



SEC News Service

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Stock mart rises; PLDT hits ₱3,000

STOCKS rose Thursday, with the benchmark index briefly climbing past the 6,900-point mark in intraday trading before profit-taking capped the gains at the close.

The Philippine Stock Exchange index advanced 48.71 points, or 0.7 percent, to 6,899.31 on a value turnover of P7.6 billion. Gainers beat losers, 108 to 76, with 43 issues unchanged.

Some cautious investors took profits in last-minute trading ahead of today's release of the inflation data for June.

The rest of Asian markets were mixed Thursday as profit-taking tempered the buoyant sentiment fueled by another record-breaking performance on Wall Street.

Investors are now keeping their focus on the release later in the day of key US jobs figures, hoping for further signs a recovery in the world's number-one economy is picking up strength.

Philippine Long Distance Telephone Co., the biggest telecommunications company, added 0.7 percent to P3,000, while Metropolitan Bank & Trust Co., the largest lender, rose 1.5 percent to P89.60.

Universal Robina Corp., the largest snack food maker, advanced 1.7 percent to P156, while mother JG Summit Holdings Inc. increased 1.8 percent to P52.

DMCI Holdings Inc., which is into construction, water distribution, coal mining and power plants, surged 3.5 percent to P75.05.

Jollibee Foods Corp., the biggest fastfood chain, gained 2.4 percent to P184.40.

Tokyo, meanwhile, ended 0.14

percent lower, edging down 21.68 points to 15,348.29 after rising more than 1.5 percent over the previous three days. Seoul lost 0.21 percent, or 4.31 points, to close at 2,010.97, while in afternoon trade, Hong Kong was marginally lower.

However, Sydney added 0.66 percent, or 35.8 points, to 5,491.2 and Shanghai closed 0.19 percent higher, adding 3.81 points to 2,063.23.

Regional shares have enjoyed a broad rally this week, helped by data suggesting Chinese manufacturing is getting back on track.

Global shares have been on an upward course for much of the week and were given an extra lift by a positive report on private jobs Wednesday.

Payrolls company ADP said the private sector added a better-than-expected 281,000 jobs in June, surging from 179,000 in May. **With AFP**

PH stocks ride on upbeat US jobs data

PHILIPPINE shares traded higher on Thursday, briefly testing the 6,900-point resistance in the morning session as investors welcomed the strong private jobs data in the United States, which also sent US stocks higher.

US stocks closed at record highs on Wednesday following news that business hiring surged in June, indicating that the US economy is picking up momentum.

Despite lingering caution ahead of the release of Philippine June inflation data today, Friday, optimism in overseas markets rubbed off on local players.

"The markets opened 20.69 points higher at 6,871.29, with investors obviously still drinking from the fount of cautious optimism ahead of Friday's release of inflation data," Accord Capital Equities, Corp. analyst Justino Calaycay said.

The Philippine Stock Exchange index finished Thursday's trade up 48.71 points or 0.71 percent at 6,899.31, while the wider all shares added 25.50 points or 0.62 percent to 4,129.99.

Gains were seen across the board, with all sectors up led by properties. Property rose 26.58 points or 1.03 percent to 2,615.92, followed by financials, which went up by 13.25 points or 0.80 percent to 1,659.34.

Industrials advanced by 76.10 points or 0.74 percent to 10,428.88, while services rose 12.58 points or 0.61 percent to 2,064.27. Holding firms added 34.57 points or 0.55 percent to 6,272.24, while mining and oil added 78.08 points or 0.47 percent to 16,592.97.

Trading volume stood at 1.4 billion, valued at P7.6 billion. Advancers edged out decliners 108 to 76, while 43 stocks were unchanged.

Blue chips were among the most actively traded stocks on Thursday, including Philippine Long Distance Telephone Co., up 0.74 percent at P3,000; Alliance Global Group Inc., down 0.68 percent at P29.15; Universal Robina Corp., up 1.69 percent at P156; and SM Investments Corp., up 0.06 percent at P809.50.

MADELAINE B. MIRAFLOR

■ PEREZ FROM A1

PLDT, Globe Telecom saved by preferred shares

Nevertheless, Due Diligence is computing the capital stock of PLDT, along with that of Globe Telecom Inc., to show how the numbers game on foreign ownership could be played differently.

