



SEC News Service

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IMI to expand European, Asian facilities in share sale

By VG CABUAG

AYALA-LED Integrated Micro-electronics Inc. (IMI) said it will expand its facilities in Europe and in Asia, including the Philippines, using the proceeds of its share sale.

IMI said, in its filing with the Securities and Exchange Commission, P1.1 billion of the total share-sale proceeds of about P3 billion, will go to capital expenditure and a substantial portion of which will be allocated for maintenance of plants and machinery in Bulgaria, China, Czech Republic,

used for investments in IMI's electronics manufacturing services business line and the rest is going to IMI's power semiconductor assembly and test services business line, it said. The said capex allocation for capital expenditure was lower than the P1.2 billion that it originally proposed.

IMI is set to sell to the public 300 million shares, divided into 215 million as its initial offer and another 85 million shares as an over-allotment option. It will be sold at an indicative price of P10 per share.

BPI Capital Corp. is the underwriter of the offer. Other proceeds of the funds include business expansion at P1 billion, refinancing of debt at P300 million, and working capital for 2015 at P500 million.

The debt payment included its short-term financial obligations with

Mexico and the Philippines.

"The funds will also be used in the building expansion of the company's facilities in Jixiang [in China], and Bulgaria, and the machinery expansion for the Philippines," the company said.

About 91 percent of the planned capital expenditure is intended to be

BNP Paribas Singapore and Standard Chartered Singapore, that consist of various revolving bank promissory notes with interest rates of approximately 2.3 percent to 2.6 percent per annum incurred primarily to fund working capital.

"While the company remains open to acquire companies with similar or related business interests, no definitive targets have been currently identified," it said.

The company reported a net income of \$20.95 million, or a growth of more than five times from last year's profit of \$4.05 million. The company's communication and automotive businesses contributed 70 percent of its increase in revenues of \$650 million for the first nine months of the year, from last year's \$547.1 million, or an increase of 19 percent.

Financial reporting: A challenge to SMEs

SMALL AND MEDIUM-sized enterprises (SMEs) vary in size and type across countries and industries; despite these differences, it is globally recognized that SMEs play a vital role in economic development.

Based on a report presented by R. Aldaba in August 2014, "Gearing Up SMEs for Association of South East Asian Nations (ASEAN) Economic Community 2015 (AEC 2015)," ASEAN SMEs account for about 99% of all registered businesses, employ more than 60% of the work force, and contribute 16% to 35% in exports.

These statistics explain why SME development is a significant component of AEC 2015, which will officially commence on December 31, 2015. In the Philippines alone, the latest data from the Department of Trade and Industry show that SMEs represent 99.6% of total registered enterprises, contribute 35% to the gross domestic product, and employ about 70% of the total Philippine work force.

SMEs are the lifeblood of our country's economy. They stimulate economic activity, generate employment, prompt innovation, heighten competition and contribute largely to the country's progress. However, Philippine SMEs continue to face serious difficulties and challenges in relation to their existence, development and competitiveness.

The reality is that most SMEs start small and generally remain small until liquidation or bankruptcy. Many research studies report that access to financing remains one of the most critical, if not the foremost, constraint facing Philippine SMEs.

This is despite the fact that, by law, all lending institutions are required to set aside and

lend 6% of their total loan portfolio to small enterprises and 2% to medium enterprises. In addition, Government has also implemented plans and programs to support SME development and growth, such as the National SME Agenda, and the 2011-2016 Micro, Small and Medium Enterprises Development Plans.

Yet, many SMEs still find it very difficult to access funds due to the voluminous and stringent requirements (some of which are unfamiliar to them, including adequate financial statements) from the financial institutions and credit corporations or cooperatives.

As a result, SMEs tend to rely heavily on internally generated funds from operations and additional cash infusions from the personal savings of the owners. In a study, "SMEs' Access to Finance: Philippines" conducted by R. Aldaba in 2012, it was revealed that SMEs, particularly the smaller ones, have been unable to access funds due to their limited track record, limited acceptable collateral and inadequate financial statements.

From a financial reporting perspective, it is clear that SMEs — despite having different products, services and business strategies — have a common and immediate need for an adequate accounting infrastructure that will provide them with timely and accurate financial statements. An adequate accounting structure will address the availability of financial information that is acceptable and useful for potential lenders or capitalists as they evaluate the SME's true financial health and condition. With this information, lenders can evaluate the feasibility of extending a loan to the SME. A

successful loan application will allow SMEs to build up their credit history and enhance the viability of its business, which are the essential requirements for SMEs when attempting to secure additional funding.

Beyond the issues of credit, having timely, accurate and consistent financial statements can help management and stakeholders make timely financial and investment decisions. However, considering the way most SMEs are structured, many do not prioritize their finance and accounting infrastructure, often due to cost considerations. They may also have insufficient finance personnel who are knowledgeable about the latest accounting standards and fast-changing tax regulations.

FINANCIAL REPORTING OF SMES

Philippine accounting standards have recognized the need of SMEs for simplified financial reporting tailored for the users of their financial statements (including investors, management and lenders). This is the reason why the Philippines Financial Reporting Standards (PFRS) Council and the Philippine Securities and Exchange Commission (SEC) adopted in 2010 the International Financial Reporting Standards (IFRS) for SMEs issued by the International Accounting Standards Board in 2009, to simplify the many complex and onerous accounting requirements required of large enterprises by full PFRS, and to reduce the SMEs' cost and effort to produce financial statements that are consistent with internationally accepted standards.

However, despite the adoption of PFRS for SMEs four years ago, it seems that a big number of SMEs have yet to fully appreciate, maximize and realize the benefits of the accounting simplifications made available under PFRS for SMEs. Many SMEs still question and challenge sections of PFRS for SMEs, mainly: (i) the many simplified recognition and measurement principles,

and (ii) the removal of accounting policy options and allowing a single generally simplified method.

Some hold the view that if certain recognition and measurement principles under full PFRS are useful to the users of financial statements of large enterprises, then these should be similarly allowed for SMEs. Others also prefer making accounting options available to, but not necessarily required of, SMEs if these will result in more useful financial information for financial statements users. While some points may be valid, SMEs should not forget that the ultimate objective of PFRS for SMEs is a simplified, independent and acceptable accounting framework specifically tailored to meet the specific needs of users of SMEs' financial statements, such as lending institutions that are considering an SME for a loan.

NOW IS THE RIGHT TIME

With the mounting challenges SMEs are experiencing with their financial reporting, now is the right time for the SMEs to look into their accounting infrastructure and to commit to producing useful and reliable financial information. With the country's improving economy and expected results of AEC 2015, such as the existence of a bigger ASEAN market of about 600 million people, the removal of trade and investment barriers, improvements in regional value chains and wider financing sources from integrated regional capital markets, SMEs should get ready to reap their share of the benefits within this highly anticipated competitive and beneficial business environment. Getting ready means having timely and adequate financial reports that, in turn, will translate into ready access to credit for the SMEs.

SHERWIN V. YASON is a partner of SGV & Co.



SUITS THE C-SUITE

SHERWIN V. YASON

SMEs are the lifeblood of our country's economy. They stimulate economic activity, generate employment, prompt innovation, heighten competition and contribute largely to the country's progress.

Running a family business

ARE COMPANIES owned and managed by a single family or extended ones really different from the run-of-the-mill company where no executive or staff is even vaguely related or connected to each other?

There's a growing field of study involving family corporations, treating them as a special category of organization. Here, the owners and executives, including the purchasing clerk, are related by blood or affinity. Are there unique issues having to do with mixing family and corporate problems, often letting family feuds not company-related determine who gets more money, with criticisms on how profligately it is being spent coming from those who get too little or none at all?

