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A4 Thursday, November 13, 2014



Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila
CORPORATE GOVERNANCE & FINANCE DEPARTMENT
CORPORATE GOVERNANCE DIVISION

SEC MEMORANDUM CIRCULAR NO. 20
Series of 2014

TO : ALL CORPORATE GOVERNANCE COVERED COMPANIES
SUBJECT : COMPLIANCE WITH SEC MEMORANDUM CIRCULAR NO. 9,
SERIES OF 2014

Memorandum Circular No. 9, Series of 2014 (MC 9) mandates all Corporate Governance covered companies to file their respective Manual of Corporate Governance (MCG) reflecting the amendments to the Revised Code on Corporate Governance (RCCG) not later than 31 July 2014.

The Commission, in its meeting on 06 November 2014, resolved to grant extension of compliance with subject MC 9 until 31 December 2014.

A basic penalty of PHP20,000.00 shall be imposed for non-compliance with this Circular. Continuous failure of the company to comply shall subject it to a monthly penalty of PHP2,000.00 until the manual is filed.

Signed this 10 day of November 2014, Mandaluyong City, Philippines.

For the Commission:


TERESITA J. HERBOSA
Chairperson

Tax treatment of stock options revisited

Thursday, November 13, 2014 **A7**



Atty. Ayesha Hania B. Matanog

BusinessMirror

TAX LAW FOR BUSINESS

BEFORE December 27, 2012, the Bureau of Internal Revenue (BIR) issued inconsistent rulings on the treatment of stocks options granted by employers to their employees. One ruling stated that there is no income derived from the exercise of the option. Another ruling held that the difference between the market price of the share and the exercise price is a benefit subject to fringe-benefit tax, while a more recent ruling considered the discount as compensation subject to withholding tax.

To clarify the inconsistencies, the BIR issued Revenue Memorandum Circular (RMC) 88-2012. This circular stated that any income or gain obtained by the employees from the exercise of stock options is additional compensation subject to income tax and, consequently, to withholding tax on compensation. It, however, clarified that the income or gain obtained by employees in managerial or supervisory positions—which qualifies as a fringe benefit—is subject to the fringe-benefit tax. The tax on compensation or fringe-benefit tax applies, whether the shares of stock involved are those of a domestic corporation or a foreign one.

To further clarify the tax treatment of stock options, the BIR issued RMC 79-2014 last month. The new circular provides a more in-depth discussion on what should be the treatment of the grant, exercise and transfer of stock options, and adds new requirements for reporting.

In so far as the exercise of the option is concerned, the new circular, more or less, maintains the same rule if the involved shares are that of the employer or shares it owns. Thus, in the event the option is granted by an employer involving its own shares of stocks or shares it owns, additional compensation shall be recognized and subjected to income tax and, consequently, to withholding taxes on compensation upon the exercise of the option by a rank-and-file employee.

However, if the employee who exercises the option occupies a supervisory or managerial position, there shall be a fringe benefit subject to the fringe-benefit tax. The additional compensation or the recognized fringe benefit is equivalent to the difference of the book value or fair market value of the shares, whichever is higher, at the time of the exercise of the stock option and the price fixed on the grant date.

An added feature of this new circular is the treatment of the option in case the grantee is other than an employee. If the option is granted to a supplier of goods or services, the difference of the book value or fair market value of the shares, whichever is higher, at the time of the exercise of the stock option and the price fixed on the grant date shall be recognized as additional consideration for services rendered or goods supplied. However, the same shall be considered a donation if the grantee is a person, natural or juridical, who is not an employee or supplier of goods and services.

Previous issuances did not specify the rules applicable at the time of grant. With the new circular, in the event that option is granted due to an employee-employer relationship, and where the grantor is the employer and the grantee is the employee, and no payment is received for the grant of this option, the grantor cannot claim deductions for the grant of the stock option. If the option is granted for a price, the full price of the option is treated as capital gains. Also, the issuance of the option is subject to documentary-stamp tax. If the option is sold, the same is treated as a sale of shares subject to capital-gains tax. And if the transfer is without consideration, the same is treated as a donation subject to donor's tax.

Other than dealing with the tax consequences of the issuance, grant, exercise and sale of an option, the new circular imposes new administrative reporting requirements not found in the old rules. The new circular requires that the issuing corporation must, within 30 days from the grant of the option, submit to the revenue district office where it is registered a statement executed under oath that indicates, among others, the terms and conditions of the stock options, book value, fair market value and par value of the shares subject of the option at exercise date, and the taxes and amount paid for the grant, if any.

Still under the new circular, during the exercise period, the issuing corporation is mandated to file a report on or before the 10th day of the month following the month of exercise stating therein, among others, book value; fair market value and par value of the shares subject of the option at exercise date; the mode of settlement; and the taxes withheld on the exercise and fringe-benefit tax paid, if any.

The author is a junior associate of Du-Baladad and Associates Law Offices, a member-firm of the World Tax Services Alliance.

The article is for general information only, and is neither intended nor should be construed as a substitute for tax, legal or financial advice on any specific matter. Applicability of this article to any actual or particular tax or legal issue should be supported, therefore, by a professional study or advice. For comments or questions about the article, send an e-mail to the author at ayesha.matanog@bdblaw.com.ph or call 403-2001, local 170.

Globe okays cash dividends on common, preferred shares

By RODERICK L. ABAD

AYALA-LED firm Globe Telecom Inc. has declared regular cash dividends on both common and preferred shares due for distribution next month.

Entitled to stockholders on record as of November 25, the company's board of directors approved the issuance of a cash incentive of P18.75 per common share.

The fourth-quarter cash dividend payment totals around P2.5 billion, representing about 86 percent of core net income last year.

Meanwhile, the amount of dividend per Globe's outstanding voting preferred share is yet to

be determined based on the average 30-day PDST-F fixing rates as computed by the Philippine Dealing and Exchange Corp. plus 2 percent.

PDST-F are the calculated average of the best 60 percent of firm BID rates posted by designated market-making banks for the original 12 tenors and the new tenor points for Distinct Securities at 11:16 a.m. daily.

Using retained earnings of the company, the cash dividends for both securities will be payable on December 11.

Globe Telecom Inc. posted record-breaking revenues of P72.7 billion in the first nine months of 2014, or 8 percent greater than the P67.3 billion marked in the same

period last year.

Another all-time high was achieved by the company with quarterly revenues of P25 billion, 2 percent higher than the previous record-level in the second quarter of this year and 10 percent from the same period in 2013.

The sustained topline growth was mainly attributed to the expansion of both mobile and broadband customer bases, the strong demand for data connectivity, and the success of different promotions during the period.

From January to September 2014, net income rose by 198 percent to P10.5 billion, as core net income grew by 22 percent to P11.6 billion.

Phoenix Petroleum posted 7% decline in Q3 net income

PUBLICLY listed leading independent oil company Phoenix Petroleum Philippines Inc. posted a 7-percent decline in its third-quarter net income mainly due to the sustained fall in crude prices that resulted in weak margins.

From July to September this year, Phoenix Petroleum recorded P507 million in profit as against P541 million in the same period last year.

"The decline in income was brought about mainly by the continuous downward trend of petroleum products' prices in the global market," it said on Wednesday.

As of September 30, year-to-date total adjustment for petroleum products stood at a net decrease of P4.30 per liter for diesel and P2.32

per liter for gasoline, the Department of Energy said.

"The decline in volume and revenue is a direct result of lower commercial sales, which is consistent with the company's strategy to put more emphasis on margins," added the oil firm. This, however, was mitigated by the faster growth in retail sales versus commercial sales.

The higher contribution of retail-sales volume to overall sales volume resulted in an improvement in gross margins to 8.5 percent this year from 7.15 percent last year. This was driven primarily by the company's continuously expanding retail-station network. After ending 2013 with 368 stations, its network reached 412 stations as of September 30. Of these

stations, 221 are based in Mindanao, 56 in the Visayas and 135 in Luzon.

