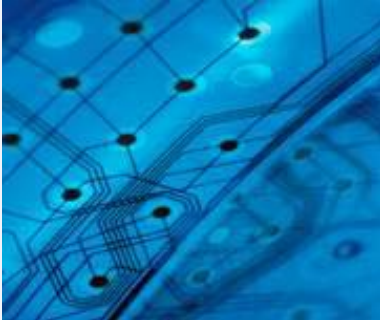


Information, Communications & Entertainment (ICE)



10/20/08 - 10/31/08

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This industry update from KPMG Manabat Sanagustin & Co. is a bi-weekly collection of the latest news and developments from the country's Information, Communications and Entertainment (ICE) sector. We hope that you will find this service, which the Firm provides its clients for the different Lines Of Business, interesting and useful.

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If you want us to send this to any other member of your company, please contact Ann Millaine T. Ambayec, KPMG Markets Communications Officer, at 8857000 loc 282 or at aambayec@kpmg.com.

RP, Malaysia sign new air agreement

THE Philippines and Malaysia signed a new air service agreement (ASA) that will boost tourism and trade in both countries. For carriers flying from Manila, they were given 2,500 seats a week. Luciano said the two governments also approved 700 tons of cargo a week for the Clark route. Malaysia received a reciprocal right to fly to points in the Philippines. Luciano said the Philippine Airlines, Cebu Pacific, Southeast Asian Airlines and Zest Airways plan to fly to Malaysia, while Malaysian Air and Air Asia will increase flights to the Philippines. In August, the Philippine and Iran air panels agreed to 16 flight entitlements a week for each state. Of the total, four flights a week were given to carriers flying from Manila, seven flights a week from Clark and the remaining entitlements for other points in the country. The Iranian government received a reciprocal right to fly to points in the Philippines. The Philippines and Hong Kong also increased seat entitlements to 23,800 a week for each state. Of the total, 15,000 have been allocated for Manila, 6,300 for Clark and the remaining 2,500 for Cebu. Canada also gave the Philippines two additional frequencies from Manila to the North American country or from point to point only. Also approved were five frequencies weekly for cargo flights from Manila to Canada with no capacity restrictions. An air agreement between Macau and the Philippines was concluded last month, bringing a total seat entitlement of 13,100 a week from 850. Of the total, 3,600 seats will be allocated each for Manila and Macau; 6,000 seats for Clark and Subic; and another 3,500 seats weekly for carriers outside Manila.

<http://www.manilatimes.net/national/2008/oct/31/yehey/business/20081031bus5.html>

RP improves ranking in IT competitiveness

The Philippines has improved its information technology competitiveness ranking in the 2008 IT Competitiveness Study sponsored by the Business Software Alliance (BSA). From 11th in the Asia-Pacific region a year ago, it now ranks 10th. However, the country remains 47th in the worldwide ranking. In coming up with the rankings, the EIU used a weighted scoring model with 25 indicators grouped in six categories — overall business model (10 percent), IT infrastructure (20 percent), human capital (20 percent), legal environment (10 percent), research and development (25 percent), and support for the IT industry development (15 percent). The Philippines' overall index score, which retained it in the 47th slot among 66 countries in the worldwide ranking, is 29.8. This is slightly up from its 2007 score of 28.7, the difference being enough to move it a notch higher in the Asia-Pacific (APAC) ranking from 11th to 10th. In this year's study, the Philippines, according to the BSA, performed strongest in providing a favorable business environment (67.9), support for IT industry development (54.0), legal environment (50.5), and human capital (44.9). However, a very low score in R&D environment (0.1) markedly pulled it down. If it is any consolation though, the country ranked higher than India in the ranking



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(overall rank: 48, Asia-Pacific rank: 11) and China (overall rank: 50, APAC rank: 12). It was also ahead of other Southeast Asian countries like Bangladesh (overall rank: 48, APAC rank: 11), Bangladesh (overall rank: 60, APAC rank: 15), Vietnam (overall rank: 61, APAC rank: 16), and Pakistan (overall rank: 62, APAC rank: 17). Malaysia (overall rank: 36, APAC rank: 8) and Thailand (overall rank: 42, APAC rank: 9), however, were ahead of the Philippines. Hardee explained that the Philippines' score of a miniscule 0.1 in R&D was brought about by very low government expenditure on R&D at only \$1.2 for every 100 people. Private sector investment is slightly higher at \$4.2 per 100 people but still falls very short of expectations, especially when compared to high-performing countries like Japan with the highest R&D expenditure in Asia at \$89 per 100 people, South Korea (\$79), China (\$20), and Malaysia (\$6.7). In grading the R&D environment of each country, the EIU study took into consideration government expenditure (10 percent), private sector investment (10 percent), IT patents registered by residents each year (65 percent), and royalties and license fees received (15 percent) — for an overall score of 25 percent in this category. According to the EIU, dynamic innovation, supported by a strong R&D environment, is a major contributor to IT industry competitiveness. <http://www.philstar.com/archives.php?aid=2008102644&type=2>

