these are Costa Carina Beach Front and Kangaroo Beach resort, both registered in revenue district office (RDO) 13 in Tuguegarao City.

Sangat Island Dive Resort registered in RDO 36 in Puerto Princesa City also did not file its ITR for taxable year 2012.

Meanwhile, the DOF said that there was no record found for The Hollywood Palm Beach Resort in Calapan City.

Several resorts meanwhile declared zero income tax due, such as El Masfino Country Club, Inc. in Sta. Maria, Bulacan, and Catanauan Cove in Gumaca, Quezon.

Club Morocco Beach Resort and Country Club, which is registered in Olongapo City, declared negative income for taxable year 2012.

Meanwhile, the Tax Watch advertisement also revealed the income tax payment of other hotels and resorts topped by exclusive resort Amanpulo Resort in Palawan which paid P13.31 million in income taxes in 2012, while its gross sales amounted to P545.2 million.

The gross sales of Camayan Beach Resort in Subic Bay Freeport Zone amounted to P461.47 million, while its income tax amounted to P4.56 million in 2012.

The Manor at Camp John Hay in Baguio City had gross sales of P174.34 million in 2012, and it paid income taxes amounting to P1.91 million.

The Baguio Country Club's sales in 2012 amounted to P299.08 million, while it declared income tax amounting to P244,392.

Another plush resort, Bellaroca Island Resort which is located in Marinduque island but registered in RDO 50 in South Makati paid income taxes amounting to P236,392 in 2012.

Bellaroca's gross sales during the said taxable year stood at P74.29 million.

## Do your favorite resorts declare their income taxes?

Summer is about to end but the heat is still here! Have you been to your favorite resort this summer? In this week's Tax Watch, the Department of Finance and the Bureau of Internal Revenue look into resorts here in the Philippines. Do your favorite resorts pay the proper taxes? Find out here!

RESORTS	GROSS SALES (IN PHP)	INCOME TAX DUE (IN PHP)
<b>RDO 3 - ALAMINOS, PANGASINAN</b>		
Maxine by the Sea Restaurant and Lodge	3,787,756.13	39,997.72
<b>RDO 8 - BAGUIO CITY</b>		
The Manor at Camp John Hay	174,338,995.73	1,005,211.96
Baguio Country Club Corporation	299,079,553.00	244,392.00
<b>RDO 11 - TABUK KALINGA</b>		
Grand Zion Garden Resort Hotel Inc.	1,052,253.00	207,276.34
Mawanan Mountain Resort and Convention Center	2,415,978.94	25,058.22
<b>RDO 13 - TUGUEGARAO CITY</b>		
Costa Carina Beach Front		NO 2012 ITR FILED
Kangaroo Beach Resort		NO 2012 ITR FILED
<b>RDO 14 - BAYOMBONG, NUEVA VIZCAYA</b>		
Palabdan Hotel and Restaurant	1,909,614.00	38,337.00
Hillside Resort and Restaurant	0.00	23,411.00
<b>RDO 15 - NAGUILAN, ISABELA</b>		
Wilmer Resort Hotel and Restaurant	705,787.45	70,327.57
Plaza Zicarielli Hotel and Restaurant	4,445,097.17	43,573.00
Water World Grand Resort, Inc.	2,302,497.04	28,397.00
<b>RDO 18 - OLONGAPO CITY</b>		
Whiterock Waterpark and Beach Hotel		740,883.20
Sea Ra Beel Grand Leisure Hotel	103,950,762.19	250,365.25
Subic Grand Seas Resort	35,920,168.20	65,961.00
Cindy Kelly Hotel	11,907,353.00	51,212.29
Ridgecrest Gardens Hotel	1,374,260.00	28,925.00
White Castle Beach Resort	2,918,055.00	353.00
Club Morocco Beach Resort and Country Club	570,000.00	0.00 <sup>1</sup>
<b>RDO 19 - SBMA (SUBIC BAY FREEPORT ZONE)</b>		
Camayan Beach Resort	461,466,399.00	4,563,746.40
Subic International Hotel	150,586,075.01	796,081.71
The Lighthouse Marina Resort	65,535,408.00	743,357.38
Karnano Sanctuary Resort and Spa	54,650,969.00	625,443.00
Court Meridian Hotel	58,304,581.64	616,004.75
Grande Island Resort	35,465,214.00	153,668.00
Mountain Woods Inn	5,837,371.18	20,255.30
<b>RDO 25B - STA. MARIA, BULACAN</b>		
El Masfino Country Club, Inc.	1,203,370.00	0.00
<b>RDO 33 - ENMITA/INTRAMUROS/MALATE</b>		
Balicasag Island Dive Resort		271,950.40
<b>RDO 36 - PUERTO PRINCESA CITY</b>		
Amanpulo Resort	545,195,281.00	13,309,947.90
Dinakaya Island, Club Paradise Resort	128,606,867.85	1,136,579.23
Doa Palmas Arceff Island Resort	44,480,305.00	919,334.70
Sheridan Beach Resort and Spa	109,012,133.00	713,452.00
Daluyon Beach & Mountain Resort	30,587,100.00	303,764.00
Arlara Resort	10,920,093.64	218,401.87
Apullit Island Resort (El Nido Resorts)	104,593,794.00	0.00 <sup>2</sup>
Sangat Island Dive Resort		NO 2012 ITR FILED
<b>RDO 39 - QUEZON CITY</b>		
Casa Basilisa, Inc.	5,667,671.00	35,897.52
<b>RDO 44 - TAGAYAY/PATEROS</b>		
Puerto's Finest, Inc. (Garden Of Eden)	2,205,178.53	16,307.44
<b>RDO 50 - SOUTH MAKATI</b>		
Bellaroca Island Resort And Spa	74,292,108.36	236,391.64
<b>RDO 59 - LIPA CITY</b>		
The Farm, Batangas	113,915,902.00	962,848.92
<b>RDO 61 - GUMACA QUEZON</b>		
Catnaganuan Cove	1,138,910.50	0.00
<b>RDO 63 - CALAPAN CITY</b>		
Coco Beach Island Resort	50,917,713.95	568,649.20
Sunset At Aninuan Beach Resort	1,819,262.75	28,097.59
Tamarug Beach Resort	775,633.50	26,040.00
Atlantis Dive Resort	1,032,807.00	5,975.00
Out Of The Blue Puerto Galera	6,941,543.74	1,915.01
The Hollywood Palm Beach Resort		NO RECORD FOUND