The oil firm continues to focus more on the retail segment expansion, including its nonfuel-related business. Currently, Phoenix has more than 100 locator businesses in its retail sites. The system welcomes more than 5 million vehicles per month, thereby resulting in around 8-percent growth in same-store sales. Retail volume improved to 31 percent of the total fuel sales this year as against 24 percent of the same period in 2013.

Sales to industrial accounts, primarily to the shipping, fishing, mining, power and transportation sectors, registered a continuous growth during the year. *Lenie Lectura*

Investment grade secure — Moody's

THE PHILIPPINES' investment grade will likely be secure "over the near term," though challenges to such a rating remain, Moody's Investors Service said in an Oct. 22 report released to media yesterday by the government's Investor Relations Office that devoted some paragraphs to growth risks from state underspending.

The debt watcher said that while "a downward rating action

on the Philippines is not likely over the near term" due to the country's well-managed inflation, strong external payments position, and stable banking system, the emergence of macroeconomic instability "would exert downward pressure on the rating."

Moody's upgraded the Philippines in July last year to Baa3 — the lowest investment grade — with a "stable" outlook.

In the report, the credit rating agency noted the government's fiscal deficit of P55.7 billion last semester, which stood far below the P192.6-billion gap programmed for that period.

"Although positive for the ongoing trend of fiscal consolidation, underspending in the first semester has weighed on economic growth," Moody's said in its report.

"Data for the first two months of the third quarter show that these trends persist."

It added the 6% average gross domestic product (GDP) growth last semester was driven mainly by household spending, private investment, and external demand, as government consumption crawled 0.9% annually and public construction fell 10.9%. The government expects GDP to

grow 6.5-7.5% this year and 7-8% next year.

NEW GROWTH FORECASTS

Moody's said in the report that it now expects GDP to grow 6.3% this year and 6.5% in 2015 — higher than the 6% and 6.3% tipped last July for the respective years.

University of Asia and the Pacific economist Victor A. Abola, in a briefing in Pasig City yester-

day, said that he also expects GDP growth to come in at 6.3% this year compared to the 7.2% seen in 2013 as a result of low government expenditure.

Mr. Abola said the Supreme Court ruling in July to strike down parts of the Disbursement Acceleration Program as unconstitutional made government agencies "more cautious" in their spending.

Moody's, S1/3

Moody's, from S1/1

Latest Finance department data showed the government with a budget deficit of just P31.1 billion in the nine months to September, far short of the P266.246-billion gap programmed for this year to accommodate spending for development priorities.

Mr. Abola said government and private spending should be much better next year ahead of the 2016 national elections. Election-related expenditures, in turn, should prod GDP to grow 7.3% in 2015.

Mr. Abola added he sees inflation averaging 4.3% this year and 3.3% in 2015, against government forecasts of 4.4% and 3.7%, respectively. Official data show inflation averaging 4.3% as of October.

Moody's also noted in its report that while the Philippines last July lifted all foreign ownership restrictions for banks, such limits remain in other key industries, thus posing continued disincentive to foreign direct investments needed for faster, inclusive growth. — **Daryll Edisson D. Saclag**

The burden of having options

IN AN ERA when globalization and technological advances are rapidly changing our lives, the landscape has become more competitive for finding innovative talent that will lead the company to the top.

This reality has opened the door for creative compensation practices to attract employees. One of these is share-based compensation schemes like stock options. The popularity of stock options as a means of compensating employees has reached the Philippines and apparently has not eluded the attention of the Bureau of Internal Revenue (BIR), which continues to search for potential sources of tax.

Typical of the BIR's moves is Revenue Memorandum Circular (RMC) No. 79-2014 dated Oct. 31, 2014. This new RMC is more comprehensive than the previous issuances as it provides, among others, for the specific tax treatment of the income/gain arising from the various stages of the stock option cycle, i.e., grant, exercise and sale. However, as with most new tax issuances, the BIR's attempt to further clarify seems to lead to more confusion. I, for one, am particularly concerned about the following:

POSITION AS DETERMINING FACTOR IN TAX TREATMENT OF STOCK OPTIONS

Under the RMC, if a rank and file employee exercises the options, the resulting income shall be treated as compensation

income and subject to withholding tax. On the other hand, if a supervisory and managerial employee exercises the same options, the income shall be treated as a fringe benefit subject to Fringe Benefits Tax (FBT), a tax that is mandated by law to be shouldered by the employer.

As accountants, we were taught the principle of "substance over form" which accounts for things in accordance with their nature and essence and not merely on their appearance. Thus, pardon me if I can't resist applying this principle on this issue.

The RMC may have overlooked the fundamental reason for the grant of stock option to employees, that is, as remuneration for the latter's services. Stock options when granted to employees are regarded as additional compensation. Why else would stock option plans be subject to

continued employment ("vesting period") if not in exchange for or expectation of the employees' services? It is also on this same premise that the employees are made responsible for any tax accruing on the income.

However, with the recent RMC, do employers now have to totally disregard the nature of the income payment? Can employers argue on the basis of substance over form? It is understandable why employers would do so as the change in treatment would have significant impact on their employment costs. By compelling them to take the tax brunt on the option income, employment costs would increase considering that the employer has not anticipated the tax element at the time it granted the options to the employees.

Furthermore, for stock options that are exercisable over a number of years, employees are expected to recognize income at different periods. Because of the new RMC, an employee stock option plan may result in different tax implications simply because the options were exercised at different times. Employees currently holding rank and file positions would find it to their advantage to delay exercising the option until such time that they are promoted to supervisory or managerial level for favorable tax treatment — something that can further inflate the employer's costs.

If this continues, it wouldn't be a surprise if stock options eventually lose its popularity in the Philippines.

APPLICABILITY TO FOREIGN ISSUERS

The RMC appears to substantially focus on stock options and shares issued in the Philippines. The question now is whether this will also apply to options and shares issued by a foreign parent company to employees of their Philippine affiliates. This is particularly critical where the Philippine affiliate is not involved in the transaction. Depending on how the BIR will respond to this question, the following issues on enforceability could arise:

- If the RMC does apply, will these foreign issuers be subject to FBT reporting, as well as the new reportorial requirements under the RMC?

- If the RMC does not apply to foreign issuers, how then will the income be reported by supervisory and managerial employees — as additional compensation or as fringe benefits? If fringe benefits, who is now obliged to shoulder and report the taxes, the foreign parent company or the Philippine employer?

Interestingly, the RMC also provided that in the absence of an employer-employee relationship between the grantor and the grantee, the shares shall be considered a donation and subsequently, such gain upon exercise shall be subject to

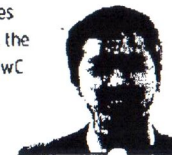
donor's tax. Thus, in the case I described above, will the issuance of shares by the foreign parent company be considered as a donation instead? How then does the BIR intend to enforce the collection of donor's tax on such exercises?

WHAT IS THE EFFECTIVE DATE OF THE RMC?

The question may sound trivial but taxpayers need to know when the rules will begin to apply, otherwise, they may be facing steep penalties. Specifically for the reporting requirements, are employers only required to report current grants/exercises of options or does the BIR require all past options/exercises reported as well?

I laud the BIR for their efforts, however, as a taxpayer, I prefer that the rules be clear, practical and equitable; otherwise, it could just add more burden to the taxpayers. Very aptly, the RMC was released in time for Halloween — I hope it's just a coincidence and that these issues will not be like ghosts that will continue to haunt us.

GENPROS LOREN C. SANIDAD is a Tax Consultant at the Tax Services Department of Isla Lipana & Co., the Philippine member firm of the PwC network. (02) 845-2728
genpros.loren.sanidad
@ph.pwc.com



Shares sustain climb on good earnings results

LOCAL SHARES rebounded from Tuesday's lackluster trading, boosted by positive corporate earnings especially from the real estate sector, analysts said.

The 30-company Philippine Stock-Exchange index (PSEi) advanced 28.32 points or 0.39% to close at 7,232.87.

The broader all-shares index similarly gained 15.93 points or 0.38% to settle at 4,253.60.