Should family corporations be evaluated differently from other types of organizations like nongovernment or companies with a large base of stockholders? Of course nowadays many large family-owned businesses are publicly listed, with the family retaining a controlling percentage. Non-family corporations, defined as being owned and managed by people with different surnames and unrelated even as cousins or in-laws, ironically seem to want to emulate the family corporation — treat the company as if it's your own; we are one big happy family; we have bonding events like burials and wakes.

The beef with family corporations is a lack of meritocracy in management selection and compensation. Mediocre nephews get plum jobs. Clans, however, do not have a monopoly of accommodating light bulbs that don't illuminate. Regular companies after all have executives that don't even have light sockets.

Consultants on corporate culture who service troubled non-family companies usually come to the conclusion that management is too divided and should bond more as a team and work like a family. This yearning for familial ties, which outside consultants of family corporations seem to be bent on undoing by recruiting non-family executives like the very same outside consultants, has become the recipe for survival for the regular organization. Somehow, outsiders prescribed for family organizations are automatically considered "professional" as opposed to being mere relatives, as if the two words were mutually exclusive.

FENCE SITTER A.R. SAMSON

The beef with family corporations is a lack of meritocracy in management selection and compensation. Mediocre nephews get plum jobs. Clans, however, do not have a monopoly of accommodating light bulbs that don't illuminate. Regular companies after all have executives that don't even have light sockets.

An acquiring conglomerate of a family corporation has the automatic default option of bringing in managers who introduce new lines of reporting, requiring the submission of capital budgets, monitoring business plans, and setting bonuses, called variable pay ("I have more than you") based on revenue targets, which to the acquired captives sound about as familiar as the Greek alphabet. Often the parachuted management finds the old guard with similar surnames inadequate, feeling they need to say everything twice and still not be understood. This sense of incompetent incumbents, especially when the conglomerate is entering a field it has no expertise in, leads to moves that can be characterized simply as throwing money at problems, even if these problems are not clearly understood.

The varied corporate origins and short emotional investment time of the new team leads to atomization, with each individual forming his own nucleus. Everyone is looking for a box to stay in as these are moved around like containers in a loading dock being stacked in a ship that's sailing away. So, when cubicles run out due to the number of new hires, new office space needs to be leased. The consultant for corporate culture tries to promote bonding and team building... just like a family. Aren't reunions, familiarity with each other, and meals together what strengthens a team?

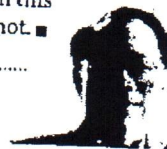
But as revenue repeatedly disappoints even with rising overhead, the uncomfortable question arises — when does the cash bleeding stop? With rich conglomerates where cash flows like fire hoses aimed at rioters, someone in the board and perhaps part of the old family owners who sold out finally notices that red numbers at the bottom of a report are not a pretty sight to investment analysts. Some questions are raised about how long this can go on.

The day of reckoning finally comes and the cash taps is turned off — you don't need a map to find the exit of a burning building.

The family as a model of teamwork is anyway flawed. As Tolstoy wrote in the opening line of *Anna Karenina*, "All happy families are the same, unhappy families are unhappy in their own way." Failed companies have different stories to tell on how things were certain to end badly, that the organization was so fractured. "We were just not a family." Or maybe they were too much of one.

As the family corporation tries to behave more like a regular organization by bringing in outsiders, the latter tries to find its family roots with an artificial DNA. It can be said for sure that the only family businesses that succeed seem to be political ones. They are also called dynasties. The profits to be distributed in politics and governance have nothing to do with meeting internal goals but with using outsiders to get a chunk of public business and then sharing the profits with the family. There are no dummies in this business. It's all in the family... until it's not. ■

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Central bankers warn of bumpy ride as rates rise

GLOBAL central bankers said financial markets could suffer a bout of turbulence — again — when they begin to withdraw monetary stimulus.

Janet Yellen and William C. Dudley of the Federal Reserve, Mexico's Agustín Carstens and Bank of England Governor Mark Carney were among those to use a Paris conference of policy makers on Friday to talk about potential fallout from the eventual shift from record-low interest rates used to revive growth since the global financial crisis in 2008.

"Normalization could lead to some heightened financial volatility," Ms. Yellen told the gathering convened by the Bank of France. Mr. Carney said "the transition could be bumpy."

The comments suggest central bankers are trying to prepare better for the global effects of any withdrawal than in 2013, when then-Chairman Ben S. Bernanke unexpectedly signaled the Fed could soon start reducing bond purchases. That pushed up yields and rattled investors worldwide in the so-called taper tantrum.

Fed Chair Ms. Yellen and Mr. Dudley, president of the Fed Bank of New York, recognized the importance of US officials being clear in their plans. "The Federal Reserve will strive to clearly and

transparently communicate its monetary policy strategy in order to minimize the likelihood of surprises that could disrupt financial markets," Ms. Yellen said.

Friday's report showing a decline in US unemployment to a six-year low in October and 214,000 workers added to payrolls probably keeps the Fed on track to raise interest rates next year. Fed officials last week ended monthly asset purchases that bloated the central bank's balance sheet to more than \$4 trillion.

STABILITY OBLIGATION

Given a likely increase in US rates next year will "undoubtedly be accompanied by some degree of market turbulence," Mr. Dudley said the central bank has an obligation to provide global stability.

"It is clear in retrospect that our attempts in the spring of 2013 to provide guidance about the potential timing and pace of tapering confused market participants," Mr. Dudley said.

With that episode in mind, Mr. Carstens said there is a "potential for financial market disruption" amid the unwinding of unconventional monetary policy.

Mr. Carney said shifts in financial markets were no reason to delay normalizing of policy as he reiterated that eventual UK rate

increases will probably be "limited and gradual."

AVAILABLE TOOLS

Loose monetary policy is still justified, Ms. Yellen said as she urged her colleagues to "employ all available tools, including unconventional policies, to support economic growth and reach their inflation targets."

"Given the slow and unsteady nature of the recovery, supportive policy remains necessary."

The comments on volatility were accompanied by gripes from policy makers and investors that cheap cash is increasingly coming at a greater cost. Among the worries, stimulus has relieved pressure on governments to revamp their economies, punished savers, inflated asset bubbles and left financial markets overly reliant on liquidity.

"This is a world which places too much of a burden on central banks," said Mohamed El-Erian, the former chief executive officer of Pacific Investment Management Co. and now an adviser to Allianz SE. "This is a journey, not a destination. If the journey lasts too long, central banks go from being part of the solution to perhaps being part of the problem."

Governments should look to spend if they can and also make

their economies more flexible, said International Monetary Fund Managing Director Christine Lagarde. "All available policies should be used," she said.

Bank of France Governor Christian Noyer said a "paramount risk of very low interest rates is to entertain the illusion that governments can continue to borrow rather than make difficult and yet necessary choices and indefinitely put off the implementation of structural reforms."

Even so, the European Central Bank has told its staff to prepare further measures that can be used if needed to spur inflation, and the Bank of Japan (BoJ) is boosting its own bond-purchase program.

BoJ Governor Haruhiko Kuroda said in Paris that his actions are complemented by a government that is committed to providing short-term fiscal support and policies to make the markets for agriculture, services and labor more flexible.

"The Bank of Japan is not the only game in town," he said.

A possible precursor to how markets will behave when stimulus is pulled back was evident last month when stocks fell amid investor concern the global economy was faltering again and central banks lacked the ammunition to support it. — *Bloomberg*

Business

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EastWest issues affordable, high-performing instrument

By Ed Velasco

EastWest Bank has just launched the EastWest PhilEquity Feeder Fund, a peso-denominated unit investment trust fund (UITF) that invests 90 percent to 100 percent of its assets in PhilEquity Fund Inc., managed and principally distributed by PhilEquity Management Inc. (PEMI).

The PhilEquity Fund is one of the country's best performing equity mutual funds, having provided annualized returns of 23.9 percent, 19.1 percent and 17.1 percent,

respectively, for the five-year, 10-year and 15-year periods ending Oct. 31, 2014.