* * *

If you completely agreed with the numbers PLDT presented in its ownership posting on the website of the Philippine Stock Exchange without considering the impact of the Supreme Courts' definition of Filipino control, you would conclude that the telecom

DUE DILIGENCER



EMETERIO Sd. PEREZ

company is absolutely correct.

In a footnote to an ownership disclosure, PLDT cited SEC Memorandum Circular No. 8 and said "the bases for the cal-

culatation of foreign ownership restriction are PLDT's outstanding shares of voting stocks (common and voting preferred) which are entitled to vote for the election of directors."

Relying on the SEC's policy, PLDT concluded that its foreign ownership level was 31.58 percent of the 366.056 million outstanding shares of voting common and preferred stocks as of March 31, 2014.

* * *

Here is how PLDT arrived at a much diluted foreign ownership

structure: It issued 150 million voting preferred shares to PLDT Beneficial Trust Fund which, when added to 216.056 million outstanding common shares, would give the company a total of 366.056 million in outstanding capital stock.

Then PLDT divided the foreigner-owned 115.589 million common shares by 366.056 million outstanding shares and came out with a much lower foreign ownership ratio of 31.58 percent.

► Perez B2

■ PEREZ FROM B1

PLDT, Globe Telecom saved by preferred shares

The result of the computation made the company compliant with the ownership law.

However, going by a layman's reading of the SC formula that each class of shares in the capital stock of public utilities should be separately computed to determine Filipino control of at least 60 percent, the foreigners' 115.589 million PLDT common shares would be equal to 53.50 percent of 216.056 million outstanding common shares, breaching the 40 percent foreign ownership limit.

Which of the two computations should prevail?

Certainly, it should not be Due Diligence's dangerous interpretation of the SC-suggested calculation but that of PLDT, which has gotten the SEC approval, thus allowing the

dilutive effect of 150 million voting preferred shares on foreign ownership of the company's total outstanding capital stock.

* * *

Incidentally, PLDT is not the only listed public utility company that uses voting preferred shares to show 60 percent Filipino ownership.

One of them is Globe Telecom Inc., which has also issued voting preferred shares to maintain Filipino control of at least 60 percent of the company's voting stocks.

In a PSE posting, Globe, the telecom unit of the Ayala group controlled by the Zobel family, reported its issuance of 158.515 million voting preferred shares to only one subscriber, Asiacom Inc., a unit of Ayala Corp.

Why did Globe issue preferred shares when it is very profitable that it has even piled up retained earnings of P5.69 billion after dividends as of March 31, 2014?

* * *

Globe Telecom needed preferred shares in its capital stock to dilute the foreigner-owned 85.759 million common shares, equivalent to 64.637 percent, to the legal level of 40 percent. If it had had only common shares, Ayala's telecom subsidiary would have been controlled by foreigners, one of them being Singapore Telecom Pte. Ltd. and the Zobel's significant but still minority stockholders.

As of March 31, 2014, a filing listed Ayala Corp. only as a minority stockholder with 40.328 million common shares, or 13.85 percent, while SingTel, the Zobel's partners, owned 62.646 million common shares, or 47.217 percent. PCD Nominee Corp. held 23.113 million common shares as record stockholder for unnamed foreigners.

With Asiacom-held 158.515 million voting preferred shares, Globe not only effectively increased its outstanding capital to 291.111 million shares but, more importantly, ensured the Zobel's control of 75.971 percent.

On the other hand, the holdings of the foreigners have been reduced to 29.459 percent from 64.637 percent, computed on the expanded outstanding capital stock of 291.111 million shares.

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PHL insulated vs China slowdown

BY BIANCA CUARESMA

THE Philippines is in the best position to withstand a potential slowdown of growth in China due to the country's relatively low China-bound exports compared to peer countries in the region, a unit of the international credit watcher said.

In a recently published research note, Moody's Investors Service said Asean countries are vulnerable to a pronounced growth correction in China. This was traced to the region's rapidly increasing trade exposure to China in recent years.

Against that background, the Philippines was rated the "most insulated" country from any Chinese economy slowdown due to the diminished economic significance of China-bound exports over the past decade.