"Investor sentiment remains positive because some firms re-

ported better-than-expected earnings, while those of others were within expectations," Astro C. del Castillo, managing director of First Grade Finance, Inc., said by phone.

"(Tuesday's) decline was mainly due to Bloomberry [Resorts Corp.] and its private placement, but having passed that, we saw a little rebound," Nisha S. Alicer, chief equity analyst at DA Market Securities, Inc., said in a separate phone interview.

Bloomberry shares recovered 38 centavos or 2.90% to close at P13.50 each yesterday.

Five out of six subindices rallied, led by property, which advanced 28.79 points or 1.01% to 2,869.59. The rest eked out slight gains, while the holding firms counter ended in the red.

"We remain positive about the property sector. Most companies reported positive results such as Ayala Land, Inc.; Robinsons Land Corp.; Megaworld Corp.; Double-

Dragon Properties Corp.; and SM Prime Holdings, Inc.," Ms. Alicer said.

She also cited the recent settlement between the SM and Ayala groups, the prevailing low interest rate environment, "brisk uptake" of projects, as well as the Philippine central bank's regulations on loan collateral.

Energy Development Corp. was yesterday's most active stock, adding 24 centavos or 3.04% to close at P8.13 apiece on good nine-month

results and positive prospects for its Burgos Wind Project.

Value turnover fell to P8.12 billion with 3.13 billion shares changing hands, from Tuesday's P12.39 billion.

Losers buried gainers, 90-85, while 41 stocks were unchanged.

Net foreign selling was logged at P549.08 million — a reversal of Tuesday's net inflow worth P1.01 billion.

First Grade's Mr. del Castillo said the main index may continue

to hover between 7,100 and 7,300 in the coming days, mainly dictated by companies' performance as the earnings season comes to a close by the week's end.

"The main index is still within a consolidation phase, with resistance still at 7,400," DA's Ms. Alicer said, advising investors to "buy on dips" on select stocks, particularly those from the power, gaming, consumer retail, banking, and property sectors. — **Daphne J. Magturo**

Globe posts record revenues

GLOBE Telecom Inc. posted revenues of P72.7 billion in the first nine months of the year, 8 percent higher than the P67.3 billion reported in the same period last year.

Globe posted another all-time high with quarterly revenues of P25 billion, up 2 percent from the previous record level in the second quarter of 2014 and 10 percent from the same quarter last year.

The continued strong top line growth was due to the robust expansion of both mobile and broadband customer bases, the strong demand for data connectivity, and the successful execution of various innovative and relevant promotions during the period.

Likewise, Globe Telecom Inc. reported that its mobile business posted revenues of P57.6 billion as of end September 2014, representing a 6 percent year-on-year growth compared from the P54.1 billion revenues recorded during the same period last year.

This was underpinned by the strong contributions from the Globe Postpaid and TM segments. Globe and Touch Mobile subscriber base was at 95 percent of the total base.

Globe Postpaid revenues for the first nine months of the year stood at P22.1 billion, up 11 percent from the prior year, driven by solid subscriber growth (+9% year-on-year).

TM, the company's mass-market brand, likewise, registered strong performance in the first nine months of the year, with revenues surging by 12% year-on-year to P14 billion from P12.5 billion in the same period last year, mitigating the slight decline in Globe Prepaid's year-to-date revenues.

On a quarterly basis, the mobile sub-

scriber base still improved from 42.7 million reported in the second quarter despite the increased churn from Globe's prepaid brands, which was anticipated given the churn-out of non-paying customers who took advantage of the highly successful Free Facebook promo which ended in early May of 2014.

The increase in mobile revenues was primarily driven by the increase in mobile data which rose by 18 per cent to P10.2 billion.

Mobile services accounted for the largest share of revenues, at P57.6 billion, or six per cent.

Mobile voice and text messaging services also continued to grow by a margin, at around eight and one per cent, respectively. Voice revenues grew to P25.8 billion, while Short message services (SMS) revenues grew to P21.5 billion.

The subscriber base of the company almost breached 42.9 million users; a 17 percent change from 2014's 36.5 million.

Average revenue per subscriber remained relatively the same, at P1,187 for postpaid users and P128 for prepaid.

Broadband and fixed line data services saw the largest year-on-year increase, at 16 per cent, totaling P7.8 million and P3.5 million respectively.

Operating costs declined by eight percent for the first nine months, at P56.1 billion from P60.8 billion last year.

Total capital expenditures saw a 30 per cent decrease from last year's P22.7 billion to the current P15.9 billion, as of September.

Globe initially announced a \$650 million capital expenditure guidance, less than P30 billion, for the year.

Aussie firm acquires PH BPO company

ACQUIRE BPO recently completed the 100-percent acquisition of Shore Solutions Inc., one of the fastest-growing BPOs in the Philippines, adding approximately 2,000 employees to provide a full suite of outsourcing operations for major corporations located across Asia, Australia, the United Kingdom and the United States.

This is the second acquisition by Acquire in less than 12 months and fortifies its strategic plans to accelerate growth as well as increase market share in the business process outsourcing industry.

Scott Stavretis, chief executive officer of Acquire BPO and Shore Solutions, said the acquisition of Shore offers several opportunities for Acquire in diversifying its current service offering and bolstering its revenue.

"Shore is a market leader in the BPO side of the business with strong expertise across human resource outsourcing, knowledge process outsourcing, IT and professional services, and this really complements Acquire's outsourcing capabilities. Shore is also a value-added reseller of SAP-SuccessFactors HCM cloud technology and we are delighted to add this to our service offerings. Shore's Contact Center division has grown rapidly over the past three years and services a range of clients across the globe including some very large well-known household brands," Stavretis said.

This acquisition will scale Acquire's employee numbers to about 7,000 globally. Plans for future acquisition activity as well as current strong organic growth of both businesses will position Acquire to be a strong disruptor to the competitive landscape in the BPO industry.

Phoenix income drops 7%

PHOENIX Petroleum Philippines, Inc. said consolidated net income for the first nine months of the year reached P507 million, a 7 percent drop from P541 million in the same period last year.

The company said the decline in income was caused by the continuing downward trend in oil prices at the global market.

According to the Department of Energy, year-to-date total adjustment for petroleum products stood at a net decrease of P4.30 per liter for diesel and P2.32 per liter for gasoline as of September 30.

Phoenix also explained that the dip in volume and revenue is a direct result of lower commercial sales that is consistent with the company's strategy to put more emphasis on margins.

It added that growth is more abundant in its retail sales compared to commercial sales. It said higher contribution of retail sales volume to overall sales volume resulted to an improvement in gross margins to 8.5 percent this year from 7.15 percent last year.

The company also disclosed it has more than 100 locator businesses on retail sites that service more than 5 million vehicles per month, which resulted in 8 percent growth in same store sales. Retail volume also improved to 31 percent of the total fuel sales this year against 24 percent during the same period in 2013.

Phoenix has a total of 412 retail stations nationwide as of end-September, with 221 based in Mindanao, 56 in Visayas and 135 in Luzon.

Joseph John Ong, Phoenix chief financial officer, said earlier they have plans to build more stations in the next three years.

Phoenix supplies more than 50 percent of Cebu Pacific's jet fuel requirements and also handle the budget airline's logistics in Mindanao and some key areas of Visayas.

Its subsidiary Chelsea Shipping Corp. also expanded its fleet to 11 tanker vessels after the delivery of the 146-meter M/T Chelsea Donatela. The said vessel and its sister ship M/T Chelsea Thelma are currently the largest Philippine-registered oil tankers with a capacity of 14,000 deadweight tons each.

The expansion resulted to a total capacity of 44,368 metric tons for the shipping company.

Property firms sustain profit growth

PROPERTY companies continue to sustain profit growth riding on the good fundamentals of the property market.

Double-digit growths appear to be the norm for the industry as income reports by the company for the week showed.

Vista Land & Lifescapes, Inc. said profit for the first nine months of the year reached P4.24 billion, 12 percent higher than last year's P3.79 billion.

Consolidated revenues climbed 13 percent to P16.68 billion from P14.83 billion the previous year.