Noli de Pala, EastWest Bank trust officer and vice president, said the UITF of the bank is for people who want to grow their money.

"It is not ideal to compare it to RTBs (retail trade bonds) because RTBs' interest has dropped significantly among banks," de Pala told *The Daily Tribune* in a chance interview.

EastWest partnered with PEMI for this investment product to make

intelligent investing in Philippine stocks affordable for retail and corporate investors.

It offers peace of mind and confidence to investors that their hard-earned money is managed professionally and would yield the highest possible returns.

The EastWest PhilEquity Feeder Fund is ideal for investors with an investment horizon of at least five years and who understand the investment risks that come with equity securities.

It is available to both retail and corporate customers for a minimum

participation of P10,000.

Investors can maximize the earning potential of their funds without having to go through the challenges of stock picking, constantly monitoring business news and stock market movements.

"We are launching the EastWest PhilEquity Feeder Fund to present our clients an investment option that is both affordable and high performing in the long term.

With its addition to our current UITF product portfolio, we hope to address the investment needs of a broader customer segment," said

the bank's senior executive vice-president and chief operating officer Jose Emmanuel Hilado.

"We also chose to partner with PEMI because it is one of the country's best investment management firms with a proven track record. They can provide our investors with long-term capital appreciation through professional management, smart stock-picking and nimble market transactions," he added.

EastWest Bank is a P170-billion asset unibank that has been growing in branches since 2012.

Ayala Land grows net income by 25% to 10.8B in first 9 months of 2014

Ayala Land Inc. (ALI) announced a 25 percent jump in net income to P10.8 billion in the first nine months of 2014.

Consolidated revenues also reached P68.3 billion, 20 percent higher than the P56.9 billion reported in the same period last year.

Growth was driven mainly by robust performance across the property development, commercial leasing, and services business units.

"As we continue to build integrated communities across the country, we remain focused on the execution and delivery of our various projects. We also continue to aggressively pursue new opportunities for development, given the robust growth of the economy," said Bernard Vincent O. Dy, ALI president and CEO.

The company's property development business, which includes the sale of residential lots and units, office spaces as well as commercial and industrial lots, totaled revenues of P47 billion, 26 percent higher than the P37.4 billion it recorded in 2013.

Revenues from the residential segment also grew by 40 percent to P40.1 billion in the period. This was again driven by strong bookings and project completions across all segments.

Ayala Land Premier (ALP) grew its revenues by 63 percent year-on-year to P18.5 billion, mainly due to significant bookings from residential lots in Soliento in Nuvali,

The Courtyards in Bacoor, Cavite, Ayala Westgrove Heights in Silang, Cavite and Ayala Greenfield

Estates in Calamba, Laguna and high-value condominium units such as East Gallery Place in Bonifacio Global City, Two Roxas Triangle and Garden Towers in Makati and Arbor Lanes in Arca South.

Alveo meanwhile, posted P7.2 billion in revenues. The 11 percent jump was attributed to the higher sales and completion of its new and existing projects such as High Park in Vertis North, Verve Residences and Sequoia in Bonifacio Global City, Solstice in Circuit and Kroma and Escala in Makati.

Avida and Amaia likewise recorded revenue growth of 11 percent and 65 percent to P9.2 billion and P2.4 billion, respectively.

Avida's performance was anchored on the higher contributions from Avida Towers Vita in Vertis North, Avida Towers BGC 34th Street, Avida Towers Verte in Bonifacio Global City and Avida Towers Riala in Cebu.

Amaia revenues were primarily driven by the strong sales of Amaia Steps Nuvali.

BellaVita revenues, on the other hand, more than doubled to P75.8 million - mainly due to solid bookings generated by its projects in General Trias and Alaminos.

Revenues from shopping centers grew by 9 percent to P8.3 billion from P7.6 billion.

Total gross leasable area (GLA) was up nine percent year-on-year while occupied gross leasable area (GLA) was also up six percent.

ALI also saw a 19 percent increase in its revenues from office leasing operations to P3.1 billion from P2.6 billion.

First Pacific Group sets ₱100-B capex in 2015

By JAMES A. LOYOLA

Tokyo—The First Pacific Group is allotting about ₱100 billion for capital expenditures in 2015 as it continues to aggressively expand into the infrastructure, utilities and services sectors although

investments in tollways may face delays because of the tariff adjustment issue.

In a press briefing, Metro Pacific Investments Corporation chief finance officer David J. Nicol said they are investing ₱96.6 billion next year, ₱12 billion more than the budget for 2014.

The 2015 capex budget is led by the ₱36 billion to be spent by Philippine Long Distance and Telephone Company. Maynilad Water Services Inc., MPIC's water subsidiary, will spend ₱17.5 billion next year while its power distribution arm Manila Electric Company is allotting ₱14.7 billion.

MPIC is also investing about ₱9 billion for the expansion of the Light Rail Transit Line 1, ₱1 billion for its new sugar business and ₱2.3 billion for its hospitals group while First Pacific's Philex Mining Corporation is spending about ₱5.9 billion next year.

►B-7

First... ◀B-1

Meanwhile, Metro Pacific Tollways Corporation is investing ₱10.3 billion in 2015 for the continued expansion of its existing tollway operations.

However, MPTC president Ramoncito Fernandez said their capex is just a working figure because of its inability to get a fair return of their investments as it has been constrained by government not to raise tariffs.

"We will not back out on any of our commitments. On the other hand, we won't start on any commitment until we have a better picture of how this tariff issue will be resolved," he said adding that "further delays (in adjusting tariffs) may impact on expansion plans."

MPTC is looking at investing ₱30 billion to ₱40 billion for the expansion of its tollroads, some of which are already becoming congested. Fernandez said they project revenue loss to reach ₱3.4 billion from 2012 to 2015 due to the delay in approval of tariff hikes.

Meanwhile, Meralco president Oscar Reyes said the bulk of their capex next year will be for increasing its distribution capacity as well as for expenses related to "hardening" their facilities against the effects of climate change.

MPIC president Jose Ma. K. Lim said they are aiming to double their total hospital capacity from the current 2,712 beds in the next five years at a cost of about ₱10 billion.

Monday, November 10, 2014

Top stocks for the week



By MADELAINE B. WIRAFLOR

Select blue chips Ayala Corp., Megaworld Corp., and Energy Development Corp. (EDC), which are set to report their third quarter earnings results this week, may set the momentum in this week's trade.

Luis Limlingan, Regina Capital Development Corp. head of business development, said in a phone interview that the potential top stocks this week could be the big companies that are scheduled to disclose their third quarter financial results.

"If the reports of EDC, Ayala Corp. and its subsidiaries, and Megaworld are positive, then they could push the market upwards," Limlingan said.

During the first nine months of last year, EDC saw its net income dropping by 7.7 percent to ₱5.8 billion, while Ayala Corp. netted ₱10.4 billion or a 20-percent growth year-on-year.

Megaworld, on the other hand, saw its net income reaching ₱6.55 billion in the nine-

month period of 2013, up 15 percent from ₱5.7 billion it had in the same period in 2012.

In the previous trades, the local stock market was largely influenced by stocks that reported corporate earnings, Limlingan said.

"Based on the evaluation, the stocks that performed well on the stock exchange were also the ones that reported good results like MPIC (Metro Pacific Investments Corp.) and Ayala Land, Inc. (ALI)," he added.

During the first nine months of the year, the Manuel V. Pangilinan-led MPIC posted a net income of ₱6.5 billion, up by 15 percent from ₱5.6 billion the company had a year earlier.

This, according to the firm's financial statement submitted to the Philippine Stock Exchange, was largely supported by its investments in tollways, hospitals, and power distribution.

The residential and office business of ALI, on the other hand, has driven the property giant's income to ₱10.8 billion or 25 percent higher in the first nine months of the year.