BPO firms upbeat amid crisis

EXECUTIVES from the business process outsourcing (BPO) industry expect the global financial crisis to have a positive effect or none at all on their Philippine operations, results of a recent survey showed. In an online survey conducted from October 21 to 25, Outsource2Philippines.com (O2P) and the Business Processing Association of the Philippines (BPAP) said 79 percent of respondents were optimistic they could weather the economic slowdown. Forty-one percent of respondents foresee that the financial crisis would increase demand for local BPO services, while 38 percent said the crisis would have a positive impact on their Philippine operations. However, the survey also indicated that smaller BPO firms are wary of the economic meltdown. For instance, around 40 percent of executives of companies employing less than 100 believes that the crisis would have a negative impact on their operations. Executives in engineering BPO firms were the most optimistic. None of the respondents engaged in outsourced engineering services said the global financial crisis would have a negative impact on their local operations. However, software developers were the most pessimistic among respondents. Almost 54 percent said the global financial crisis would have a negative impact on their Philippine operations while only about 8 percent said the impact would be positive.

<http://www.manilatimes.net/national/2008/oct/28/yehey/business/20081028bus3.html>

DOT targets 5M tourists in 2010

Department of Tourism Secretary Joseph Ace Durano yesterday said despite the DOT's limited budget next year, they will still vigorously work to reach their target of five million tourists visiting the country by 2010. According to Durano, DOT had P1.2 billion budget this year and next year, it will have an additional P200 million. He said the P160 million of the P200 million will be used for the preparation of the World Expo in Shanghai, China in 2010. The DOT spends P800 million of its annual budget for promotion and marketing. This is far from the \$100 million (P4.5 billion at \$1 to P45) spent by other Southeast Asian countries like Malaysia, Hong Kong and Singapore, Durano said. Durano said there is no need to lower the target of the number of tourist arrivals in the country because of the limited budget. He admitted that it is a big challenge to him and the people in the industry to work together. He added that the local government officials played an important role for the success of the department's program in promoting tourism. Local officials, Durano said, are the first to know the potential of their tourist areas.

<http://www.philstar.com/archives.php?aid=20081021210&type=2>

IPVG seeks trading halt amid talks with investors

Information technology and gaming conglomerate IPVG Corp. is in the final stages of discussions with several entities for possible investment in the listed company. IPVG sought yesterday a voluntary suspension of trading in its shares pending the outcome of negotiations with the interested parties. Enrique Gonzalez, chief executive officer of IPVG, said the suspension of trading in the company's stocks is intended to avoid any misinformation and undue speculation. IPVG shares fell 21.05 percent yesterday to P1.20 each share from Monday's closing price of P1.52. Gonzalez added the board believes that IPVG's current share price is well below its intrinsic value. Gonzalez said the company has received proposals from several parties to invest in IPVG but nothing has been finalized yet. The IPVG board will hold a special meeting next week to discuss the proposals on the table. In the first half of the year, IPVG reported a 16-percent jump in net profit on record revenues of P1.79 billion, mainly driven by its booming outsourcing business. Net earnings hit P50.51 million (net of a P45.4-million one-time financing charge due to the acquisition of a 70-percent stake in US-based contact center Influent). Without the one-time expense, IPVG's net income would have grown 121 percent year-on-year to P95.97 million. From P923 million in 2007, the company's revenues are forecast to increase further to P3.3 billion by the end of the year as the firm completes the integration of its acquisitions and finish accounting for all one-time charges in relation to acquired companies. Early this year, IPVG acquired 70 percent of mobile content developer MegaMobile for P6.4 million.

<http://www.philstar.com/archives.php?aid=2008102150&type=2>

Robinsons Land ventures into budget hotel business

AFTER budget airfares, the Gokongwei group is now offering budget hotels. In a statement, Robinsons Land Corp. (RLC) said it is venturing into the affordable hotels business, with its Go Hotel, which will target businessmen and backpackers. The property arm of JG Summit Holdings said the hotels will be located within its mixed-use developments and beside some of its 23 malls nationwide or within an RLC office building. Go Hotels will tie up with sister company, Cebu Pacific Air, as RLC plans to build the hotels where the airline operates. This would "create synergy" between the two businesses of the Gokongweis by offering affordable packages to clients, RLC said. The property arm of the Gokongwei group and a Korean firm recently signed a deal to market a condominium project in Fort Bonifacio Global City to Korean investors in their home country and in the Philippines. After Trion Towers, RLC executives said Daemyung is open to marketing Amisa, the company's leisure development in Mactan.