The company said sales for the third quarter reached almost P12.8 billion, bringing the total for the nine-month period to P38.7 billion.

Global Estate Resorts Inc. (GERI), a subsidiary of Andrew Tan's Megaworld, said profit for the first nine months of the year reached P319.9 million, 37 percent higher than last year's P232.7 million.

The growth was driven by higher income from its hotel business and strong real estate sales from its tourism estate projects such as Boracay New coast, Twin Lakes and Southwoods City.

Consolidated revenues jumped 56 percent to P2.06 billion from P1.32 billion a year ago. Reservation sales reached P10 billion, up 43 percent from P7 billion last year.

Filinvest Land, Inc. (FLI) said profit for

the first nine months of the year reached P2.89 billion, 19 percent higher than last year's P2.44 billion.

Consolidated revenues reached P11.82 Billion, up 27 percent from last year.

The company in a statement attributed the strong results to the "continued robust growth in its residential business as well as the office leasing operations."

FLI recorded real estate revenues of P9.16 billion, 31 percent higher than the P6.97 billion posted last year.

"This was driven by strong sales in its horizontal housing projects as well as in its medium-rise building projects that carry the 'Oasis' brand and high-rise building projects such as 'Studio Zen'," the company said.

The company said it is on track to launch P17.5 Billion worth of residential projects in 2014. Among the projects launched for the period was "100 West", a mixed-use development high-rise tower with residential, retail and office components, conveniently located at Sen. Gil Puyat Avenue in Makati.

Revenues from rental assets rose to P1.65 Billion, a 10 percent increase from the P1.50 Billion generated in the previous year, as the firm recognized additional revenues from its new office buildings "Filinvest One" and "Plaz@E" at Northgate Cyberzone located in Filinvest City in Alabang.

Semirara profits plunge 27% in 1st 9 mos.

SEMRARA Mining and Power Corp. posted profits of P3.91 billion in the first nine months of the year, down from last year's P5.37 billion.

The 27 percent decline is mainly due to lower power generation during the first half and the loss incurred in the replacement power sourced from the spot market, the company said.

"The drop in earnings of the power segment was partially offset by the good performance of the coal segment," Semirara said, noting that the net contribution to the bottom line by the coal segment and the power segment (including pre-operating Southwest Luzon Power Generation Corp.) were at P3.182 billion and P729.2 million, after elimination, respectively.

"The coal segment's current nine-month net earnings, before elimination, increased by 141 percent at P3.81 billion from last

year's P1.58 billion mainly due to the 36 percent increase in volume sold and 20 percent decrease in cost of sales per metric ton," it said.

"On the other hand, Sem-Calaca's net income after tax before eliminations dropped by 98 percent at P92 million from P3.79 billion in the same period last year," it added.

Semirara said Power Unit 2's scheduled shutdown was extended, exposing the company to high replacement power cost for its bilateral contract.

"The noted improvement in the profitability of Sem-Calaca as of the end of third quarter from the first half results of negative P573 million, was buoyed by the third quarter earnings of P666 million as Calaca Unit 1 and 2 were already regularly running, registering 80 percent availability with 480-megawatt average load during the third quarter," the company said.

Thursday, November 13, 2014

Gov't securities issued as of Oct. stands at P3.6T

BY ANGELA CELIS

THE Aquino administration's outstanding short- and long-term domestic securities issued as of end-October stood at P3.76 trillion, data from the Bureau of the Treasury showed.

As of October 31, 2014, the government issued treasury bonds amounting to P3.48 trillion, while it borrowed P271 billion in the form of treasury bills, or IOUs which will mature in a year or earlier.

Bulk of the government's outstanding long-term debt as of end-October was in the form of benchmark bonds, or those that can be traded in the secondary market. It accounted for around a fourth of the total treasury bonds issued, or P849.5 billion.

These papers are set to mature from January 2016 to December 2035, while the amounts vary from P27 billion to P256 billion.

The second biggest chunk was in the form of retail treasury bonds (RTBs), which requires a minimum investment of P5,000, and in multiples of P5,000 thereafter, attracting individual investors.

RTBs accounted for less than a fourth of

GOV'T

the outstanding long-term IOUs issued as of end-October, or P804.9 billion.

The RTBs are set to mature from August 2015 up to October 2037, with the face amount ranging from P17 billion to P188 billion.

The third biggest type of debt issued by the national government are the 7-year bonds, with an outstanding amount of P436 billion as of end-October.

The Bureau of the Treasury has also issued 10-year IOUs amounting to P419.2 billion; 20-year bonds worth P307.9 billion; 25-year paper worth P250.3 billion; 5-year securities with outstanding amount of P177 billion; 3-year debt paper worth P146.5 billion; and P8.8 billion worth of 4-year instrument.

The government's other outstanding long-term IOUs include the P50 billion Central Bank - Board of Liquidators bonds; the P22 billion onshore dollar bonds; the P6 billion US-dollar denominated RTBs; the P5 billion Agrarian Reform bonds; the P303 million euro-denominated RTBs; and the P97 million Philippine Par bonds.

The bulk of the treasury bills issued as of October were the 364-day

IOUs, amounting to P98.1 billion.

The Bureau of Treasury also issued P89 billion worth of 91-day securities, and P84 billion worth of six-month bills.

Aside from funding the deficit the government also borrows to pay for its maturing liabilities.

The national government revised its borrowing mix for 2014, raising the share of external financing, due to the higher availment of loans for the rehabilitation and reconstruction in disaster-hit areas.

The Department of Budget and Management's 2014 Mid-Year Report shows that the outlook for 2014 reflects a borrowing mix of 83 percent domestic and 17 percent external financing.

This is still broadly in line with the initial forecast of 87 percent - 13 percent mix, also in favor of local borrowings.

"Adjustments can be ascribed to the higher availment of emergency concessional loans for reconstruction and rehabilitation related programs in areas hit by natural disasters in 2013," the DBM said.

The revised full-year gross borrowing program is P750.51 billion, higher than the P715.04 billion under the original outlook.

PH index leads SE Asia equities gainers

MOST other Southeast Asian markets were firmer, with energy shares lifting the Thai index while financial stocks boosted the Philippine and Vietnamese indexes.

The Philippine Stock Exchange index (PSEi) closed 28.32 points, 0.4 percent, higher to close at 7,232.87, outperforming other equities markets in the region.

Losers edged gainers 90 to 85 with 41 stocks unchanged as trading turnover reached P8.12 billion.

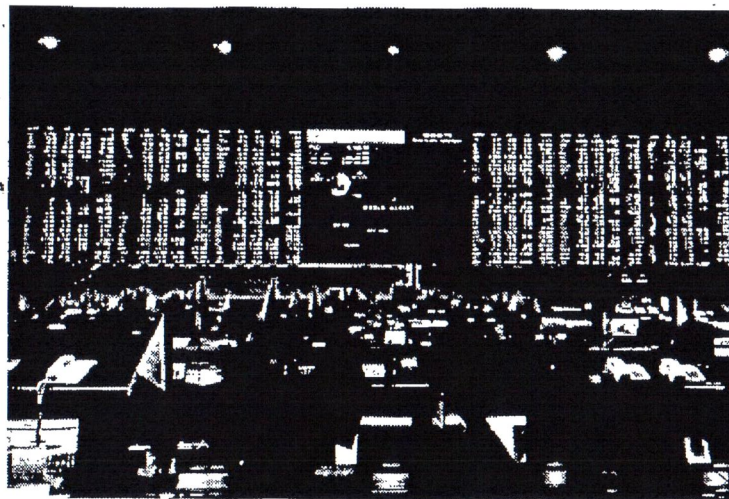
Brokerage firm RCBC Securities, Inc., noted that companies continue to ride on the momentum of good earnings results being released by companies.

"Note that the market could have gained more yesterday if not for the selling on Bloomberg, which was triggered by its private placement at a discount," it also said.

DA Market Securities, Inc., meanwhile noted that the market's 10-day moving average "may begin to exert resistance on the market's trading momentum as the market line trades below it."