Market rebound seen

The market is expected to make a rebound and trade on an upward bias.

"The market will go upward if there are good corporate earning results," Limlingan said, adding that the index may likely go up to 7,300 again.

He pointed out, however, that if the index failed to tap 7,250-resistance level and sustain it for the next two to three trades, the index may continue to move sideways.

Philippine shares ended the week on the negative territory. Philippine Stock Exchange index (PSEi) shed 30.91 points on Friday, or 0.43 percent to 7,205.72, with all the sectors also ending on the red side.

Some of the top gainers on that day were the recently listed SSI Group, Inc., Boulevard Holdings, Inc., Nickel

Asia Corp., Emperador, Inc., Megaworld Corp., Robinsons Retail Holdings, Inc., Security Bank Corp., 2Go Group, Inc., Now Corp., and Mackay Holdings, Inc.

For BPI Asset Management, the PSEi movers on the last trading day are Emperador, Philippine Long Distance Telephone Co., Ayala Land, Inc., JG Summit Holdings, Inc., and Ayala Corp.

To conclude its ₱7.45-billion initial public offering, specialty retailer SSI Group officially listed its shares in the Philippine Stock Exchange, in the prior week. Its shares went up to ₱8.49 at the opening, higher than its ₱7.50 listing price.

In its stock watch report, brokerage Regina Capital Development Corp. gave a 'hold' recommendation on SSI shares.

Scam suspect's extradition via informal deal

By Rey Requejo

THE Department of Justice says it will pursue every legal action available to press for the extradition to the country of Manuel Amalilio from Malaysia to face the trial for the P12 billion syndicated estafa charges filed against him.

Justice Secretary Leila de Lima on Sunday said she was just waiting for the recommendation from the DOJ's legal division on what legal action to take to convince the Malaysian government to hand over Amalilio to the Philippine authorities.

According to De Lima, whatever action they would take, they would again make informal arrangements with Malaysian authorities.

"I am just waiting for the draft communication from the legal staff on whether we should seek a reconsideration of the Malaysian decision. But we will make informal arrangement again with the Malaysian authorities because, in the first place, it had started through informal arrangement and then they advised us to go through the extradition route but unfortunately the Office of the Ministry of Home Affairs withdrew

its recommendation," De Lima told reporters over the weekend.

De Lima was referring to the decision of the Ministry of Home Affairs to discontinue the proceedings for Amalilio's extradition to the country last month.

Amalilio fled to Malaysia in November 2012 after his Aman Futures firm was linked to a P12-billion scam that allegedly victimized some 15,000 investors, mostly from the Visayas and Mindanao regions.

In January last year, Malaysian immigration authorities arrested Amalilio in Kota Kinabalu for possession of a fraudulent passport and ID but his extradition was called off due to the crisis in Sabah emanating from the incursion of armed followers of the sultanate of Sulu over a territorial claim.

The Justice Secretary also said that despite the fact that Amalilio is now out of Malaysian jail, he would remain in the "red notice" list of the Interpol.

"He (Amalilio) remains in the Interpol red notice. I have issued a formal directive to the NBI to continue to coordinate and collaborate with their counterparts to make sure that Amalilio's name remains in the In-

terpol red notice," De Lima said.

The DOJ chief explained that once an individual is placed in the red list, he or she could be arrested anytime for extradition purposes though the country that has no extradition treaty with Malaysia.

Earlier, De Lima said despite his release, they still considered Amalilio a fugitive from justice due to the standing warrants of arrest against him issued by the courts here in the country for syndicated estafa arising from the Aman Futures scam.

However, Amalilio's absence would not stop the trial of cases related to the scam now pending before trial courts in Iligan and Cagayan de Oro cities since his co-accused have been arrested and indicted by the authorities for syndicated estafa.

Among those arrested and charged were Aman Futures president Fernando Luna and his wife Nimfa Caballero-Luna; Aman incorporators Donna Coyme, Lelian Lim Gan, Wilanie Fuentes, Nazelle Rodriguez, Eduardo Lim and Lurix Lopez; and Aman employee Dhurwen Wenceslao.

Former Pagadian City mayor Samuel Co and his wife, Priscilla, were also apprehended and charged with the same offense.

Earnings reports seen to drive stocks

EARNINGS reports by major companies are expected to drive the performance of the Philippine Stock Exchange this week, according to securities firm AB Capital Securities Inc.

"For next week, we still see local earnings as the main driver of share performance similar to the previous weeks. Sectors to look out for include gaming and oil-dependent companies," AB Capital said in its weekly advisory.

Investors are expected to monitor Resort World Manila's earnings to give an overall picture of the casino industry amid fears it was "not growing faster than expected to support three players that also include Bloomberry Resort Corp. and Premium Leisure Corp.

"Meanwhile, oil-dependent companies such as PNX [Phoenix] and PCOR [Petron] are expected to post lower margins as it write off inventories from declining crude prices," AB Capital said.

AB Capital said the Philippine Stock Exchange index would continue to be "in the near-term bull trend which started on Oct. 14."

"As such, any confirmed breach below the support levels at 7,200 and 7,160 will open the index to further downsides at 7,000 points level. Given this, investors may use the support levels as the accumulation points while exit points can be found in resistance levels at 7,235 and 7,330," the securities firm said.

The PSEi closed at 7,205.72 on Friday, down 30.91 points or 0.43 percent from the previous week.

Luis Limlingan, Regina Capital Development Corp. head of business development, said "this week, the market is expected to make a rebound and trade on an upward bias."

"Upward bias if good corporate earning results," he said.

Four of the six sub-sectors ended in the green last week, led by the 1.9-percent gain by the financial sector. The property sub-index rose 1.6 percent; holdings firms, 0.5 percent; and industrial sector, 0.4 percent. Services sector fell 3.3 percent while mining and oil sector dropped 1.8 percent.

Top gainers last week included Leisure & Resorts World Corp., which surged 21 percent; Philweb Corp., 15.6 percent; 2Go Group Inc., 13.1 percent; AG Finance Inc., 12.5 percent; and 8990 Holdings Inc., 12.1 percent.

Heavy losers included Greenergy Holdings Inc. of businessman Antonio Tiu, which fell 32.3 percent; Unioil Resources & Holdings Co. Inc., 25.5 percent; Swift Foods Inc., 25.3 percent; Wellex Industries Inc., 22.9 percent; and AgriNurture Inc., 17.3 percent.

ALI eyes net profit of ₱40b by 2020

By Jenniffer B. Austria

PROPERTY developer Ayala Land Inc. has unveiled a new business plan that aims to boost the company's net income to P40 billion by 2020.

Ayala Land president Bernard Vincent Dy in a presentation during an analysts' briefing Friday said the business plan called 2020 Vision would enable the company to register a 20-percent average annual growth in net income over the next six years, from P11.7 billion in 2013 to P40 billion by 2020.

This will be achieved by aggressively rolling out residential projects while increasing investments in recurring businesses and optimizing utilization of its landbank, he said.

The plan was developed by the company as it wrapped up its 5-10-15 program, a five-year plan covering the period 2009 to 2014, that aimed to boost net income to P10 billion and return on equity to 15 percent.

The company already hit the P10-billion net income target in 2013 while it was on track to achieve the 15-percent ROE by the end of 2014.

Understanding the numbers in financial filings

BY EMETERIO Sd. PEREZ
COLUMNIST

CERTAIN details in the financial filings of listed companies will, more likely than not, remain hidden. The reason for this is not surprising:

because the few public investors are passive, they don't challenge any imposition on them by the majority stockholders who control the board.

It is up to individual investors to guess what is hidden behind the numbers disclosed in quarterly and

annual financial reports. As long as they receive dividends either in cash or in stock, they would be satisfied with the results of the operations of companies in which they own a few shares.