1 List of resorts are culled from various websites, namely It's More Fun in the Philippines, Trip Advisor, Wayph.com, Tourism.gov.ph, and Wego.com.ph  
 2 Declared negative income  
 3 Exclusion of Total Tax Credits resulted to negative Net Tax Payable  
 4 The RDOs specified here are the RDOs where these resorts are registered in. The resorts are not necessarily found in the cities or areas where their RDOs are located.

# PH stocks dip 1.75%, tracking Wall St.

SOUTH East Asian stocks were mostly weaker yesterday tracking the overnight drop in Wall Street.

The Philippine Stock Exchange index (PSEi) was down 120.35 points to 6,762.38, a 1.75 percent drop.

The broader all shares index was down 69.68 points to 4,040.94, 1.70 percent drop. Gainers edged losers 148 to 44 with 32 stocks unchanged.

Trading turnover reached P9.06 billion.

"A slump in US equities and an early drop in East Asian markets which are among the first to open the regional and global trading day set the tone for Wednesday's activity," said Jun Calaycay, Accord Capital Equities Corp., trader.

"Australian, New Zealand, Japanese and South Korean shares are lower at the open obviously reeling off the overnight performance of the US and tepid activity in Europe. Malaysia and Singapore opened trades in Southeast Asia on the same note. From a mixed

start, the pessimism had spread across the region as sessions progressed that by afternoon trading local time, all indexes were in the red," Calaycay also said.

Most actively traded Alliance Global Group, Inc. was down P0.15 to P29.90. Metropolitan Bank and Trust Co. was down P3.50 to P86. BDO Unibank, Inc. was down P1.60 to P87.10.

Philippine Long Distance Telephone Co. was down P6 to P2,884. Ayala Corp. was down P4.50 to P645.50. Ayala Land, Inc. was down P0.50 to P32.40. Universal Robina Corp. was down P5.20 to P149.80. SM Investments Corp. was down P27 to P750.50.

Thai shares recovered after having fallen more than 1.1 percent in the previous session.

Indonesia was down 0.3 percent.

In Jakarta, investors cautiously monitored the political situation ahead of the July 9 presidential polls as front-runner Joko "Jokowi" Widodo, who is seen as market friendly, faces a strong challenge from his rival.

Singapore and Malaysia were each down 0.2 percent. Bucking the trend, Vietnam traded 0.6 percent firmer.

Thai shares recovered as the capital Bangkok remained calm, a day after the army declared martial law to restore order following lingering anti-government protests.

"No confrontation was seen and that is taken as a positive sign," said Teerada Charmyingyong, a strategist at broker Phillip Securities.

Market participants are watching the meeting between rival parties arranged by the army with caution and the index may move sideways until the crisis is resolved, she added.

"Historically speaking, military intervention to Thai politics signalled that the crisis was nearing its end," Broker KGI Securities said in a note to investors, while asking traders to pick up stocks on possible short-term weakness.

### **MJC buys leisure firm**

LISTED MJC Investments Corp. said Wednesday it is acquiring a majority holdings in a leisure project in Occidental Mindoro.