"Philippine equity goes deeper into earnings season. We expect results to stimulate market action on reported issues depending on performance results," it said.

Tuesday's most actively traded Bloomberg Re-



sorts Corp. was up P0.38 yesterday to P13.50. GT Capital Holdings, Inc., was up P19 to P1,052. Ayala Land, Inc. also closed higher by P0.60 to P35.35.

The main Indonesian stock index rose for a second session on Wednesday, led by shares of financial firms but uncertainty over the government's plan to raise fuel prices as a step towards cutting subsidy spending weighed on sentiment.

Jakarta's composite index rose 0.6 percent, extending the gains made over the last two sessions to

more than 2 percent, after having lost 2.4 percent in the previous six sessions.

Bank Negara Indonesia and Bank Mandiri rose 2.2 percent and 0.7 percent respectively. Shares of Telkom Indonesia rose 1.1 percent.

"Uncertainty over an expected fuel price increase weighed on sentiment after Indonesian President Joko Widodo last week said he had not decided on the timing, signaling a possible delay in cutting the massive fuel subsidies that are straining finances.

In Bangkok, energy shares led the gains. Shares of top oil firm PTT rose 1.8 percent, helping the index gain 0.1 percent by midday.

PTT's flagship in the upstream business, PTT Exploration and Production PCL (PTTEP), on Wednesday said it aimed to boost cash flow to \$4 billion at the end of 2014 from \$3.68 billion in 2013.

Shares of PTTEP, Thailand's top oil and gas explorer, however, fell 0.7 percent.

Vietnam's benchmark VN Index edged up 0.3 percent, helped by financial stocks.

Bucking the trend, Singapore's Straits Times Index and Malaysia's main stock index fell 0.1 percent and 0.3 percent respectively. —Reuters

Stock market up; Bloomberg rises

THE stock market climbed Wednesday in mixed trading, in step with gains in the region and Wall Street overnight.

The Philippine Stock Exchange Index gained 28.32 points, or 0.4 percent, to 7,232.87 on a value turnover of P8.2 billion. Losers edged gainers, 90 to 85, with 41 issues unchanged.

The rest of Asian markets were mostly higher Wednesday as Tokyo extended a rally after the dollar broke 116 yen for the first time in seven years, while speculation swirls that Japan may put off another unpopular sales tax hike.

Wall Street provided support for buyers again after the Dow and S&P 500 squeezed out another record for a fifth straight session, while investors await the release this week of Chinese indicators and a G20 summit at the weekend.

Bloomberg Resorts Corp., which runs a casino on a re-

claimed portion of Manila Bay, rose 2.9 percent to P13.50. Bloomberg has retreated from its year's high, after a major stockholder said it would sell 435 million Bloomberg shares, at P13 apiece to investors, representing an 8.3-percent discount to the stock's closing price of P14.18 per share Monday.

The company said it may raise much as P5.65 billion through the share sale to finance overseas expansion and repay debt.

GT Capital Holdings Inc. of tycoon George Ty advanced 1.8 percent to P1,052, while Ayala Land Inc., a major property developer, rose 1.7 percent to P35.35.

Energy Development Corp. of the Lopez Group surged 3 percent to P8.13, while parent First Gen Corp. climbed 2.5 percent to P26.50.

Vista Land & Lifescapes Inc. of former senator Manuel Villar rallied 2.3 percent to P6.30, while food ingredients producer D&L Industries gained 3.3 percent to P15.18.

Alliance Global Group Inc. of tycoon Andrew Tan fell 0.4 percent to P25.40, while SM Investments Corp. of retail tycoon Henry Sy Sr. dropped 1.1 percent to P786.

Tokyo, meanwhile, added 0.43 percent, or 72.94 points, at 17,197.05, Seoul rose 0.22 percent, or 4.27 points, to close at 1,967.27, while in the afternoon, Shanghai climbed 0.80 percent and Hong Kong was 0.41 percent higher.

However, Sydney gave up 0.98 percent, or 54.0 points, to close at 5,463.1.

Japanese shares have surged almost 12 percent since the end of October, helped by the Bank of Japan's decision to widen its monetary easing, which sent the yen plunging. **With AFP**

Puregold reduces sales growth target

By Jenniffer B. Austria

RETAIL chain operator Puregold Price Club Inc. has lowered its full-year revenue growth target to 17 percent from 20 percent set at the start of the year amid increasing competition, a company presentation showed.

Puregold's sales will likely hit P85.64 billion in 2014 from P73.2 billion in 2013 based on projections shown during the analysts' briefing.

Puregold recorded a 16.1-percent growth in net sales to P59.8 billion in the first nine months of the year from P51.49 billion posted in the same period a year ago.

Despite lowering the net sales target for the year, the company

said it was on track to meet its goal of opening 26 stores.

The company opened 22 stores as of end-September this year, bringing the total number of Puregold outlets to 233 and the consolidated net selling area to nearly 390,000 square meters.

Net selling area as of end-September 2014 grew by about 5 percent from organic expansion.

Meanwhile, Puregold said it aimed to sustain the company's current gross and net profit margins.

The company posted a 5 percent net profit margin from January to September this year, up from 4.3 percent in the first half of the year.

It plans to pursue acquisitions to

expand its footprint in various areas in the country.

Puregold, one of the leading supermarket chain in the country and a favorite retail stock among investors, has been facing stiff competition from other companies.

Puregold in May announced plans to acquire two Duty Free shops owned by the Co family.

The consolidation of Puregold Duty Free Clark and Puregold Duty Free Subic under Puregold will give the supermarket chain "full assortment and variety of formats to ensure customer satisfaction."

The two Duty Free stores are the remaining supermarket shops owned by the Co family that are not yet consolidated under Puregold.

Phoenix's net profit drops 7% to P507m

INDEPENDENT oil retailer Phoenix Petroleum Philippines said Wednesday net income dropped 7 percent in the first nine months to P507 million from P541 million a year ago, amid lower crude prices in the global market this year.

"The decline was brought about mainly by the continuous downtrend of petroleum product prices in the global market," Phoenix Petroleum said in a statement to the Philippine Stock Exchange.

Phoenix Petroleum said as of September, total adjustment for petroleum products stood at a net decrease of P4.30 per liter for diesel and P2.32 per liter for gasoline, based on data from the Energy Department.

Revenues in the nine-month period fell to P26.9 billion from P31.67 billion in the same period last year.

"The decline in volume and revenue is a direct result of lower commercial sales [distributors], which is consistent with the company's strategy to put more emphasis on margins," Phoenix said.

The company said the lower volume and revenue from commercial sales was mitigated by the faster growth in retail sales volume.

The higher contribution of retail sales volume to overall sales volume resulted in an improvement in gross margins to 8.5 percent this year from 7.15 percent last year.

This was driven primarily by the company's continuously expanding retail station network.

The company's network reached 412 stations as of Sept. 30, including 221 stations in Mindanao, 56 in Visayas and 135 in Luzon.

Phoenix Petroleum said it continued to focus more on the retail segment expansion including its non-fuel related business.

Phoenix has more than 100 locator businesses in its retail sites.

PH shares buoyed by talk of Japan tax delay

PHILIPPINE equities rose in late Wednesday trade on widespread speculation in the region that Japan would delay a planned sales tax hike.

The Philippine Stock Exchange index (PSEi) closed 0.39 percent or 28.32 points higher at 7,232.87, while the broader All Shares index gained 0.38 percent or 15.93 points to 4,253.60.

The local market drew strength from regional gains amid talk that Prime Minister Shinzo Abe was considering postponing a planned sales-tax increase. Despite a lack of confirmation of such speculation, however, shares on the Tokyo stock exchange hit seven-year highs and fueled market optimism across the region.

Joyce Anne Ramos, analyst at AB Capital Securities Inc., said Philippine shares tracked the gains in Japan and drew further support from the strong market performance of several local property and banking-related firms.

"The market was pulled up by the stocks of Ayala Land, BDO Unibank, Metropolitan Bank and Trust Company, and Robinsons Land. Basically, it is because of the positive sentiment of investors from the delay of Japan's sales tax increase," Ramos said.