►PerezB1

■ PEREZ FROM A1

Understanding the numbers in financial filings

Neither is it the responsibility of the Securities and Exchange Commission to force listed companies to make their disclosures on the website of the Philippine Stock Exchange more transparent. As the securities industry regulator, the SEC allows the PSE, a self-regulatory organization, to regulate itself and more than 250 public companies listed on its board.

Yet, listed companies make public the results of their financial operations with their quarterly filings, which are not audited, and with audited annual financial reports. The financial performance of the last quarter is reported in the final audited annual financial posting.

* * *

If public investors would only try to decipher the quarterly filings of listed companies, then



DUE DILIGENCER

EMETERIO Sd. PEREZ

they would learn more about the numbers behind the disclosed financials. Their diligence would make them the active investors that they should be, making them realize that without public investors like them, there would be no stock market.

Due Diligencer is presenting here two examples that are well known to public investors who are not only small stockholders but also consumers of the products sold by a unit of SM Investments Corp. (SMIC) and by Robinsons Retail Holdings Inc.

►Perez B2

Understanding the numbers in financial filings

SMIC is the listed flagship holding company of the SM group, which is owned or controlled by businessman Henry Sy Sr. and his family. Robinsons Retail, on the other hand, belongs to the JGS group of businessman John Gokongwei Jr.

Here are the numbers that make SMIC and Robinsons transparent in providing the public how much they made in the second quarter and first six months of 2014, compared with their posted financial results in 2013.

In its second-quarter consolidated financial filing, SM Retail, the unlisted retail arm of SMIC, reported P49 billion as merchandise revenue and P37.4 billion as cost of sales for a gross profit of P11.6 billion, which is equivalent to 23.7 percent of merchandise revenue, representing its gross return from its sales of merchandise or consumer products sold by SM's various outlets nationwide.

* * *

For the six months to June this year, SM Retail grossed P91.2 billion from merchandise sales and reported cost of sales and expenses of P69.3 billion. This means its gross profit in the six months totaled P21.8 billion, or 24 percent of sales.

In the second quarter of 2013, it reported merchandise revenue of P47.4 billion and cost of sales of P36.6 billion for a gross profit of P10.7 billion, equivalent to 22.7 percent of merchandise revenue. From January to June this year, SM Retail said it grossed P83.6 billion from sales of merchandise that cost it P63.3 billion, for a difference of P20.3 billion. Computed, P20.3 billion is 24.3 percent of P83.6 billion.

Based on these numbers and as computed, SM Retail did better in the second quarter of 2014 but in comparing its six-month financial performance, the company fell behind this year.

Unlike SMIC, Robinsons group had its unit Robinsons Retail Holdings Inc. (RRHI) listed on the exchange. In the second quarter of 2014, RRHI said its gross profit amounted to P4.2 billion on revenue of P19.5 billion, or 21.6 percent of sales. In two quarters, it reported revenue of P37 billion and gross profit of P7.9 billion, or 21.3 percent of sales.

In the second quarter of 2013, it made a gross profit of P3.5 billion on revenue of P16.3 billion, or 21.3 percent of sales. In the first six months last year, its gross revenue of P31.3 billion resulted in gross profit of P6.5 billion or 20.9 percent of sales.

* * *

I presented here the financial performances of SM Retail and Robinsons Retail in anticipation of their annual financial reports, particularly their net profits for 2014, with their revenues set to get a big boost from consumers who would be spending much for the holidays.

Unfortunately not all Filipinos, as consumers, could well afford to spend more for Christmas. Yet most of them would be forced by necessity to buy the best that they can afford for their families, particularly their children who look forward to enjoying the season.

I used the word "forced" because personally, I believe that many, if not most, of those who cannot afford the luxury of holiday shopping would most likely be using their credit cards not for convenience, but to absorb as much of the Christmas expenses as possible, then pay their card dues on installment.

Meanwhile, the very poor Filipinos who do not qualify to own credit cards have only the loan sharks to turn to for their holiday spending.

PH SHARES WEEKLY OUTLOOK

Market to track oil, gaming firms Q3 earnings

THIRD-QUARTER earnings results of local gaming and oil companies will be the main driver of the stock market this week.

AB Capital Securities Inc. said in a weekly market report that the Philippine Stock Exchange index's (PSEi) movement this week is dependent on the third-quarter results of gaming and oil-related companies.

"We still see local earnings results as the main driver of share performance similar to the previous weeks. Sectors to look out for include gaming and oil-dependent companies," AB Capital said.

"For gaming, investors will need to

watch out for Traveller International's (Hotel Group Inc.) earnings results to get an overall picture of the country's casino industry. Despite Bloomberry Resorts Corp. recording record revenues, fears are mounting that the casino industry is not growing faster than expected to support three players—Travellers, Bloomberry and Premium Leisure Corp.," it said.

"Meanwhile, oil-dependent companies such as Philex Petroleum Philippines Inc. and Petron Corp. are expected to post lower margins as they write off inventories due to declining crude prices," it added.

AB Capital said that the bellwether index is still in a "near-term bull trend" since October 14, but added that if the market falls through support levels at 7,200 to 7,160 points, it could go down to as low as 7,000 points.

But should the market go up to as high as 7,235 to 7,330, investors may find this as exit points and sell to cash in on gains, it said.

BPI Asset Management, on the other hand, said in a weekly outlook that the market is projected to be influenced with foreign outflows this week as the market

➤ **Outlook B2**

OUTLOOK FROM B1

PH SHARES WEEKLY OUTLOOK

"encounters tough resistance toward its all-time highs."

"Residual corporate earnings are expected to continue to be the primary market drivers next week," BPI said.

"We expect the local equities market to trade between 7,070 and

7,373," it added.

On Friday, the main index ended down 30.91 points or 0.43 percent at 7,205.72, while the broader All Shares index was also down 18.11 points or 0.42 percent at 4,243.68.

KRISTYN NIKA M. LAZO

First Pacific sets P96-B capex for 2015

BY KRISTYN NIKA M. LAZO
REPORTER

TOKYO: The Hong Kong-based First Pacific Co. Ltd., the conglomerate of tycoon Manuel Pangilinan, is rumping up investments in automation and other infrastructure projects in the Philippines with close to P100 billion set aside for capital expenditure next year.

David Nicol, chief financial officer of Pangilinan's infrastructure vehicle

Metro Pacific Investments Corp. (MPIC), told Philippine reporters in a briefing held here that the group's 2015 capex will be used to improve and expand existing assets.

First Pacific, known as the MVP Group of companies, will allot its 2015 capex for the following subsidiaries: P53.7 billion for MPIC, P36 billion for the Philippine Long Distance Telephone Co. (PLDT), P5.9 billion for Philex Mining Corp., and P1 billion for its sugar interests in Roxas Holdings Inc. (34 percent) and Victorias Milling

Company Inc. (7.48 percent).

MPIC, on the other hand, will also distribute its war chest to its business interests in Maynilad Water Services Inc. (P17.5 billion), Metro Pacific Tollways (P10.2 billion), Manila Electric Co. (P14.7 billion), MPIC Hospital Group (P2.3 billion), and the LRT 1 Cavite Extension project (P9 billion).

The LRT 1 project will be handled by Light Rail Manila Corp. (LRMC), a joint venture company of MPIC, Ayala Corp's AC Infrastructure Holdings Corp.

and Macquarie Infrastructure Holdings (Philippines) PTE Ltd.

Jose Ma. Lim, MPIC president and chief executive officer, said in the same briefing that the MVP Group is hoping for the implementation of tariff adjustments

by the second quarter of next year—both for North Luzon Expressway and Cavite Expressway—to raise revenues for the funding requirements of the group, especially for the LRT 1 Cavite Extension project.