<http://www.manilatimes.net/national/2008/oct/20/yehey/business/20081020bus13.html>

More international flights approved at DMIA

CLARK FREEPOPT, Pampanga: The Civil Aeronautics Board (CAB) has approved more international flights for three local carriers at Diosdado Macapagal International Airport (DMIA) here. Luciano said that CAB has granted Seair 1,260 seats to fly via Clark-Hong Kong equivalent to daily flights out of DMIA. Seair also got 2,520 seats to fly via Clark-Macau which is equivalent to two flights daily at the 2,500 hectare Civil Aviation Complex in Clark Freeport Zone. Luciano said "this latest development is a result of the success of the series of Air Consultation Talks between the Philippines, Hong Kong and Macau which granted more air entitlements for Clark." Seair will also fly to Thailand out of DMIA were they got 1,260 seats equivalent to four flights daily. The air carrier plans to fly to Palawan and then to Bandar Seri Begawan in Brunei. They also plan to fly to Zamboanga and go to Kotakinabalu in Malaysia. "Clark will now be link not only to Mindanao but also to the Southern Asean neighbors of Brunei and Malaysia," Luciano added. Zest Air will also mount international flights to DMIA were it was granted a 1,260 seats via Clark-Hong Kong flights equivalent to daily flights, Clark-Macau with 2,520 seats equivalent to two flights per day and Clark-Thailand with 1,260 seats.

<http://www.manilatimes.net/national/2008/oct/23/yehey/prov/20081023pro2.html>

RP-Kuwait air talks start at Clark Freeport

CLARK FREEPORT: The Philippines and Kuwait air panels started here on Wednesday a two-day review of the existing Air Services Agreement (ASA). Clark International Airport Corporation (CIAC) President and CEO Victor Jose Luciano described the air talks as crucial for the development of the Diosdado Macapagal International Airport (DMIA) as it aims to attract Middle Eastern flights at the 2,500-hectare Civil Aviation Complex. Presently, CIAC authorities have negotiated six international air entitlements for the DMIA, which have started to benefit thousands of overseas Filipino workers and other parts of the country, especially Central and Northern Luzon. DMIA is being geared as the next Premier International Gateway of the country as envisioned by the President. The airports have serviced both international and domestic flights since October 2003. Among the foreign carriers are Asiana Airlines of Korea, Tiger Airways of Singapore, Air Asia of Malaysia and local carriers such as South East Asian Airlines (Seair), Zest Air formerly Asian Spirit, Cebu Pacific Air, SEAIR and ZEST Airways. Earlier, Luciano announced that the proposed second terminal was designed to accommodate 6 to 8 billion air passengers annually, while the existing terminal can accommodate 1 to 2 million passengers annually.

<http://www.manilatimes.net/national/2008/oct/23/yehey/prov/20081023pro1.html>

Philippine carriers cut surcharges as oil price declines

National flag-carrier Philippine Airlines (PAL) said it was cutting fuel surcharges for every international return flight by as much as \$20, because of a continued drop in world oil prices. Surcharges for domestic round-trip flights will also be cut—by around \$8—effective early next month, PAL said in a statement. “We are sharing with our passengers whatever benefits are due us in terms of fuel-cost savings,” said PAL President Jaime Bautista. PAL, however, said that despite a softening in oil prices “airlines worldwide continue to bear the brunt of abnormally high fuel prices.” Last month, the firm said it may revise its forecast of a net profit of \$20 million for the fiscal year to March 2009 due to the volatility of oil prices. PAL made a net profit of \$30.6 million in the past financial year ending March 31, 2008, dramatically down from \$130.5 million the previous year.

<http://www.manilatimes.net/national/2008/oct/23/yehey/metro/20081023met4.html>

Philippine Stock Exchange Weekly Top Gainers

Last Trade Price, Comparative Price Change & Total Value

Rank	Stock	Last Traded Price (in P)	Comparative Price Change (%)		Total Value (in P'000)
			1 Week	4 Weeks	
1	Phoenix Petroleum Philippines, Inc.	3.35	39.58	(17.28)	1,337
2	DMCI Holdings, Inc.	2.65	36.60	(28.38)	46,772
3	First Philippine Holdings Corporation	18.00	30.91	(10.00)	192,226
4	Wellex Industries, Inc.	0.1500	25.00	(14.29)	2,550
5	Pacifica, Inc. "A"	0.0775	24.00	(18.42)	3,827
6	Abra Mining & Industrial Corporation	0.0042	23.53	(30.00)	1,119
7	Sta. Lucia Land, Inc.	0.61	22.00	(23.75)	6
8	Manila Electric Company	58.50	21.88	-	514,565
9	Crown Equities, Inc.	0.0340	21.43	(43.33)	5,092
10	Abacus Consolidated Resources and Holdings, Inc. "A"	0.0060	20.00	(14.29)	251