"Usually if there is an upcoming sales tax, the prices will go up and limit the product purchases of consumers. With the delay talks, sentiments were bright among investors," she added.

Among the subindices, only the holding firms counter was down, losing 0.23 percent or 14.66 points at 6,329.37.

Ramos said that the holding firms were pulled down by SM Investment Corp., which lost 1.13 percent or P9 to close at P786 on Wednesday. SMIC has a 24.89 percent weight in the sectoral index.

"For the next few days, the market will still be dependent on the upcoming releases of the third-quarter results of companies," Ramos said.

Apart from holding firms, the rest of the sectoral indices had a positive day: Financials were up 0.59 percent or 9.97 points at 1,700.94; industrials rose 0.50 percent or 58.45 points to 11,674.92; services inched up 0.19 percent or 4.53 points to 2,130.51; mining and oil gained 0.50 percent or 75.29 points to 15,263.16; and property advanced 1.01 percent or 28.79 points to 2,869.69.

Among the 10 most active stocks, PLDT ended flat, while Alliance Global Group Inc. was the sole decliner. Actively

traded stocks that gained were Bloorberry Resorts Corp., GT Capital Holdings Inc., Ayala Land Inc., Metrobank, Energy Development Corp., Ayala Corp., Universal Robina Corp., and Robinson Retail Holdings Inc.

Total volume stood at 3.125 billion shares, valued at P8.119 billion. Losers outnumbered gainers, 90 to 85, while 41 stocks were unchanged.

On Tuesday, the PSEi increased 0.17 percent or 12.43 points to 7,204.55, while the wider All Shares index inched up 0.08 percent or 3.47 points to 4,237.67.

KRISTYN NIKA M. LAZO

Globe sets \$650-M capex for 2015

GLOBE Telecom Inc. (Globe) on Wednesday said it is setting aside \$650 million (P29 billion) for 2015 capital expenditure (capex), the same amount it earmarked for this year.

"I figured more than half next year's (capex) would be for data [services], like I said we're still at the process of finalizing the budget, so I don't have any concrete numbers for you yet, but at least 50 percent of our spending next year would be for data," said Albert de Larrazabal, Globe chief financial officer, at the sidelines of the third quarter financial results briefing.

"In 2014 the budget was \$650 million. Depending on the timing some of that may slide so you may actually get slightly higher amount for next year, but that would effectively include the amount that was supposed to be spent this year. I think more than half for next year will be for data already," De Larrazabal said.

On Tuesday, Fitch Ratings pro-

jected that the country's two telecommunication giants would increase their capital expenditure (capex) in 2015 as they pursue investments in fast-growing data services and expand their fiber networks.

Fitch noted in a special report that profitability at Globe and the Philippine Long Distance Telephone Co. (PLDT) is likely to decline amid an increase in capex in 2015.

It also expects free cash flows for both PLDT and Globe to be negative in 2015 due to their increased capex.

Industry capex for 2015, meanwhile, is pegged at around P60 billion from P58 billion in 2014.

Earlier, Globe said it will spend up to P9 billion of the P10 billion it raised from the issuance of non-voting preferred shares for the rollout of its Long-Term Evolution (LTE) network in the country.

The Ayala-led telco listed 20 million non-voting preferred shares on the Philippine Stock Exchange in August. **ROSALIE C. PERIABRAS**

SEC opens its first ever satellite office

By **MADELAINE MIRAFLORES**

In its efforts to become more accessible to the public, the Securities and Exchange Commission (SEC) has opened its first satellite office in the country ahead of its permanent building transfer in 2016.

On Tuesday, the SEC has opened its first satellite office located in Ali Mall, Cubao.

The satellite office will function as an outpost where the public can file their registration statements, submit corporate updates, and pay charges, among other services that the regulatory agency does in its main building.

So instead of going to the main SEC building, which is currently located in Ortigas, the public can just go to the nearest satellite office to do their corporate dealings.

SEC Chairperson Teresita Herbosa said in an interview during the grand opening of the first SEC satellite office held in Cubao that the daily transactions in the agency's main office will definitely soften.

Herbosa said the next branch of the satellite office will be located in SM Manila although she has not identified any particular date for its opening.

The Company Registration and Monitoring Department, headed by SEC Director Ferdinand Sales, has been tasked to lead the progress of this specific project.

Sales said in a separate interview that the SEC is now in talks with the SM Group and Robinson's Malls for the possible establishment of the next satellite offices in their malls.

"Once that this has already been disseminated to the transacting public, we believe that the transactions in the main office will be de-congested because the location of this specific satellite office alone is very accessible," Sales told reporters.

A few months ago, it was reported that the SEC has decided to push through with its plan to put up satellite offices across Metro Manila with an initial target to build its first six branches within the year.

Herbosa, however, said that the construction of the next first five offices may just be pushed until early next year, adding that eventually, the corporate regulatory agency will also put up some of these outside Luzon including Cebu.

In a previous interview, Commission Secretary Gerard Lukban said the SEC has revisited plans to build satellite offices because this would ease the hassle that the agency's planned building transfer could cause the public.

"The sooner we can get this off to the ground, the better, especially now that we are transferring to BGC [Bonifacio Global City in Taguig]. We might have smaller office there," Lukban said.

As of now, SEC is looking for a temporary location in either Makati City or Taguig City for its building transfer before settling permanently in a building within the Bonifacio Global City (BGC) in 2016 to 2017.

Despite many delays, Herbosa reiterated that the agency will still transfer its office within the year.

Makes ₱4.25B in first 9 months

Vista Land sustains record profit, sales

By JAMES A. LOYOLA

Vista Land & Lifescapes, Inc., the country's largest home-builder, reported a 12 percent hike in profits to ₱4.25 billion in the first nine months of 2014 from the ₱3.79 billion earned in the same period last year.

In a press briefing, Vista Land president Manuel Paolo Villar said this came on the back of record sales. Sales for the third quarter reached ₱12.8 billion, bringing the total for the first nine months of the year to ₱38.7 billion.

"I am very confident that we will

meet our guidance numbers for sales, revenues and earnings this year," said Villar adding that "I am pleased to report that the strategies in the housing market that we have adopted will allow us to meet our full year targets."

For the first nine months of the year, Vista Land's real estate revenues rose 13 percent to ₱16.7 billion from ₱14.83 billion in the same period of 2013.

"We are averaging almost ₱13 billion in sales every quarter and we should be able to hit a record ₱51 billion in sales for 2014," said Vista Land chairman Manuel B. Villar, Jr.

He noted that "most of our sales have been coming from our core product which is housing, both in Metro Manila and in the provincial areas."

Villar added that "we fully expect to see continued strong sales performance in the coming years as demand for house and lots, particularly in the mid to low end segment of the market, continues to be robust."

Vista Land launched 16 subdivisions projects outside Metro Manila such as Cebu, Batangas, Iloilo, Quezon and Isabela, said Villar he added. The developer has the broadest presence in the Philippines among all the major

property developers and has been continuously launching projects outside Metro Manila.

"I have been, and continue to be, optimistic about the outlook for the housing sector. I am confident that Vista Land will continue to be a dominant force in the housing market," said the younger Villar.

He noted that, "as you all know by now, we are the leader by far in the house and lot segment and have a strong competitive advantage given our track record of delivering quality housing units

for more than thirty years across the country."

Phoenix Petroleum income dips to ₱507M

By MYRNA M. VELAZO

There had been a modest drop in the net earnings fetched by publicly listed Phoenix Petroleum Philippines Inc. in the last three quarters to ₱507 million from a higher base of ₱541 million last year.

The company, in a press release, has noted that the decline in income was "brought about mainly by the continuous downward trend of petroleum prices in the global market."

The company similarly logged slashed volumes and revenues, which it traced as a "direct result of lower commercial sales", but it emphasized that such was on the back of its "strategy to put more emphasis on margins."

Amid the drop in its relative bulk sales though, the company has indicated that such "was mitigated by the faster growth in retail sales volume versus commercial sales."