The Manila Times
Classified Ads

MONDAY
 November 10, 2014

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Republic of the Philippines
 Department of Finance
SECURITIES AND EXCHANGE COMMISSION
 SEC Building, EDSA, Greenhills, Mandaluyong City

MARKETS AND SECURITIES REGULATION DEPARTMENT

IN THE MATTER OF THE
BDO LEASING AND FINANCE, INC. : REGISTRATION OF SECURITIES
(SHORT-TERM COMMERCIAL PAPERS)

NOTICE

Notice is hereby given that on 23 October 2014, a sworn registration statement was filed with the Securities and Exchange Commission on behalf of **BDO Leasing and Finance, Inc.** for the registration of Fifteen Billion (P15,000,000,000.00) worth of Short-Term Commercial Papers (STCP).

According to the papers presented, the following persons are the officers/directors of the corporation as of June 30, 2014:

NAME	POSITION
Teresita T. Sy	Chairperson
Roberto E. Lapid	Director/Vice Chairman and President
Antonio N. Cotoco	Director
Nestor V. Tan	Director
Exequiel P. Villacorta, Jr.	Director
Walter C. Wassmer	Director
Luis S. Reyes, Jr.	Director
Jeci A. Lapus	Director
Atty. Jesse H.T. Andres	Independent Director
Jesus G. Tirona	Independent Director
Ma. Leonora V. De Jesus	Independent Director
Gerard M. Aguirre	First Vice President/Head – Provincial Marketing Dept.
Rosalisa B. Kapuno	Vice President / Comptroller / Head – Operations
Peter Blair S. Agustin	Vice President / Chief Risk & Compliance Officer
Rosario C. Crisostomo	Vice President / Marketing Team Head
Ma. Theresa M. Soriano	Vice President / Marketing Team Head
Robic S. Chavez	Vice President / Marketing Team Head
Jennifer F. So	Vice President / Marketing Team Head
Maria Lourdes S. Maraingan	Vice President / Factors Team Head
Cosme S. Trinidad, Jr.	Vice President / Factors Team Head
Dean Arvin D. Tabanao	Sr. Asst. Vice President/Marketing Vismin Team Head
Frieda Concepcion T. Jimenez	Sr. Asst. Vice President/Marketing Team Head
Elmer J. Cruz	Asst. Vice President/Marketing Team Head
Francisca D. Katigbak	Asst. Vice President/Marketing Team Head
Lawrence S. Sanchez	Asst. Vice President/Head – Treasury Department

Said registration statement and other papers/documents attached thereto and the subsequent updates are open to inspection by interested parties during business hours, and copies thereof, photostatic or otherwise, shall be furnished to every party upon request at such reasonable fees as the Commission may prescribe or may be downloaded at www.bdo.com.ph/business/leasing-financing.

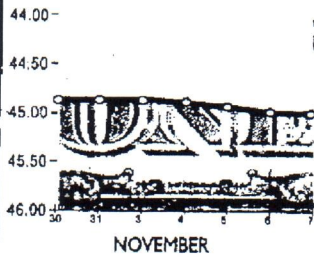
(SGD.) VICENTE GRACIANO P. FELIZMENIO, JR.
 Director

INDICATORS

PESO-DOLLAR RATE

Nov. 7, 2014

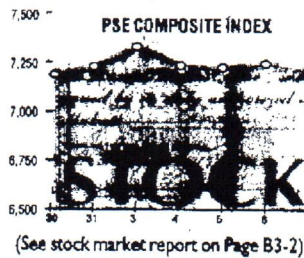
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STOCK MARKET

Nov. 7, 2014

↓ 30.91



Rally seen on earnings reports

INVESTORS are seen taking their cue from the stream of third-quarter corporate earnings reporting this week to sustain a recent bullish breakout.

Last week, the main-share Philippine Stock Exchange Index (PSEi) ended flat at 7,205.72 from the previous week as a near-term bullish bias was curbed by lower-than-expected third-quarter earnings result reported by index heavyweight PLDT.

Local stockbrokerage AB

Capital Securities said local earnings results would remain the main driver of share performance similar to the previous weeks.

"On a technical basis, the PSEi continues to be in a near-term bull trend, which started on Oct. 14. As such, any confirmed breach below the support levels at 7,200 and 7,160 will open the index to further downsides at 7,000 point level. Given this, investors may use the support levels as

RALLY/B3

BUSINESS

Rally seen on earnings reports

From page B1

accumulation points while exit points can be found in resistance levels at 7,235 and 7,330," AB Capital Securities said.

"We now raise a position as last week's bullish conditions on support were met. Key signal to watch out for this week is the breach above 7,250 which would trigger further advances to 7,360," said Luis Gerardo Limlingan, managing director at Regina Capital Development Corp., noting an expected spike in the market's average

directional index.

"On the other hand, keeping close watch on 7,160 support is advised—this is an essential support base that the index needs to hold above to sustain short- to medium-term uptrend," he said.

Jonathan Ravelas, chief strategist at Banco de Oro Unibank, said the index would likely continue to range between the 7,000-7,300 levels in the week ahead.

For AB Capital, the sectors to watch this week were gaming and oil-dependent companies. For gaming, it said investors would need to wait for the earnings of Travellers (RWM) in order to get an overall picture of the country's casino industry.

"Despite BLOOM (Bloomberry) recording record revenues, fears are mounting that the casino industry is not growing faster than expected to support three players (Travellers, Bloomberry and Premium Leisure Corp.)," it said.

Meanwhile, AB Capital Securities

said oil-dependent companies such as Phoenix Petroleum and Petron Corp. were expected to post lower margins as they write off inventories from declining crude prices.

On the latest MSCI rebalancing, there was some disappointment after earlier speculation that Bloomberry might be included in the global standard index. On the other hand, Security Bank, which gained 2 percent on Friday, was added to the MSCI small cap index.

B 2

MONDAY, NOVEMBER 14, 1994

BUSINESS

First SEC 'satellite'

GOOD news for those in need to do business with the Securities and Exchange Commission (SEC) but find it difficult to transact at its current head office in Ortigas (where locating parking space is a big challenge). The SEC is set to

launch at Ali Mall Cubao's government center tomorrow the first of a chain of satellite offices. This is in line with efforts to boost efforts to ease doing business in the country. The launch is also in time for the SEC's 78th anniversary celebration.

The SEC satellite office, which will open on weekdays from 10 a.m. to 6 p.m., will provide the following services: Name verification, pre-processing of registration applications; pre-processing of applications for amendments of articles of incorporation, bylaws and articles of partnership; monitoring and receiving of reportorial requirements.

SEC Secretary Gerard Lukban said the agency was now in talks with mall operators to set up other satellite offices around Metro Manila, including in the southern part of the metropolis.

Doris C. Dumlao

US investors keen on PH bonds

Country still a solid credit story among emerging markets

By Ben O. de Vera

UNITED States-based fixed-income investors have expressed "a lot" of interest in the Philippines on the back of the fiscal reforms implemented by the

Aquino administration, a finance official said.

On the sidelines of last week's Philippine Development Forum in Davao City, National Treasurer Rosalia V. de Leon told reporters that the non-deal road show held

in Boston, Los Angeles, New York and Philadelphia in the United States last month attracted portfolio investors, who were very keen on pouring money into the country's capital markets.

In particular, fixed-income investors are looking at Republic of the Philippines or ROP bonds, she said.

"They (US investors) don't have a lot of worries with regards the Philippines. We continue to be a very solid credit story among emerging markets," De Leon said.

According to De Leon, American investors welcomed the string of recent positive developments in the Philippines, such as the strides made toward achieving lasting peace in Mindanao through the establishment of the Bangsamoro entity, as well as the opening up of the banking system to foreigners.

De Leon said Philippine government officials had invited investors to consider the investment opportunities to be presented by the programmed \$750-million offshore bond is-

suance set for next year, although she declined to provide a specific timetable.

Also, the Philippines might pursue liability management similar to that conducted in Japan early this year, she said.

"The exercise to trim down our debt burden continues," De Leon pointed out.