Moody's said while Asean member-countries have an aggregated exposure to Chinese demand equal to 12.2 percent of local output in 2013, the Philippines had an exposure of below 3 percent during the year. "The headline data suggest that the Philippines would be the least impacted by a significant downturn in Chinese demand," Moody's said.

"Instead, the Philippines's growth

story has been underpinned by robust domestic demand, which has, in turn, been fueled by structural reform and an upswing in the country's credit cycle," the Moody's unit added.

Additionally, the unit said a possible downturn in the Chinese economy could even have positive effects on the country, as this can potentially help push domestic prices lower. "The Philippines would feel some positive spillover impact from weakening Chinese demand, as lower commodity prices would serve to keep a lid on consumer prices despite the strength in domestic consumption," Moody's said.



A8 Friday, July 4, 2014

Many more bank mergers seen this year

By **BIANCA CUARESMA**

MANY more bank mergers and acquisitions were seen happening this year, particularly involving the lesser-capitalized lenders, as competition among and between classes of banks heats up with the passing of each month, according to the Bangko Sentral ng Pilipinas (BSP).

Central bank top honcho Amando M. Tetangco Jr. said that as of end-June this year, there were already seven merger and consolidation applications involving 15 banks. These have been already approved by the Philippine Deposit Insurance Corp. (PDIC) and are even now processed by the central bank.

Add to that are five other applications for consolidation still in the pipeline. The proposed mergers

are all pursued under the so-called Strengthening Program for Rural Banks Plus (SPRB+), which is the enhanced version of the original program designed to restore the financial health of problematic lenders before they are irretrievably lost or ruined.

The SPRB+ is the extended program of the SPRB originally launched in 2010, which provides incentives and assistance to banks that wish to acquire, merge and consolidate.

The BSP said the program seeks to minimize bank closure and, at the same time, provide an alternative for the weaker players in the industry to make a graceful exit.

Tetangco said the challenges faced by rural banks include issues like keeping afloat in an operating space defined by large operational costs while competing against peers who offer better-priced products from the big banks that are even now in the countryside.

briefs

→PSEI NEARS 6,900 AFTER GAINING FOR SECOND DAY

SHARE prices rose for the second straight day on Thursday, with the main index closing a point shy of the 6,900-point mark, as investors position themselves ahead of Friday's announcement of inflation data.

The benchmark Philippine Stock Exchange index (PSEi) gained 48.71 points to 6,899.31, while other sub-indices closed higher by an average of 0.5 percent.

"There was no mistaking the bulls were firmly in control of the day, even ahead of inflation concerns," trader Justino Calayca Jr. of Accord Capital Equities Corp. said.

The PSEi opened strong at 20.69 points and tested the 6,900 points for a brief period before returning back to 6,800 points.

Total volume of trade was at 1.36 billion shares worth P7.56 billion.

Foreign investors, after almost two weeks of buying, were net sellers at P213.77 billion.

Gainers led losers 108 to 76, and 43 shares were unchanged.

Philippine Long Distance Telephone Co. was the day's most traded and gained P22 to P3,000 per share. Alliance Global Group Inc. was down P0.20 to P29.15; Universal Robina Corp. was up P2.60 to P156; SM Investments Corp. rose P0.50 to P809.50; Bank of the Philippine Islands increased P1.55 to P95.05; and Ayala Land Inc. expanded P0.30 to P30.50.

VG Cabuag

Megawide to issue 750M shares as dividend

By RODRICK L. ABAD

LISTED Megawide Construction Corp. will distribute 750 million common shares as dividend.

The company disclosed on Thursday with the Philippine Stock Exchange the aggregate value of P750 million (equivalent to a par price of P1) will be taken from unrestricted retained earnings in 2013.

The stock dividend will comprise the minimum subscription and paid-up requirement to the hike in the authorized capital stock of Megawide from P2 billion to P5 billion. Record and payment dates have yet to be announced, subject to the approval of the Securities and Exchange Com-

mission of the proposed increase in authorized capital stock and the stock dividend declaration.