On account of falling prices, Phoenix Petroleum has laid down that the

aggregate drop in petroleum prices on a year-to-date basis had been placed at ₱4.30 per liter for diesel and ₱2.32 per liter for gasoline – as anchored on the data of the Department of Energy.

The listed oil firm albeit explained that "the higher contribution of retail sales volume to the overall sales resulted in improved gross margins to 8.5% this year from 7.15% last year."

It noted further "this was driven primarily by the company's continuously expanding retail station network."

The company has been setting its sights on broadening its retail expansion beyond its considered home-base market of Mindanao.

Fundamentally, it targeted more aggressive retail portfolio reinforcement in Luzon while pursuing a gradual pace of expansion in the Visayas region.

As of end-2013, the company already established 368 stations under its business fold; and that so far inched up to 412 stations as of September 30 this year.

Aseana Holdings earmarks ₱3B for capex, plans IPO

By JERNIE CAHILES-MAGKILAT

Aseana Holdings Inc., which is majority-owned by construction and property development firm DM Wenceslao and Associates Inc., has allotted ₱3 billion in capital expenditures in the next two to three years to prime the development of its 102-hectare property in the Bay City, which the company hopes to fully develop within the next five years as part of its preparation for public listing.

Delfin Angelo C. Wenceslao, managing director of Aseana Holdings Inc., told reporters at the inauguration of the Aseana 2 building that its next development next year would be the construction of an office building called the Aseana 3, a residential building called PIXeL Residences, and a retail strip called the Power Station.

"The rule of thumb is ₱1 billion

investment for each building," Wenceslao said. PIXeL is going to cater to the medium to high-end market like expatriates working in the country.

The entire Aseana City section covers a total of 204 hectares. It is part of the overall reclamation area now known as the Bay City. Aseana City stretches from the left portion of the reclaimed property facing Manila Bay where the Belle Casino is up to the back waters where the Solaire Resorts is.

The Wenceslao Group owns half of the entire Aseana section while the rest is owned by the government through the Philippine Amusement and Gaming Corp. (PAGCOR), which now leases to casino operators. The three adjoining Entertainment City, Mall of Asia complex and the Aseana are now collectively called Bay City.

According to Wenceslao, only 20

percent of Aseana is already developed but the entire Aseana City is already 40 percent is now under development.

Some of the developments in the Aseana City include the international school, a residential building and its two Aseana buildings.

Wenceslao said they want to pace its lot disposition at only one hectare each year just enough to cover some of its capex requirements.

At present, the entire DM Wenceslao group generates ₱600 million in revenues. In five years time, the group expects to generate ₱1 billion annually as the Aseana City is expected to contribute more.

Nickel Asia earnings rise 4-fold to ₱8.18B

By JAMES A. LOYOLA

Nickel Asia Corporation reported a 370 spurt in attributable net income to ₱8.18 billion during the first nine months of 2014 from the ₱1.74 billion earned in the same period last year.

In a disclosure to the Philippine Stock Exchange, the firm said this is inclusive of a non-cash gain of ₱416.6 million this year, which was the result of a revaluation by its 60 percent-owned subsidiary, Rio Tuba Nickel Mining Corporation, of its investment in Coral Bay Nickel Corporation.

Net of the one-time gain, core income stood at ₱7.76 billion. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to ₱14.1 billion compared to ₱3.7 billion in the prior year.

The sharp rise in earnings during the first nine months was mainly due to a combination of higher shipment volumes and nickel prices.

NAC also recognized additional earnings amounting to ₱401.9 million, representing its share of profits from Taganito HPAL Nickel Corporation (THPAL), where it has a 22.5 percent equity stake.

"We are delighted with our strong results for the first nine months of this year and our ability to build on the combination of higher prices and increased production to meet higher demand

for our ore", said NAC president Gerard H. Brimo.

Total volume of nickel ore sold and delivered from the NAC's four operating mines in the first nine months of 2014 reached 14.26 million wet metric tons (WMT) as against 10.32 million WMT in the same period last year.

The surge in shipment volumes was mainly the result of increased ore deliveries to THPAL, which was commissioned last year and is now on its first full year of operations.

Consequently, shipments of ore to the plant from the Company's 65 percent-owned subsidiary, Taganito Mining Corp., increased from 0.27 million WMT in the first nine months of 2013 to 2.78 million WMT for the comparable period this year.

Shipments of ore to China also increased from 6.62 million WMT to 7.31 million WMT while shipments to Japan likewise increased from 0.90 million WMT to 1.56 million WMT this year.

NAC realized an average of \$7.87 per pound of payable nickel on its shipments of ore to the HPAL plants, the pricing of which remains linked to the LME.

While traditionally the pricing of ore shipped to Japan was also linked to the LME, starting in the second quarter of this year, such sales were benchmarked to China prices on the basis of a negotiated price per WMT of ore.



Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila

CORPORATE GOVERNANCE & FINANCE DEPARTMENT
CORPORATE GOVERNANCE DIVISION

SEC MEMORANDUM CIRCULAR NO. 20
Series of 2014

TO : ALL CORPORATE GOVERNANCE COVERED COMPANIES

SUBJECT : COMPLIANCE WITH SEC MEMORANDUM CIRCULAR NO. 9, SERIES OF 2014

Memorandum Circular No. 9, Series of 2014 (MC 9) mandates all Corporate Governance covered companies to file their respective Manual of Corporate Governance (MCG) reflecting the amendments to the Revised Code on Corporate Governance (RCCG) not later than 31 July 2014.

The Commission, in its meeting on 06 November 2014, resolved to grant extension of compliance with subject MC 9 until **31 December 2014**.

A basic penalty of PHP20,000.00 shall be imposed for non-compliance with this Circular. Continuous failure of the company to comply shall subject it to a monthly penalty of PHP2,000.00 until the manual is filed.

Signed this 10th day of November 2014, Mandaluyong City, Philippines.

For the Commission:


TERESITA J. HERBOSA
Chairperson

Index climbs on positive foreign news

By RICHMOND S. MERCURIO

Local share prices improved for the second straight day yesterday, boosted largely by a string of positive international news.

The Philippine Stock Exchange index (PSEi) gained 0.39 percent or 28.32 points to close at 7,232.87 while the all shares index increased 0.38 percent or 15.93 points to 4,253.60.

"The overall bullishness in the international market, especially with the S&P 500 and Dow's consecutive rally, helped pulled the local market up," said Alex Tiu, analyst at AB Capital

Securities Inc.

The S&P 500 finished at 2,039.68 and the Dow ended at 17,614.90, gaining 0.07 and 0.01 percent, respectively.

Tiu said Wall Street's overnight rally was further coupled with the good news that Japan will delay its planned tax hike.

"One of the fears before is that this tax hike could put Japan's economy into recession. As

we all know, Japan is one of our biggest trading partners so this news on the tax delay is also good news for us," he said.

Property firms led the gainers, rising 1.01 percent or 28.79 points while holding firms dropped 0.23 percent or 14.66 points.

Market breadth remained sour as decliners edged out advancers, 90 to 85, while 41 stocks were unchanged. Value turnover went down to P8.12 billion from P12.39 billion the previous day.

B-3



Spy Bits

By BABE G. ROMUALDEZ

Get rich-get poor quick

The "investor alert" posted on the website of the Securities and Exchange Commission warning that this company called the Grand Alliance of Business Leaders Association Inc. (Gabai) does not have a license to offer or sell securities came just in the nick of time for many who would have been inveigled to plunk in their hard-earned money into a fraudulent investment scheme.

Gabai was registered with the SEC as the marketing arm of a multipurpose cooperative, but apparently, the regulatory body headed by our friend, Tess Herbosa, monitored activities by the group that raised red flags.

The investment company's previous auditor, now acting as some sort of whistleblower, disclosed that daily deposits got as high as P12 million in the last four months, with the money just stored in boxes and unauthorized receipts haphazardly kept. Not surprisingly, officials are now hiding from the irate investors, many of them teachers, retirees, vendors, drivers and ordinary working Filipinos who were lured by the promise of high returns for their money.