US investors, however, expressed concerns over slower government spending following the controversy involving the Disbursement Acceleration Program (DAP), according to De Leon. "But we explained that the government can put in place a supplemental budget and we're also eyeing savings from the 2015 budget," she said.

The Supreme Court had ruled that DAP, a stimulus package aimed at fast-tracking public spending to spur economic growth, was unconstitutional.

Finance Secretary Cesar V. Purisima and Bangko Sentral ng Pilipinas Assistant Governor Ma. Cyd N. Tuafio-Amador were also part of the Philippine delegation to the US road show.

Stained professional reputation

UNTIL after businessman Antonio Tiu's testimony the other week at the Senate blue ribbon subcommittee hearing on the so-called Hacienda Binay, I was inclined to give him the benefit of the doubt about rumors that he is a dummy of Vice President Jejomar Binay.

His track record is impressive. At age 39, he is president and CEO of AgriNurture Inc., the first agricultural company to be listed on the stock exchange. He is also chair, president and CEO of Greenergy Holdings Inc., a holding company for corporations engaged in renewable energy.

In 2009, he was the Ernst & Young Emerging Entrepreneur of the Year. Two years later, he was cited one of Ten Outstanding Young Men for agribusiness.

He exuded confidence when he claimed ownership, through Sunchamp Real Estate Development Corp., of a 150-hectare property in Rosario, Batangas, that is being linked to Binay.

When asked to show proof of his ownership, he showed a one-page unnotarized memorandum of agreement. He stated that he paid P11 million as down payment for the P450-million property and the balance will be paid by way of postdated checks after the certificate of title is turned over to him by the seller, Laureano Gregorio.

Despite the lack of notarization, he said the sale is valid and that his rights over the land are amply protected.

Interests

If Tiu were not the CEO of a company engaged in the acquisition and development of agricultural land, his claim that he bought a 150-hectare property and paid initially P11 million on the strength of a one-page unnotarized contract of sale would, to an ordinary layman, be acceptable.

A person with scarce knowledge of the law on ownership may find nothing wrong with that arrangement, more so, if his lawyer says so. But Tiu does not fit that description. Having been in the business of agricultural production for many years, culminating in his listing of AgriNurture in the stock exchange, he knows very well the risks of buying real estate without proper documentation.

Indeed, although the memorandum of agreement is not notarized, the sale is valid between Tiu (or Sunchamp) and Gregorio, assuming the latter is the owner of the property. It would have been better though if Tiu demanded the notarization of the deed of sale before making the down payment because a notarized (or public) document will further strengthen his rights.

In a notarized deed of sale, the notary public certifies that the parties have acknowledged to him that their signatures are their voluntary or free act. With this certification coming from an officer of the court, the seller cannot later claim (or if he does, will find it difficult to prove) that he was coerced or forced against his will into signing the deed of sale.

Due diligence

Why the seasoned businessman in Tiu or his lawyers failed or did not insist on this critical requirement is a puzzler. As lawyers put it, it's *de cajon* or standard practice. Considering that Rosario, Batangas is a first class municipality, there is no dearth of notary publics in the area or its adjoining towns who could have taken on that notarial task.

Whether the omission is deliberate or an act of negligence is debatable. But notice-

Corporate
Securities
Interest
Insights

Raul J. Palabrica



ably, there are certain activities in his purchase of the 150-hectare Batangas property that are indicative of lack of diligence.

The required clearances from the Department of Agrarian Reform (DAR) for the conversion of the land into a tourism project have not been obtained. Neither did he check if Gregorio had clean titles [or is the true owner] of the tracks of land.

The failure to address these matters beforehand cannot be excused by the claim that the sale "is a work in progress" or any financial obligation that may later arise would be deducted from the balance of the purchase price.

By that time, the DAR may have ordered the reversion of the lands to their former agricultural condition or the properties are enmeshed in conflicting claims of ownership. There goes the P11-million down payment and whatever money already spent for the supposed agro-tourism project.

These incidents raise some questions about Tiu's managerial or professional capabilities.

Consequences

Under these circumstances, if I were a stockholder of any of the two publicly listed companies that Tiu heads, I would be concerned about my investments.

There are very strict rules in the management of companies that solicit investments from the public through the stock market or by selling securities. The financial accounting rules for these companies are more stringent so much so that the credentials of their external auditors are closely reviewed by the Securities and Exchange Commission before they are given permission to do their work.

The stock exchange requires these companies to make periodic disclosures about material developments or events in their operations to ensure the prompt dissemination of information to their stockholders. Through these requirements, the investments in these companies are monitored to ensure that they are properly used by the people who manage their affairs.

The cavalier way by which Tiu handled the acquisition of the so-called Hacienda Binay does not inspire confidence about his management of the two listed companies. The stiff drop in the prices of the stocks of these companies is the stockholders' way of expressing their sentiments about Tiu and his business practices.

Is he being forthright with the stockholders in the management of these companies? Are there other skeletons in the closets of these companies that have not been disclosed?

Rightly or wrongly, Tiu's professional reputation has been stained by events in the investigation of the alleged unexplained wealth of Binay.

Unless Tiu comes up with effective damage control measures, the benefit of the doubt that many have given him at the start of the subcommittee hearing may be irrevocably eroded.

For comments, please send your e-mail to rpalabrica@inquirer.com.ph.

US business groups urge PH to lift trade barriers

By Amy R. Remo

Concerns raised include ownership limits, high tariffs

THIRTEEN of the biggest industry associations in the United States have urged the Philippine government to relax foreign ownership restrictions, lift the high tariffs and taxes, and further strengthen intellectual property rights protection because these trade barriers continue to hamper the entry of more trade and investments into the country.

In separate comments submitted to the office of the US Trade Representative (USTR), the groups cited the need to ease market access that would enable US firms to further increase exports to the Philippines.

The groups were the National Association of Manufacturers, National Potato Council, American Insurance Association, Motion Picture Association of America, Pharmaceutical Research and Manufacturers of America, Distilled Spirits Council of the

United States Inc., International Intellectual Property Alliance, American Potato Trade Alliance, Toy Industry Association Inc., US Grains Council, Western Growers, Herbalife and Wine Institute.

Their comments were compiled by the USTR for the 2015 National Trade Estimate Report on Foreign Trade Barriers.

The National Association of Manufacturers, for one, sought restrictions to investments for the Philippines.

The US Grains Council meanwhile urged the need to abolish the National Food Authority (NFA) and let private traders do most of the importation to cover local grain production shortfalls.

"The country's agribusiness sector is dominated by oligopolies whose private interests are intertwined with special interest groups and close ties with

the government," the US Grains Council said.

Both the National Potato Council and the American Potato Trade Alliance sought to reduce or eliminate the 10-percent tariff on imported frozen fries and 40-percent duty on fresh potatoes. Lifting these tariffs may increase demand by approximately \$20 million.

Western Growers urged the lifting of tariffs in the Philippines, which it said remained "unreasonably high, limiting market access for many US fresh vegetables, fruit and tree nuts." Also, the American Insurance Association wanted to lift the 10-percent mandatory reinsurance cession to state-owned Philippine National Reinsurance Company.

According to the Motion Picture Association of America (MPAA), retail

and street piracy has beleaguered the home entertainment market in the Philippines. It urged the lifting of foreign investment in mass media and the removal of undue restrictions on the duration and placement of advertisements.

MPAA further noted that taxes imposed on film companies were inordinately high, as US companies are burdened with a 30-percent income tax on net profits, a 5-percent withholding tax on gross receipts chargeable to income tax liability, a 10-percent tax on the distributor's share of the box office and a municipal license tax of 0.75 percent.

For the Pharmaceutical Research and Manufacturers of America, US-based pharmaceutical firms continued to face significant market access and intellectual property concerns in the

Philippines, relating to legislative proposals that would impose further ad hoc price controls and the unclear mechanism for cost-sharing for discounted medicines for seniors and individuals with disabilities.