Manila Jockey Club Inc. said in a disclosure to the stock exchange the board approved the subscription of 80 million common shares amounting to P80 million of the expanded capital of Apo Reef World Resorts Inc..

The subscription will result in MJC owning 50.6 percent of ARWRI's outstanding capital stock.

ARWRI owns 122 hectares of beach front and valley properties in Mamburao, Mindoro Occidental.

"The corporation's equity infusion into ARWRI is in line with its leisure-oriented property development plans," MJC said.

The former horse-track operator plans to build hotel and residential developments as well as a golf course and marina in Mindoro. **Lailany P. Gomez**

### **LRWC eyes Digiwave**

LISTED bingo operator Leisure & Resorts World Corp. has offered to acquire 100 percent of electronic games operator Digiwave Solutions Inc.

LRWC said in a disclosure to the stock exchange it executed a letter offer to the current shareholders of Digiwave for the company's acquisition of 100 percent of the outstanding capital stock of Digiwave at the price of P620 million.

"Upon satisfactory results of the due diligence, the parties shall enter into a share purchase agreement and other definitive implementing agreements for the sale and purchase of the shares," LRWC said.

Digiwave currently operates Philippine Amusement Gaming Corp. (Pagcor) e-Games outlets in Metro Manila and nearby provinces.

In a separate disclosure, Premiere Horizon Alliance Corp. said LRWC submitted a letter offer proposing the acquisition of 100 percent of the shares of Digiwave.

DSI is 85 percent owned by the PHA and 15 percent by private shareholders.

The payment for the total acquisition cost will be subject to terms and conditions to be determined during the due diligence period, which should be completed on or before June 15, 2014.

**Lailany P. Gomez**

# PH to grow faster than rest of Southeast Asia, says Deloitte

By Julito G. Rada

THE Philippines will grow faster than Southeast Asia as a whole over the next two decades especially, if the government provides much-needed support to the manufacturing sector, according to a report by a New York-based global professional

services firm.

Deloitte Global said the country's gross domestic product had the potential to expand by 4.8 percent annually in the 2014 to 2033 period.

"The strong growth in global manufacturing to 2033 will drive world growth, and this presents the Philippines with great

potential to integrate into the global supply chain of high-value manufacturing," Gary Coleman, managing director, Global Clients and Industries, Deloitte Global, said on Wednesday.

"If the government makes smart investments in infrastructure—including roads and harbors—that would help to boost the

construction and transportation sectors and lead to higher productivity growth in the coming years as well," Coleman said in the report titled Competitiveness: Catching the Next Wave: The Philippines.

In 2013, the Philippine economy grew 7.2 percent, surpassing the earlier forecast of 6 percent to 7

percent, amid the turbulent financial markets since the second half, an armed conflict in the third quarter and a series of natural calamities in the Visayas in the fourth quarter.

The economic expansion surpassed that of other Asean-5 countries, including Indonesia, Malaysia, Singapore and Thailand, and one of the fastest in Asia.

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# Stocks sink; URC, Metrobank tumble

THE stock market sank Wednesday on profit-taking and after a tumble on Wall Street overnight, with Tokyo weighed by a stronger yen as the Bank of Japan held off fresh monetary easing measures.

The Philippine Stock Exchange index plunged 120.35 points, or 1.75 percent, to 6,762.38 on a value turnover of over P9 billion. Losers swamped gainers, 148 to 44, with 32 issues unchanged.

Metropolitan Bank & Trust Co., the second-biggest lender, skidded 3.9 percent to P86, while Universal Robina Corp., the largest snack food maker, dropped 3.4 percent to P149.80.

SM Investments Corp., the holding company of retail tycoon Henry Sy, fell 3.5 percent to P750.50, while unit SM Prime Holdings Inc. tumbled 4.4 percent to P16.16. Double-Dragon Properties Corp. lost 4.8 percent to P8.78.

Coal Asia Holdings Inc. retreated 3.8 percent to P1.54.

Tokyo slipped 0.24 percent, or 33.08 points, to 14,042.17, while Seoul lost 0.15 percent, or 2.93 points, to close at 2,008.33. Sydney was flat, edging up

4.25 points to 5,424.6, while Shanghai gained 0.84 percent, or 16.83 points, to 2,024.95.

Hong Kong was also flat in the afternoon.

The BoJ stood pat on its stimulus program, saying growth was picking up pace despite worries that last month's sales tax rise will hit consumer spending.

Policymakers also dropped the word "deflation" from their post-meeting statement—a possible signal that efforts to conquer years of falling prices could be paying off.

The bank said its moves to boost laggard growth were taking hold, with Japan's economy "expected to continue a moderate recovery."

The yen strengthened after the announcement, with the dollar buying 100.99 yen from above 101.30 yen before the BoJ statement—which in turn weighed on Japanese stocks as a stronger currency dents the profitability

of exporters.