As of December 31, 2013, Megawide posted gross revenues of P10.88 billion, 33-percent higher than the recorded P8.2 billion in 2012, on the back of the accomplishment of the company's school infrastructure project with the Department of Education last year. Net income grew by 38 percent to P1.4 billion last year from P1.01 billion in the previous year, mainly due to increase in con-

tract revenues, operating efficiency and other income. Total equity as of the end of 2013 reached P8.54 billion, up 79 percent from 2012's P4.77 billion. Capital stock increased by 48 percent or P535 million, due to additional share issuance and stock dividend declaration in 2013. Additional paid-in-capital rose by 114 percent, or P2.24 billion because of the issuance of additional shares in 2013 at a price higher than par value.

For the first quarter of 2014, Megawide recorded gross revenues of P2.79 billion, or 6-percent higher than the P2.65 billion booked in the same period in 2013.

From January to March this year, overall equity surged by 4 percent from P8.54 billion as of 2013 to P8.87 billion at the end of the first three months of 2014. The increase in equity is due to net income amounting to P328 million as of the end of

the first quarter. During its annual stockholders' meeting on Monday, Megawide announced it would continue to diversify its construction business to handle more infrastructure projects like airports and power.

Megawide and its Bangalore-based partner GMR Airports were awarded with the P17.5-billion Mactan Cebu International Airport capacity expansion project by the Department of Transportation and Communications in April this year.

As per its disclosure last week, the company said it is lining up projects such as solar plants and wind farms with PhilCarbon Inc. to develop a portfolio of renewable energy projects. These new projects are in line with the aim of Megawide to double its profits in three years. The company's income is expected to hit P2.8 billion by 2017 from P1.4 billion in 2013.

Foreign investors salivate over control of PH banks

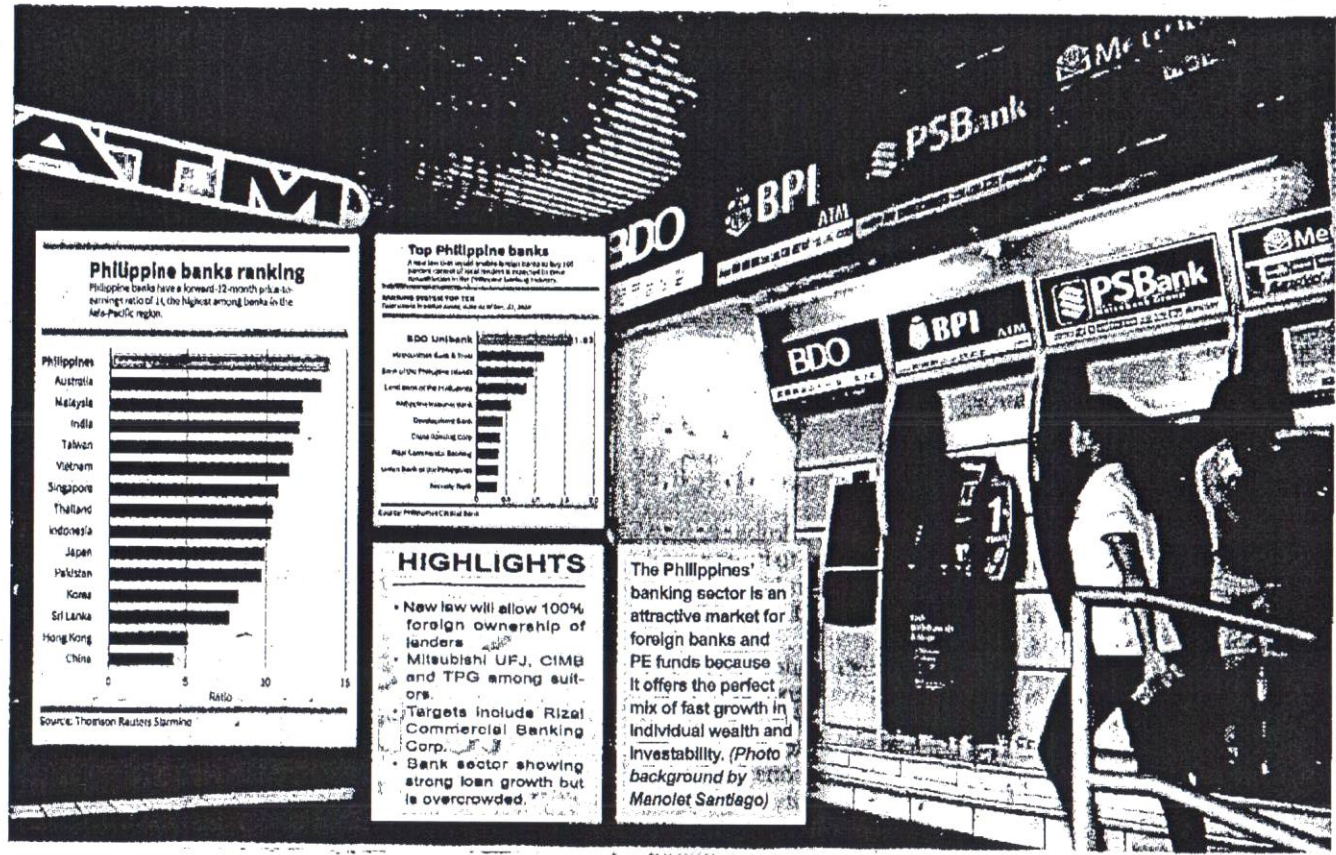
A PLANNED law allowing foreign firms to take full control of Philippine lenders is drawing eager suitors to the sector, including Japan's Mitsubishi UFJ Financial Group and Malaysia's CIMB Group Holdings, bankers familiar with the matter say.