Unethical business practices and counterfeit medicines also hamper increased trading in this industry.

The Distilled Spirits Council has sought for the elimination of Philippine tariffs on imported distilled spirits and exemption of such products from the allergen and ingredient labeling requirements, as consistent with standard international practices.

US spirits exports to the Philippines in 2013 fell by 50 percent to only \$470,000 from the \$947,000 reported in 2012.

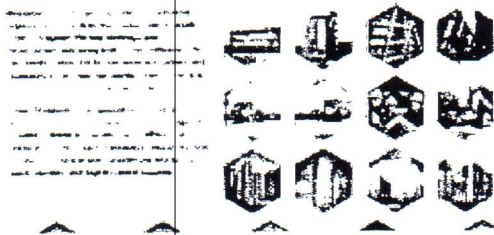
Herbalife, a global nutrition company, meanwhile cited the lengthy registration of products given the limited resources of the Philippine Food and Drug Administration.

Megawide secures SEC nod for P7B issuance

Philippine Daily Inquirer, p. B3-2

Monday, November 10th, 2014

MEGAWIDE



MANILA, Philippines—Construction and engineering group Megawide Construction Corp. has obtained the approval of the Securities and Exchange Commission (SEC) to raise as much as P7 billion from the sale of preferred shares, boosting funds for its big-ticket infrastructure projects.

Based on a document from the SEC, Megawide was allowed to register and offer to the public 40 million in nonvoting perpetual preferred shares with an option to upsize with additional 30 million shares.

The preferred shares will be offered at a maximum price of P100 a share, allowing Megawide to raise at least P4 billion from this foray in the capital market. In case of strong demand, it can sell P3 billion in additional preferred shares.

Megawide has mandated BDO Capital, BPI Capital, First Metro Investment Corp. and Standard Chartered Bank to arrange the offering and each of them has firmly committed to underwrite P1 billion.

Proceeds from the offering will be used to fund various infrastructure projects which Megawide bagged under the public-private partnership program.

Megawide, along with Indian firm GMR, won the hotly contested PPP bidding for the rehabilitation of the Mactan Cebu International Airport. It likewise bagged the P5.7-billion build-operate-transfer project for the Philippine Orthopedic Center, as well as two school infrastructure projects of the Department of Education.

The issuance of preferred shares, rather than outright equity, will allow Megawide to raise fresh funds for these big-ticket projects while better managing dilution, a company official said.—*Doris C. Dumlao*

Market expected to return to 7,300-pt level this wk

The local stock market is expected to return to the 7,300 level this week as more company earnings are expected to come in.

Analysts said the market may drift sideways in the coming days, but should mostly move with an upward bias.

"For next week, we still see local earnings results as the main driver of share performance similar to the previous weeks," analysts at AB Capital Securities Inc. said.

They said sectors to look out for includes gaming and oil-dependent companies.

"For gaming, investors will need to watch out on RWM's earnings results to get an overall picture in the country's casino industry. Despite Bloomberg re-

By RICHMOND S. MERCURIO

cording record revenues, fears are mounting that the casino industry is not growing faster than expected to support three players (Resorts World Manila, Bloomberg, and Premium Leisure Corp.)," they said.

"Meanwhile, oil-dependent companies such as Phoenix Petroleum and Petron are expected to post lower margins as it write-off inventories from declining crude prices," they added.

Luis Limlingan, managing director at Regina Capital Development Corp., said the market is seen to perform better this week as last week's bullish conditions on support were met.

He said key signal to watch out for the next five trading days is the

breach above the 7,250 mark which would trigger further advances to 7,360.

"On the other hand, keeping close watch on 7,160 support is advised. This is an essential support base that the index needs to hold above to sustain short to medium term uptrend," Limlingan said.

Week-on-week, the benchmark index shed off 0.14 percent after ending Friday at 7,205.72 while the all shares index likewise declined by 0.16 percent.

The services firms suffered the biggest blow last week, losing 3.32-percent week-on-week s dragged down by Tuesday's disappointing earnings performance of the index heavy-weight Philippine Long Distance Telephone Co.

Concepcion Industrial posts 36% profit hike

Concepcion Industrial Corp. reported its attributable net income for the first nine months of P495 million, a 36-percent growth from same period last year.

Strong momentum for the period was achieved on the back of a 24-percent growth in sales which amounted to P6.9 billion as of September 2014.

Third quarter performance growth remained strong and steady at 15-percent up-tick in sales and 20-percent jump in earnings.

Favorable economic fundamentals positively boosted the company's performance with a few challenges in the third quarter brought about by the peso depreciation and rising logistic costs which has affected industries across the board.

Key drivers to overall performance were strong growth in air conditioning sales from firsttime buyers and the replacement market with increasing popularity of inverter technology; continued expansion in commercial projects; and increased profitability of the domestic refrigeration business as cost reductions and investments in high-margin products have gained traction. The latest acquisition, Concepcion Otis Philippines Inc., was fully integrated starting Q2 2014 which also helped boost the company's earnings for the period.

CIC CEO and chairman Raul Joseph A. Concepcion said: "We have remained focused on our goal of strengthening our core businesses while expanding into new markets and customer segments. We need to ensure that as we broaden profitability through expansion and synergies, we do not lose sight of our need to invest in Company processes, people and leadership to secure our cornerstones in achieving our goals and long-term targets for 2015 and beyond."

Chief finance and information officer Victoria A. Betita added: "The third quarter has posed a few challenges but CIC continues to keep its eye on the prize while maintaining cost and profitability disciplines within the organization. We are set to meet this year's targets and ready to move into 2015 with the same upward focus and drive."

CIC earlier declared cash dividends of 30 percent of prior year's net income or P0.59 per share (based on 2013 results) paid last April 2014. A special 30-percent stock dividend was also declared on Aug. 22, 2014 and paid last Sept. 8.

8990 Holdings profit jumps 74%

Mass housing leader 8990 Holdings Inc. booked a 74-percent increase in earnings for the third quarter, equivalent to P1.02 billion in net income compared to P589 million for the same period last year, on the back of a sustained 60-percent gross and a 45-percent net margin for the past three quarters. 8990 is traded in the PSE under the ticker name: House.

In their 3rd quarter briefing, 8990 Holdings president and CEO Januario Jesus Atencio said their 74-percent income growth is a result of both the present bullish economic environment and the preparations they started early this year that enabled them to continuously capture a bigger portion of the affordable housing market.

"Externally, we believe that our consistent GNP growth, OFW remittances and the growth in the BPO/call center/IT sectors have meant

bigger disposable incomes for the middle and lower levels of our social pyramid that ultimately provides the basis for increased home sales amidst the 4 million backlog in affordable housing," he explained.

Atencio added: "Internally, we've anticipated this, so we worked hard to open up five new projects this year with two more scheduled to start before the year ends. At the same time, we increased our annual production capacity by 35 percent to 10,560 units, or an additional 2,500 units from 8,000 units from last year".

A significant contributor to increased performance this quarter is the growing acceptance of Deca Home's innovative in-house financing program called CTS-Gold that continues to provide working class Filipinos easy access to owning their first primary asset. Customer demographics for 8990

indicate that 66 percent of their buyers are young (23-to 39-year old), college educated, gainfully employed, earning a monthly salary of at least P30,000, generally optimistic about their future and aspiring to move up from being renters into primary home asset owners.

Atencio reported that, out of the 5,867 housing units that have already been delivered to homeowners this year, their projects in Cebu and Davao accounted for 54 percent or 3,161 units. Luzon projects in Angeles and Cavite accounted for 35 percent with 2,064 units, while Iloilo contributed 642 units or 11 percent of total delivery. He added that 87 percent of revenue this quarter was derived from their housing subdivision projects, while 13 percent came from their medium-rise building (MRB) project in Mandaue City, Cebu.