While the announcement was expected, dealers were awaiting further clues about the BoJ's policy plans from a regular press briefing by bank governor Haruhiko Kuroda.

The decision came hours after data showed Japan's trade deficit narrowed in April as a hike in the sales tax hit imports, while exports jumped.

US shares took a dive on Tuesday in response to a barrage of mostly disappointing earnings from retailers, while downward pressure was increased after a Fed president called for interest rates to be hiked.

Reserve Bank of Philadelphia president Charles Plosser said borrowing costs may have to be lifted sooner than later. While most analysts expect an increase well into next year, the dearth of any other strong catalysts led traders to take their cash off the table.

With AFP



## Alliance Select defends Strong Oak

ALLIANCE Select Foods International Inc. defended Wednesday the new capital infusion in the company, saying it will "significantly increase its plant utilization rates at its canned tuna facilities in General Santos."

Alliance Select said in a disclosure to the Philippine Stock Exchange the capital infusion was expected to boost revenues and profits for the company's future growth.

Singaporean investors Albert Hong Hin Kay and Hedy Yap-Chua earlier filed a civil case with the Pasig regional trial court to stop the P563-million equity investment of Strong Oak Inc. into the company. The

two asked the court to nullify a resolution passed by the board of Alliance Select approving the issuance of 430.29 unissued common shares to Strong Oak at P1.31 apiece.

Alliance Select said the new capital infusion diluted the holdings of the Singaporean investors after they did not match the amount offered by Strong Oak, which paid the investment in cash.

Alliance Select also defended Strong Oak. "There can be no concerns on Strong Oak fulfilling its obligations since at the time of its subscription, it had already deposited the cash for the purchase in an account in favor of Alliance," a com-

pany source said.

"[With] the multi-billion assets of the beneficial owner of Strongoak, Seawood Resources Inc., a multibillion investment company, there can be little quibbling on the possibility of a failed subscription," he said.

The source said the Singaporeans' attempt to block the capital infusion came at the worst time possible for them.

Hong earlier complained that the stock price of Alliance declined to P0.93 in December last year. The share price surged 72 percent to P1.60 on May 13.

Alliance also reported a profit of \$817,347 in the first quarter of 2014.

# PH eyes foreign firms to build infra projects

By Clarissa Batino and Karl Lester M. Yap

THE Philippines plans to allow overseas companies to build infrastructure worth at least \$1 billion as the nation doubles spending on roads, ports and bridges to bolster its tourism and farm sectors, Public Works Secretary Rogelio Singson said.

Licenses can be issued to foreign contractors that will pledge investments, with estimates placing the requirement at as much as \$1 billion in the form of equity and equipment, Singson said in an interview in Manila Tuesday. Currently, foreign builders apply for a special permit per project.

"We have a bigger pie for everyone," Singson said. "I need more contractors. Opening it up to foreign players, provided

the field is even, will increase competition, improve efficiency and result in better prices for government." Foreign companies can augment the capacity of a handful of local contractors able to take on big projects, he said.

The Southeast Asian nation, lagging neighbors from Malaysia to Thailand in infrastructure spending, is targeting P404 billion (\$9.2 billion) worth of projects this year, or twice the amount it spent in 2011, helped by higher tax revenue and savings on public works due to reduced corruption, Singson said. By 2016, spending on infrastructure should double to P824 billion, or 5 percent of gross domestic product.

Since the start of President Benigno Aquino's term in 2010 to March this year, the Department of Public Works

and Highways has accumulated about P26 billion in savings after curbing corruption, Singson said. The department hadn't logged any savings before Singson took over, according to him.

Savings may rise a further P10 billion in the next two years, he said. That'll help the government fund 2,000 kilometers of farm-to-market roads estimated to cost about P12 billion, Singson said.

The Public Works Department has completed about 67 percent of a P54-billion program to build 2,000 kilometers of roads to beaches, mountains and other areas earmarked for tourism, Singson said.

Philippine tourism will account for 10 percent of GDP by 2016 from 7 percent now, Tourism Secretary Ramon Jimenez said in a separate interview. **Bloomberg**

## First Gen increases holdings in EDC to over 50%

FIRST Gen Corp. of the Lopez Group on Wednesday purchased 31 million shares held by the Lopez Inc. Retirement Fund in Prime Terracota Holdings Corp. for P48.547 million to increase its stake in geothermal leader Energy Development Corp.

Prime Terracota is the effective 60 percent voting/40 percent economic owner of EDC through subsidiary Red Vulcan Holdings Corp.

"With its purchase of 31 million voting preferred shares of LIRF in Prime Terracota, First Gen's voting stake in Prime Terracota will increase from 45 percent to 73 percent," First Gen said in a disclosure to the

Philippine Stock Exchange on Wednesday.