The attraction also lies in the Philippines' emergence as one of Southeast Asia's most rapidly growing economies - one that has sharply boosted personal incomes and demand for loans - while the banking sector is highly fragmented and underdeveloped, making it ripe for consolidation.

Others scoping out acquisition opportunities are private equity firms such as TPG as well as Taiwanese banks, the bankers said, adding that targets include Rizal Commercial Banking Corp (RCBC). The sources declined to be identified as negotiations were confidential.

"The Philippines' banking sector is an attractive market for foreign banks and PE funds because it offers the perfect mix of fast growth in individual wealth and investability,"

See FOREIGN > Page A4



FOREIGN

said Keith Pogson, Asia financial services leader at accounting and consultancy firm EY.

By contrast, China, Indonesia and Malaysia place limits on foreign investment in banks.

The Philippine law would replace a cap of 60 percent on foreign ownership and abolish previous rules that allowed just 10 foreign banks in the country. Already passed by Congress, it awaits the approval of President Benigno Aquino, who has flagged this is likely to come soon.

It is one of a slew of economic reforms led by Aquino that follow the Southeast Asian nation's long sought attainment of an investment grade credit rating last year, and brings the Philippines in line with countries like Australia and Japan which allow banks to be wholly owned by foreign firms.

Gaining full control of a local bank, as opposed to just 60 percent, will allow foreign banks to merge a Philippine lender's operations with their own - a strategy that makes it easier for them to capitalize on regional trade flows and serve companies in their home countries that want to invest in the Philippines.

The latter motivation is particularly true of Japanese banks like Mitsubishi UFJ, banking sources said.

"All the heavy industries and construction companies from Japan see a huge amount of infrastructure spending in the Philippines," said a M&A banker at a European bank.

"The Japanese banks want to be there...so they can fund these companies. If you step back further, there is also a strong political desire on the part of the Japanese leadership to have strong ties with ASEAN."

An executive at a large Japanese bank said his bank was looking to acquire a Philippine lender but added it had yet to narrow down any targets. He declined to be identified further. The planned law was also a topic of discussion between Aquino and Japanese Prime Minister Shinzo Abe on Aquino's trip to Japan last month with Abe expressing his approval.

Representatives for Japan's top three banks - Mitsubishi UFJ, Sumitomo Mitsui Financial Group and Mizuho Financial Group - did not respond to requests for comment.

The potential for growth in retail banking may also appeal to some foreign banks. Over the last 10 years, the growth rate for individual wealth has averaged 12 percent - Asia's highest, according to data from EY and Credit Suisse, yet 80 percent of Filipino households still do not have a bank account.

Among other lenders, Malaysia's CIMB said in May it is looking at mid-tier banks after efforts to buy 60 percent of San Miguel Corp's unlisted banking unit fell through.

Singapore's DBS has said it would consider an opportunity in Philippines if it fits its strategy. Last year it walked away from Indonesia's PT Bank Danamon after changes in ownership limits prevented it taking majority control.