To think that just a few months ago, Senator Bam Aquino had issued a warning against get-rich-quick and double-your-money scams after NBI agents arrested several individuals believed to be the masterminds behind an investment scam making use of social networking site Facebook to attract potential victims. The company, identified as Upwarm Limited, posted random group messages and advertisements on Facebook, promising that an investment of P1,499 would earn high interest rates amounting to P6,000 in one month. And to lend legitimacy to the operation, Upwarm offered various products like soap, health supplements and other consumer items.

Of course, it's natural for people to want to get rich – and contrary to perception, it's not only ordinary workers or gullible individuals who fall for get-rich-quick schemes but also the intelligent and the well-to-do. If one can remember, there was that Francswiss internet pyramiding scam ran by an American and a Singaporean who offered a return of 4.5 percent on a \$1,000 investment. Basketball players, showbiz celebrities, military officials and other professionals were victimized, with the money amounting to over P1 billion in just a few months of operations. When the lid blew because the investors were no longer receiving their hefty dividends, the website had already been taken down with the American and Singaporean gone missing.

Even godly individuals have fallen prey to the temptation of earning megabucks in a short time, like that pastor of a small church who encouraged his flock to put money in Aman Futures headed by Manuel Amalilio who was recently released from prison by a Malaysian court. Worse, the Philippines' request for extradition was also rejected by the Malaysian government, which means the poor victims, majority of them from the Visayas and Mindanao regions, will just have to wait some more until the DOJ strikes a deal that would convince Malaysian authorities to send this fraudster back here to pay for the thousands of lives he destroyed.

Many are concerned that news about these investment scams are affecting the legitimate businesses, which is why the SEC has been busy with its information campaign to help Filipinos discern if an investment offer is legit or not. In fact, the SEC website has an "Investment Scam Checklist" section (http://www.sec.gov.ph/investorinfo/scam_chklist.html) containing helpful information and tips on how to spot a fraud and where to report if there is something suspicious.

The bottom line about investment scams, however, is really very simple: If an offer seems too good to be true, it's most likely not true.

BIR streamlines stock option rules

By ZINNIA B. DELA PEÑA

The Bureau of Internal Revenue has streamlined the rules for stock option schemes to make sure that the proper taxes are paid in a timely manner.

A stock option is a right granted by an employer to an employee to buy shares of the company or its affiliates. Aside from becoming a stockholder of the corporation or its affiliate, the employee acquires the shares at a preferential price.

The exercise price of a stock option is usually lower than the prevailing market price of the shares.

The BIR issued Revenue Memorandum Circular 79-2014 clarifying the tax implications of income or gain derived from the exercise of stock options.

In the event the option was granted due to an employee-employer relationship where the grantor is the employer and the grantee is the employee and no payment was received for the grant of the said option, the grantor can not claim deductions for the grant of the stock option, the BIR said.

However, if the option was granted for a price, the full price of the option shall be considered capital gains and shall be taxed as such.

Upon issuance of the option, the same is subject to a documentary tax amounting to P0.75 on each P200 or fractional part thereof of the par value of the stock subject of the option.

The BIR noted that any grant of an option for consideration or transfer of the option is subject to capital gains tax as required under Sec. 24 of the Tax Code. If the option was granted without any consideration, the cost base of the option for purposes of computing capital gains shall be zero.

If the option is transferred by the grantee without any consideration, the same shall be treated as a donation of shares of stock subject to donor's tax. The basis shall be the fair market value of the option at the time of the donation.

A10 NATION

Quezon police warn vs emerging fund scam in Lucena

By Delfin T. Mallari Jr.
Inquirer Southern Luzon

LUCENA CITY—Amid the cries of thousands of investors here who, only last week, lost millions of pesos to an investment racket, another get-rich-quick scheme here has been attracting investors, prompting authorities to launch a scam awareness campaign.

Police are now warning against the operations of D. Abes Infinity Abundance Marketing (DAIAM), coming on the heels of the get-rich-quick scam of South Luzon Multipurpose Cooperative-Grand Alliance of Business Leaders Association Inc. (SLMC-Gabai).

"We have to alert the public to the modus operandi of scam operators. The offer of high interest that is way above the prevailing bank rate should be met with extreme suspicion," said Senior Supt. Ronaldo Genaro Ylagan, Quezon police chief.

The new high-yielding investment scheme has begun to attract thousands of investors from this city and neighboring towns.

The upstart company used to

hold office in the downtown area here but was forced to leave the city last week after Mayor Roderick Alcala refused to give it a business permit.

Three days ago, DAIAM surfaced in a building that once housed a grocery store in Tayabas City, near the Lucena boundary on Maharlika Highway.

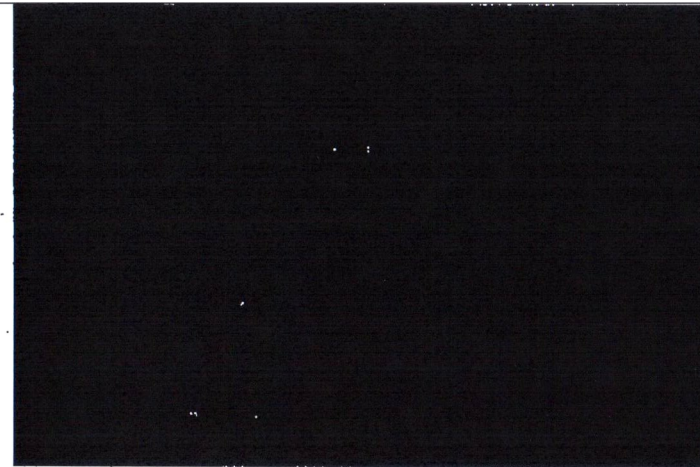
The place is guarded by a uniformed security man. Carpenters are busy transforming the space into an office and a display area of assorted merchandise.

Surprisingly, most of its investors are depositors of SLMC-Gabai, which the Securities and Exchange Commission has declared as illegal.

Romy Cresencio, a native of San Andres town, admitted to losing P70,000 to SLMC-Gabai but said he was again taking his chances with DAIAM.

"Who knows, I may be able to recoup my losses in Gabai," he told the INQUIRER in an interview when he visited the new DAIAM office on Wednesday.

He said that unlike the "handwritten system of operations" of SLMC-Gabai, DAIAM's



A SUPPOSED passbook of the D. Abes Infinity Abundance Marketing

DELFIN T. MALLARI JR./INQUIRER SOUTHERN LUZON

transactions would be fully computerized.

"There will be no cheating of officials here," he said.

Cresencio said DAIAM would resume operations once it acquired the necessary permits from the Tayabas City government.

DAIAM investors interviewed by the INQUIRER said they were offered a 30-percent interest every eight days for a minimum deposit of P500 and a maximum

of P5,000 for every depositor.

Similar to SLMC-Gabai's investment scheme, DAIAM also offers corresponding "points" based on the amount of deposit. The points earned can also be used to buy assorted merchandise from its suppliers or vendor partners.

It was learned from a SLMC-Gabai official that "D. Abes" stands for Dennis Abes, a former account executive of SLMC-Gabai.

Camille Bautista, SLMC-Gabai

technical sales officer, said Abes conceptualized a new investment scheme for SLMC-Gabai but it was rejected by Gabai chair Luzardo Lucido, so Abes left and put up his own group.

Ylagan said he would alert Tayabas officials.

He also ordered all municipal police stations in the province to put up tarpaulins in strategic spots in their towns to warn people against scams.

"We've also been actively utilizing the traditional and social media to educate the public," Ylagan said.

Supt. Allen Rae Co, Lucena police chief, said more victims had come forward to file complaints against SLMC-Gabai. He said an SLMC-Gabai official had executed an affidavit detailing the operations of the group.

He said criminal charges would be filed against the operators of the scam—Lucido, Gabai chair and SLMC administrator; Gerald Joseph Murillo, account manager, and wife Jenelee, chief cashier/logistics officer; and other key officials who continue to hide from authorities.