LIRF is a fund established pursuant to the provisions of the Lopez Inc. Employee Retirement Plan. Lopez Inc. owns a majority stake in Lopez Holdings Corp., which in turn, is the largest shareholder of First Philippine Holdings Corp., the parent company of First Gen.

The share purchase involves 31 million class B preferred shares of stock of Prime Terracota with a par value of P1 apiece.

First Gen said its effective voting interest in EDC would also increase to 50.7 percent from 33.6 percent as a result of the transaction.

First Gen last year bared plans of increasing its stake in EDC to more than 50 percent to be able to ride on the financial gains of the country's biggest geothermal producer.

"As we slowly increase our ownership in EDC, that means the attributable earnings that EDC is attributing to Fgen is also slowly increasing," First Gen president Francis Giles Puno said earlier.

Red Vulcan, a subsidiary of First Gen, bought the government's 60-percent stake in EDC, formerly PNOC Energy Development Corp., for P58.5 billion in 2007.

EDC is looking at a record-

breaking income by 2015 with strong financial contribution from its geothermal projects and the entry of the Burgos wind project in Ilocos Norte this year.

The second phase of the wind project involving 63 MW is set to start operations in the first quarter next year.

The company also expects the 49-MW Nasulo geothermal facility to start contributing to the bottom line, while the full rehabilitation of Bacon-Manito geothermal power plant Unit 2 in the fourth quarter of 2014 and Unit 1 by the first quarter of 2015 is expected to further increase revenues. **Alena Mae S. Flores**

# Strong fundamentals back Asean

By Julito G. Rada

BANGKO Sentral ng Pilipinas Governor Amando Tetangco Jr. said proper communication plays a key role in distinguishing economies with favorable macroeconomic fundamentals from other emerging markets.

Tetangco cited the strong macroeconomic fundamentals of the Association of Southeast Asian Nations during a conference of the Asean Finance Ministers, a curtain raiser to the ongoing World Economic Forum in East Asia.

"Communication is important. We should be able to explain what is really happening in our economies so there will be dif-

ferentiation," Tetangco said.

Emerging markets are currently confronted with threats of capital flight amid the tapering of the monetary stimulus program by the US Federal Reserve.

Tetangco said given this backdrop, making the world aware of the strengths of individual economies, such as the Asean economy, was crucial.

Asean intends to highlight its strengths during the World Economic Forum on East Asia from May 21 to 23.

Economic officials from Southeast Asia said the world should know what Asean has to offer to investors across the globe. They said given the lin-

gering uncertainties in the global economy, Asean was a bright spot with its favorable macroeconomic fundamentals and demographics.

The regional bloc, with over 600 million people, is considered ideal for the establishment of operational hubs of multinational companies.

Its population, the third biggest in the world after that of China and India, provides a good pool of workers and consumers that businesses can take advantage of.

According to various projections, Southeast Asian countries are likely to maintain positive growth this year and in 2015.

## Asean insurance industry bullish

THE Asean Insurance Council said Wednesday competition will drive growth in the insurance industry despite fears of bigger foreign players joining the Philippine market in 2015.

Evelina Pietrushcka, AIC secretary-general, said only those who do not have the confidence in their own business feared competition.

"Competition can be healthy and beef up the industry and only the weak should fear competition," Pietrushcka said during the AIC roadshow on the 2015 Asean economic community integration plan.

She said with the right product and proper training of agents, businesses could flourish amid competition.

"We have the right structure in place, right skills and talents, and the understanding of your own local market—with the right product you can still be a winner," she said.

"Never fear competition. It will only challenge you to become better," she said.

The sentiment was echoed by Insurance Commissioner Emmanuel Dooc, who said competition should be a challenge for insurance players to strive to do better.

**Jennifer Ambanta**

# 20 East Asia firms named global growth units

## Manila Water joins roster of trailblazing companies

THE WORLD Economic Forum yesterday announced its selection of Global Growth Companies (GGCs) in East Asia, consisting of 20 of the region's most dynamic and high-growth companies.

These companies were considered trailblazers, shapers and innovators committed to improving the state of their region and the world.

GGCs are fast-growing companies with the clear potential to become global economic leaders. The

20 nominated East Asian GGCs represented a broad cross-section of industrial sectors, but share in common a track record in exceeding industry standards in revenue growth, promotion of innovative business practices and demonstration of leadership in corporate citizenship.

The selected companies were

Aleda Bank Plc. (Cambodia); WanaArtha Life (Indonesia); LINE Corp. (Japan); Kakaku.com (Japan); Hearts United Group Co., Ltd. (Japan); Cross Co. Inc. (Japan); Tokushinkai Group (Japan); Ferrotec Corp. (Japan); Myan Shwe Pyi Tractors Ltd. (Myanmar); Capital Diamond Star Group (Myanmar); Manila Water

Co. Inc. (Philippines); Banyan Tree Holdings Ltd. (Singapore); ILJIN Group (South Korea); Fila Inc. (South Korea); Humax Electronics Co. Ltd. (South Korea); AA Corp. (Vietnam); The Gioi Di Dong (Vietnam); VNG Corp. (Vietnam); Thien Minh Group (Vietnam), and Minh Phu Seafood Corp. (Vietnam).