TPG and CVC Capital Partners are among buyout firms looking at potential acquisitions, bankers

said. They declined to comment.

On one hand, the outlook for loan demand in the Philippines is robust, accounting for the industry's forward 12-month price to earnings ratio of 14, the highest among banks in Asia-Pacific, according to Thomson Reuters StarMine.

Aggregate bank loans are expected to climb between 10 and 15 percent this year, according to Standard & Poor's Ratings Services. Central bank data also shows loans for producing goods and project financing were up 19 percent in May from a year earlier while consumer loans were up 11 percent.

But the industry in its entirety is small. Singapore's DBS has nearly 1.5 times more assets than the combined assets held by the Philippine banking sector.

It is also overcrowded with 700 banks. Indonesia, with more than twice the population, has 120. And many lenders are truly minnows, with the top seven of 36 commercial banks controlling two thirds of the industry's assets.

That has made a compelling case for consolidation, particularly ahead of new capital rules and the planned law has the backing of both the Philippines' central bank and its banking association.

"We've been sending the signal that if you are below a certain scale, sub-scale or your operations are not economical and competitive - so you have options, either you level up or you combine or you sell out," Nestor Espenilla Jr, the central bank's deputy governor, told Reuters.

The government is in the process of selling United Coconut Planters Bank, which has drawn interest from Philippine National Bank and may attract foreign bidders, people familiar with the matter said. Ranked 12th in the Philippines, it has assets of around 265 billion pesos (\$6 billion).

But bankers note that the most appealing targets are also the least likely to be interested in accepting a full takeover, although they may be open to selling a stake.

Two of the most attractive targets for foreign suitors may be Philippine National Bank, the country's 5th largest lender, and RCBC, ranked No. 8, said Lexter Azurin, head of equity research at Unicapital Securities Inc. The two banks trade at price-to-book ratios of 1.4 and 1.1 respectively, cheaper than the industry average of 1.7, according to Thomson Reuters data.

PNB Chief Executive Reynaldo Maclang told Reuters his bank was not considering a merger with a foreign lender and RCBC CEO Lorenzo Tan said the bank may consider a non-controlling capital infusion from a strategic investor along the lines of a purchase by CVC in 2011 of a 15 percent stake.

East West Banking Corp, the nation's 14th biggest lender, says it has fielded interest from foreign bidders.

CEO Tony Moncupa said the bank might be open to partnerships or a stake sale, but not a takeover. "If we think it will take the bank higher, then we will consider," he told Reuters. -Reuters

PH capital mart robust

BY ALBERT CASTRO

THE Philippine Stock Exchange index (PSEi) is seen to close between 7,000 and 7,200 while the bond market is expected to outperform last year's benchmark as the Philippine capital market remains robust, investment bank First Metro Investments Corp. For the first half of the year, the sector has managed to facilitate fund raising worth P115 billion

compared to last year's full year amount of P83 billion, noted Justin Ocampo, First Metro senior vice president for investment banking.

The market continues to be "liquid," according to Ocampo, with pre-funding the anchor theme of companies' fund raising activity for the year and major conglomerates refinance their expansion and acquisition programs.

Banks were the leading fund raisers on the bond side, a total of P26 billion was raised for the period as a result of the need to beef up banks's capitalization under the Tier 2 requirement.

Another P15 billion expected to be completed this month which will bring banks' fund raising to P41 billion, higher than last year's full year fund raising of P34 billion for banks.

Ocampo also noted that in terms of equity, banks raised a total of P5 billion for the past six months, "three times the full year figure last year."

The equity market meanwhile will continue to benefit from a revival of the manufacturing sector, high private sector and government consumption, the uptick in the GDP, acceleration of the PPP, a further pick up in foreign direct investments, and normalization of bank earnings, according to Bede Lovell Gomez, First Metro investment advisory group head.

This will enable the company to further improve on the 15 percent uptick on a year-to-date basis.

This uptick was quite surprising for companies, according to Ocampo, who noted that companies were expecting a heightened volatility in

the market that paced down their equity fund raising.

"Surprisingly however the PSEi, performed very well so it was a lost window for companies," said Ocampo.

Gomez said the market's run-up led for local stocks to "run ahead of its corporate earnings," making it the "most expensive" in the region at a trailing price-to-earnings ratio of 21.61x.

A full year GDP growth of between 6.6-7.5 percent, a dollar exchange rate of P44-46 to \$1 and inflation of 4.3 percent for the whole year will enable companies to post a profit growth of 15-18 percent for the year, and bring the PSEi to 7,000-7,200 level.

This will also bring the PSE's PE ratio to a range of 19-20x.

PSEi up 0.71%

SHARE prices ended higher Thursday on thin trading. The market was close to breaching its year-long resistance at 6,900 since its drop that started in May last year.

The Philippine Stock Exchange index (PSEi) was up 48.71 points to 6,899.31, a 0.71 percent hike.

The broader all shares index was up 25.50 points to 4,129.99, a 0.62 percent hike. Gainers edged losers 108 to 76 with 43 stocks unchanged.

Trading turnover reached P7.57 billion.

"The PSEi looked poised to close above the 6900-line for the first time since May 2013 until the run-off phase. It missed the mark by less than a point.

Yet there was no mistaking the bulls were firmly in control of the day, even ahead of inflation concerns," noted Jun Calaycay.

BPI Asset Management, Inc. noted that the market was influenced by the overnight uptick in the US as investors took positions ahead of the non-farm payrolls number to be released last night, Thursday.

Investors focused on positive economic data such as the higher-than-expected report on private-sector hiring, which underpinned the economy's strength, it said.

Most actively traded Philippine Long Distance Telephone Co. was up P22 to P3,000. Alliance Global Group, Inc. was down P0.20 to P29.15.

Universal Robina Corp. was up P2.60 to P156. SM Investments Corp. was up P0.50 to P809.50.

Bank of the Philippine Islands was up P1.55 to P95.05.

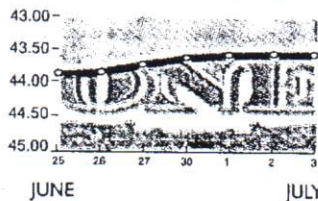
Ayala Land, Inc. was up P0.30 to P30.50. Metropolitan Bank and Trust Co. was up P1.30 to P89.60. BDO Unibank, Inc. was down P0.05 to P92.95. Puregold Price Club, Inc. was up P1.25 to P44.80.

INDICATORS

PESO-DOLLAR RATE

July 3, 2014

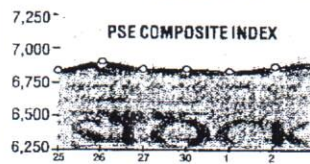
43.600



STOCK MARKET

July 3, 2014

48.71



(See stock market report on Page B2)

PH stock prices rise on inflation numbers

PHILIPPINE stock prices rose on Thursday and briefly breached the key 6,900 level on expectations that a government report today on inflation will remain within expectations, an analyst said. The benchmark Philippine

Stock Exchange index (PSEi) ended the session higher by 0.71 percent, or 48.71 points, to 6,899.31. The broader all-shares index also rose 0.62 percent, or 25.50 points, to 4,129.99.

PH STOCK/B4

PH stock prices rise on inflation numbers

From page B1

All sub-counters were also up, with property firms leading gains at 1.03 percent. This was followed by the financial subindex, up 0.80 percent, and industrial firms, up 0.74 percent.

"There were some brave investors who positioned ahead of the inflation report," First Grade Finance Inc. managing director Astro del Castillo said in an interview on Thursday.

Still, he noted that value turnover

was slightly below average, meaning most investors stayed on the sidelines yesterday.

"We still expect cautious trading in the coming days," he said.

A total of 1.34 billion shares valued at P7.57 billion changed hands on Thursday, data from the Philippine Stock Exchange showed. A total of 108 companies gained on Thursday, while 76 ended in the red and 43 closed unchanged.

Philippine Long Distance Telephone Co. led the roster of most actively traded stocks, gaining 0.74 percent to P3,000 a share on Thursday.