"The World Economic Forum is

proud to recognize these 20 champions that are at the forefront of driving responsible economic growth, job creation and entrepreneurship in East Asia. We look forward to the active and dynamic role they will play at our meeting in Manila, working with the region's leaders to foster inclusive, sustainable growth in the region," said David Aikman, managing director and head of new champions at the World Economic Forum.

# PH said to bear unmistakable signs of a turnaround

By Amy R. Remo

THE PHILIPPINES is well poised to ride the global manufacturing wave and stand out among the economies in the Asia Pacific in the next two decades, but the government needs to implement crucial reforms to address issues on foreign ownership, corruption, infrastructure, and energy.

According to a report released by Deloitte Touche Tohmatsu Ltd. entitled "Competitiveness: Catching the next wave, The Philippines," the strong growth in global manufacturing through 2033 will be a major driver of world growth, and the country has a

great potential to integrate more fully into what has become a global supply chain of high-value manufacturing.

"If the government makes smart investments in infrastructure—including roads and harbors—that would help boost the construction and transportation sectors, and lead to higher productivity growth in the coming years," said Gary Coleman, managing director for global clients and industries at Deloitte Global.

"Relaxing limits on foreign ownership could boost foreign direct investment, increase efficiency and prompt higher levels of competition," said Chaly Mah, chief executive officer of Deloitte Asia Pacific. "Ad-

ditionally, the government should look to public-private partnerships to help speed investment spending on infrastructure, reduce bottlenecks, and implement policies that promote inclusive economic growth."

As it is, the Philippines bears the "unmistakable" signs of an economic turnaround, including a marked improvement in the business climate and the successful conclusion of peace talks in Mindanao.

Investments in infrastructure, better governance, and a concerted effort to reduce corruption and red tape, have boosted economic performance and, in turn, sparked higher business confidence in the country's growth potential,

the report added.

This growth is expected to be sustained over the long term.

"Over the next two decades, we expect the Philippines will grow somewhat faster than the rest of Southeast Asia, with overall GDP expanding by 4.8 percent per year in the 2014-2033 period. This very favorable growth outlook assumes that the government continues on its path of reforms to improve confidence in the business sector, that regulations regarding foreign ownership are relaxed, and that the government transparency improves. It also assumes that infrastructure spending rises from its 2012 level of

PH/B3

## PH said... From page B4

just 2.7 percent of GDP," the Deloitte report stated.

"This projection assumes delays in implementing a series of PPP projects, which means that bottlenecks on the utilities and transport sectors will persist. It also assumes that stronger growth in the manufacturing sector will successfully absorb some of the lower skilled workforce but, with investments in human capital lagging, the Philippines will continue to specialize in low- to medium-value added products. Naturally, more aggressive public investment and a reduction in some of the long-term bottlenecks would meaningfully boost the nation's growth."

As such, the Aquino administration will need to implement more critical reforms to enable the Philippines to maximize the opportunities presented by this economic momentum, specifically for the identified "growth drivers," which include construction, manufacturing, communications and the business process outsourcing industries.



# PH slips in global competitiveness ranking

By **BERNIE CAHILES-MAGKILAT**

**A**fter climbing 5 notches up in the IMD World Competitiveness scoreboard in 2013 and securing 38th place in its 60-country list, the Philippines toppled back to number 42 in this year's ranking dragged by concerns on infrastructure, corruption, unemployment, financial system and natural disasters.

IMD, a Swiss-based global business school, annually ranks 60 economies for their competitiveness. But, the report also takes into consideration the perceptions of each country as a place to do business as IMD believes in the correlation between a country's image abroad and its overall competitiveness. The report reflects overall ranking based on more than 300 criteria, two-thirds of which are based on statistical indicators and one-third on an exclusive IMD survey of 4,300 international executives.

Based on the report, the Philippines continued to face major challenges this year. On infrastructure, the report cited many unpaved roads, inefficient public transportation, and the country's primary airport that is already operating beyond capacity.

On corruption issue, the report pointed out, "Although improvements in governance are being made, but still a long way to go." President Aquino's administration is trying to ferret out the truth in a deep seated corruption system that revolved around politicians, but resolution is far from over and the extent of corruption charge has been far reaching, including the media.

On jobs, the report also noted that both unemployment and underemploy-

ment rates of the country are one of the highest in ASEAN. The Aquino government's thrust is to attain an inclusive growth but the high growth experienced over the past few years has eluded the poor sector of the economy.