This was followed by Alliance Global Group Inc. (down 0.68 percent to P29.15), Universal Robina Corp. (up 1.69 percent to P156), SM Investments Corp. (up 0.06 percent to P809.50) and Bank of the Philippine Islands (up 1.66 percent to P95.05). *Miguel R. Camus*

IPO of Phoenix Semicon gets regulator's approval

Korean firm to raise P2.66B from equity sale

By Doris C. Dumlao

THE PHILIPPINE Stock Exchange has approved a plan by Phoenix Semiconductor Philippines Corp. (PSPC), a Korean-owned semiconductor outsourced manufacturer based in Clark Freeport in Pampanga, plan to sell P2.66 billion worth of shares from a stock market debut.

Based on its offering circular, PSPC plans to offer to the public 706.816 million shares at maximum price of P3.76 per share, bringing 25 percent of the company to public hands.

Of the offer shares, 286 million common shares will be in the form of primary shares while about the same amount will consist of secondary shares to be placed out by existing shareholders.

There will be an oversubscription option of 134.63 million shares on top of the 572.186 million primary and secondary shares that will be sold. Of

the shares earmarked for oversubscription, 67.315 million will consist of primary shares and the rest will be secondary shares.

In a circular, the PSE said it had approved the IPO but added that PSPC and its underwriter had yet to finalize the dates of the IPO activities. A total of 2.356 billion shares will be listed on the PSE's main board.

Proceeds from the primary offering are expected to be used for the expansion of PSPC's machinery and production equipment and improvements in its facility this year and next year.

By 2015, the company plans to put up a new manufacturing facility to expand its production capacity beside its existing plant in Clark.

Incorporated in 2010, PSPC is chaired by Lee Byeongchun, who is also its president and chief executive officer. The company's ultimate shareholder is the Bokwang Group of Korea, which controls South Korean-listed

STS Semiconductor & Telecommunications Co. Ltd. (STS) which, in turn, owns 99.99 percent of PSPC. STS is the entity that will sell the secondary shares.

STS was spun off from Samsung after the Samsung Electronics Co. Ltd. decided to split its semiconductor business division in 1998. It has another affiliate based in Suzhou, China. In 2009, STS and Samsung decided to put up an outsourced manufacturing plant focused on memory products. PSPC was established by STS as its Philippine subsidiary to act as the outsourced manufacturer of contract products for Samsung's internal use as well as for Samsung's customers like Apple, HP, IBM, Oracle, Lenovo and Dell.

Net tangible book value of PSPC prior to the offer is P3.27 billion or P1.64 per share.

As of end-February, it had total assets of \$186.85 million.

China Bank to hike bancassurance stake

SM GROUP-LED China Bank plans to raise its interest in Manulife China Bank Life Assurance Corp. (MCBL) to 40 percent from 5 percent in order to unlock more value from the growing volume of business in its bancassurance partnership with global insurer Manulife Financial Corp.

In a disclosure to the Philippine Stock Exchange on Thursday, China Bank said its board had authorized the bank to increase its capital stake and contributed surplus in MCBL to 40 percent, and for this purpose, to negotiate the purchase of the corresponding shares of stock from Manulife.

When China Bank entered into a bancassurance partnership deal with Canada-based Manulife in January 2007, it's really part of the roadmap for the local bank to eventually acquire a larger stake in the firm, Alex

Escucha, China Bank senior vice president for strategic planning and investor relations, said in an interview.

The 5-percent initial stake acquired by China Bank in MCBL in 2007 was only the minimum equity ownership needed by banking regulators to allow bancassurance activities or the cross-selling of insurance products.

"The idea is to enhance the value derived from the partnership," Escucha.

Right now, Escucha said the main benefit through bancassurance was that Manulife could sell insurance to China Bank clients and the bank could in turn earn fees from commissions. But with a bigger equity stake, he said China Bank could earn more from the partnership.

At present, he said China Bank was already getting "very significant" fee-based revenues from this partnership amounting to "several hundred mil-

lion pesos."

"But now that both parties realize how mutually beneficial that partnership is, that paves the way for us to bring this partnership to the next level," Escucha said.

The board authorized China Bank senior executive vice president Ricardo Chua to represent, sign, execute and deliver on behalf of the bank, any and all documents and papers necessary to effect the increase in capital stake and contributed surplus in MCBL.

MCBL provides a wide range of innovative insurance products and services to China Bank customers.

Manulife, which is among the world's largest life insurance companies by market capitalization, is a leading Canada-based financial services group with principal operations in Asia, Canada and the United States.

Doris C. Dumlao