The IMD also noted of the country's undeveloped financial system stressing that access to finance is one of the greatest challenges facing small and medium firms.

Natural disasters also play important role in the country's economy. "Typhoons, rains, and earthquake caused major damage last year," stated the report, which continued to retain US in the number 1 spot in 2014, reflecting the resilience of the US economy, better employment numbers, and its dominance in technology and infrastructure.

Along with these major declines, the Philippines also suffered setbacks in other criteria such as real short-term interest rate, interest rate spread, government subsidies, compensation levels, bribing and corruption issues, funding for technological development, scientific research, competition legislation, customers' authorities, future energy supply, adaptability of government policy, researchers and scientists, venture capital, energy infrastructure and real corporate taxes.

The Philippines, however, showed its biggest gains in terms of foreign direct investments, stock market capitalization, government budget, foreign investments in stocks, long-term employment, exports services, Internet users, enforcement of patents, current account balance, and broadband subscribers.

From a list of 15 indicators, the

Philippines skilled workforce was ranked highest as the country's most attractor factor by respondents of the Executive Opinion Survey of the IMD. This was followed by high educational level, dynamism of the economy, cost competitiveness, and open and positive attitudes as key attractiveness factors of the local economy.

There are no big changes among the top ten. Small economies such as Switzerland (2), Singapore (3) and Hong Kong (4) continue to prosper on exports, business efficiency and innovation.

Europe fares better than last year, thanks to its gradual economic recovery. Denmark (9) enters the top ten, joining Switzerland, Sweden (5), Germany (6) and Norway (10). Among Europe's peripheral economies, Ireland (15), Spain (39) and Portugal (43) all rise, while Italy (46) and Greece (57) fall.

Japan (21) continues to climb in the rankings, helped by a weaker currency that has improved its competitiveness abroad. Elsewhere in Asia, both Malay-

sia (12) and Indonesia (37) make gains, while Thailand (29) falls amid political uncertainty.

Most big emerging markets slide in the rankings as economic growth and foreign investment slow and infrastructure remains inadequate. China (23) falls, partly owing to concerns about its business environment, while India (44) and Brazil (54) suffer from inefficient labor markets and ineffective business management. Turkey (40), Mexico (41), the Philippines (42) and Peru (50) also fall.

In considering perception of each country as a place to do business, the report noted that seven of the top 10 countries in the overall ranking for 2014 are also in the top 10 for having an image abroad that encourages business development, according to an exclusive IMD survey of executives based in each of these countries.

"In general there is a strong cor-

relation between a country's overall competitiveness ranking and its international image as a place to do business," the report said.

Executives in Singapore are most bullish on their country's overseas image, while Ireland, Chile, Qatar and South Korea are all far higher on this criterion than in the overall ranking.

Thursday, May 22, 2014

# PH seen becoming Asia's growth leader

By **CHINO S. LEYCO**

The Philippines would become one of Asia's growth leaders of the future as long as the government continues to reduce corruption, invest in key infrastructure, as well as solve its electric generation and transmission issues, a New York City-based think tank said.

According to Aeloitte Touche Tohmatsu Limited's (Deloitte Global) report, the country's manufacturing, business process outsourcing (BPO), construction, transportation and logistics, as well as information and communications will be the key drivers of growth over the next 20-years.

The report also outlines steps the government can take to make the region more attractive to business, including increasing corporate governance and reducing corruption.

"The strong growth in global manufacturing to 2033 will drive world growth, and this presents the Philippines with great potential to integrate

into the global supply chain of high-value manufacturing," Gary Coleman, Deloitte Global, managing director said.

"If the government makes smart investments in infrastructure—including roads and harbors—that would help to boost the construction and transportation sectors and lead to higher productivity growth in the coming years as well," he added.

While the report notes that the BPO industry will be a source of employment for new graduates it cautions that to achieve long-term growth, it said the Philippines must reduce unemployment and the government must implement policies to improve the business climate.

It also urges the government to reduce bribery and corruption through reform measures that include the procurement process, civil servant training and wages, and instituting reporting and enforcement mechanisms.

Meanwhile, Chaly Mah, Deloitte

Asia Pacific chief executive said that relaxing the government's limits on foreign ownership could boost foreign direct investment, increase efficiency and prompt higher levels of competition.

"Additionally the government should look to public-private partnerships to help speed investment spending on infrastructure, reduce bottlenecks, and implement policies that promote inclusive economic growth," Mah said.

The report projects that the Philippines will grow faster than Southeast Asia as a whole over the next two decades, with overall GDP expanding by 4.8 percent per year in the 2014 to 2033 period.

"Compared to other regions that have experienced slower economics, the Philippines' story is quite remarkable, said Mah. "There are great opportunities—if the Philippine government can seize them — to fuel growth and become one of the most competitive nations in the region."

# First Gen buys 31M shares in EDC

BY LENIE LECTURA

**F**IRST Gen Corp. bought additional shares of subsidiary Energy Development Corp. (EDC) from an affiliate worth P48.54 million.

The company said on Wednesday it purchased 31 million voting preferred shares in EDC held by Prime

Terracota Holdings Corp., which is owned by the Lopez Inc. Retirement Fund (LIRF).

Prime Terracota holds an effective 60-percent voting and 40-percent economic interest in EDC through subsidiary Red Vulcan Holdings Corp.

"With its purchase of 31 million voting preferred shares of LIRF in Prime Terracota, First Gen's vot-

ing stake in Prime Terracota will increase from 45 percent to 73 percent. First Gen's effective voting interest in EDC is, likewise, increased from 33.6 percent to 50.7 percent," the company said in a disclo-



sure to the stock exchange. The purchase was funded through internally generated funds, it added.

LIRF is a fund established for the Lopez Inc. Employee Retirement Plan, which owns a majority stake in Lo-

pez Holdings Corp. (LHC). LHC is the largest shareholder of First Philippine Holdings Corp., the parent company of First Gen.

First Gen posted a net income attributable to equity holders of \$42.9 million for the first quarter of the year, down 23.2 percent from \$55.9 million registered in the same period last year.

The company blamed the decline

to the lower earnings booked by EDC as a result of higher operating expenses caused by damages wrought by Super typhoon Yolanda and revenue adjustment made by subsidiary First Gen Hydro Power Corp. from corrections made on Wholesale Electricity Spot Market prices for the November and December 2013 billings.

## Insurer sells investment-linked policy paying as much as 3% a year

**M**ANULIFE Philippines has started selling an insurance product that gives policyholders regular payouts from their investments while providing them with exposure to the growth and capital-appreciation potential of the Philippines financial markets.

Manulife Philippines launched the single-pay variable life insurance product in the market in line with its commitment to provide customers with more flexible solutions that meet each family's distinct needs.

"Depending on policyholders' needs and preferences, they can choose when to start receiving payouts and how frequently these payouts are provided for them to use as they see fit," Ryan Charland, president and chief executive officer at Manulife Philippines, said.

"They also have the option to automatically reinvest the payouts back to the fund to increase the potential for capital appreciation of their investments," he quickly added.

Manulife Affluence Income, as the product is marketed, is linked to the Peso Target Income and Peso Target Distribution funds, which are vehicles investing in a diversified portfolio of peso fixed income and peso equity investments based on an active asset-allocation strategy.

The funds are structured to provide regular payouts while maintaining the potential for capital appreciation and limiting the risk of capital erosion.

The Peso Target Income and Peso Target Distribution funds have a target payout of up to 3 percent per annum or 0.25 percent a month. Both funds are managed by a Manulife Philippines Investments team that is part of a global network of interconnected investment professionals under Manulife Asset Management, the investment management arm of Manulife Financial Corp.

The local investment team is supported by Manulife Asset Management's Portfolio Solutions Group (PSG), a global team with over 20 experienced investment professionals specializing in asset-allocation portfolio management and having more than \$112 billion in assets under management.

The PSG provides non-discretionary asset-allocation advisory services to support the funds' investment objective, which aims to deliver the target payout while limiting the risk of capital erosion.

Sarah Lu, Manulife head of asset allocation, Asia, said: "The funds' strategic allocation is 85 percent to peso fixed income and 15 percent to peso equity. However, the actual allocation could shift to reflect changing market conditions. The maximum allowable allocation to equities is 30 percent."

# BSP greenlights Security Bank's Tier-2 bond sale

BY GENIVI FACTAO

**S**ECURITY Bank Corp. (SBC) has secured approval from the Bangko Sentral ng Pilipinas (BSP) to issue up to P10 billion in Basel 3-compliant unsecured subordinated notes qualifying as Tier-2 capital.

Proceeds from the issuance of the P10-billion Basel 3-compliant Tier-2 bonds will be used to strengthen its capital base and business expansion.

Security Bank President and Chief Executive Officer Alberto S. Villarosa said they are tapping the capital market very early to prepare for expansion activities happening by the mid-months to late next year.

Villarosa also said the bank is adequately capitalized.

The bank will capitalize on the markets' robust liquidity and will be addressing the demand for loans viable alternative invest-

ment instruments. The P10-billion unsecured subordinated notes qualifying as Tier-2 capital under Basel

3 will have a 10-year maturity, callable after the fifth year with prior BSP approval.

The Tier-2 bond has a loss absorption feature.

"The bank is in the process of completing the requirements as in-

dicated in the BSP's approval letter within the prescribed timelines before the date of offering," the lender said in a regulatory filing.

The pricing and offering period will be determined depending on market conditions.