10	Benguet Corporation "B"	13.50	20.00	(15.63)	4
10	Basic Energy Corporation	0.1800	20.00	-	28
10	Fil-Estate Land, Inc.	0.2400	20.00	(31.43)	2,947
10	Music Semiconductors Corporation	0.1800	20.00	(37.93)	19,161
10	Oriental Petroleum and Mineral Corporation "A"	0.0120	20.00	(42.86)	6,475

Philippine Stock Exchange Weekly Top Gainers PER, EPS & BPV

Rank	Stock	PER	EPS	PBV
1	Phoenix Petroleum Philippines, Inc.	5.79	0.58	1.04
2	DMCI Holdings, Inc.	4.51	0.59	0.38
3	First Philippine Holdings Corporation	7.45	2.42	0.27
4	Wellex Industries, Inc.	(7.54)	(0.02)	0.36
5	Pacifica, Inc. "A"	(265.52)	(0.0003)	23.38
6	Abra Mining & Industrial Corporation	(132.56)	(0.00003)	0.43
7	Sta. Lucia Land, Inc.	(8.62)	(0.07)	0.05
8	Manila Electric Company	18.03	3.25	1.21
9	Crown Equities, Inc.	25.18	0.001	0.31
10	Abacus Consolidated Resources and Holdings, Inc. "A"	3.60	0.002	0.80
10	Benguet Corporation "B"	12.83	1.05	(1.40)
10	Basic Energy Corporation	(2.61)	(0.07)	0.56
10	Fil-Estate Land, Inc.	7.46	0.03	0.09
10	Music Semiconductors Corporation	8.82	0.02	1.13
10	Oriental Petroleum and Mineral Corporation "A"	15.29	0.001	1.12

Source: Philippine Stock Exchange, Weekly Market Watch, VOL. II NO. 44

Philippine Stock Exchange Index Composition for Services As of Nov. 3, 2008

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WEIGHT
ABS-CBN BROADCASTING CORP.	16.00	770,702,241	42.0%	5,179,119,059.52	1.92
APC GROUP, INC	0.26	7,511,809,997	43.0%	839,820,357.66	0.31
ASIAN TERMINAL, INC	2.95	2,000,000,000	67.0%	3,953,000,000.00	1.46
BOULEVARD HOLDINGS, INC.	0.095	1,000,000,000	46.0%	43,700,000.00	0.02
DIVERSIFIED FINANCIAL NETWORK, INC.	5.30	100,000,000	61.0%	232,300,000.00	0.12
DIGITAL TELECOMMUNICATIONS	1.14	6,536,976,300	22.0%	1,594,329,656.04	0.59



Feedback

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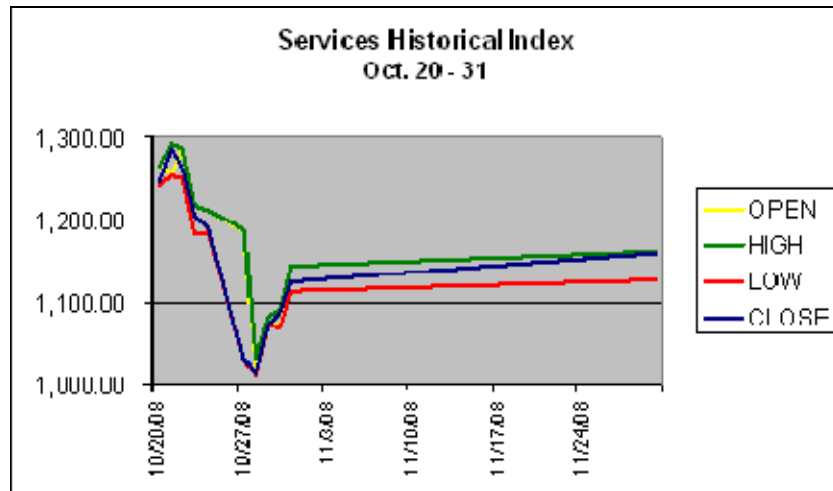
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PHILIPPINES, INC.					
GLOBE TELERCOM, INC	1,000.00	132,340,152	22.0%	29,114,833,440.00	10.78
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC	15.50	1,919,057,360	47.0%	13,980,332,867.60	5.18
IPVG CORPORATION	1.20	675,501,163	37.0%	299,922,516.37	0.11
ISLAND INFORMATION AND TECHNOLOGY, INC.	0.04	4,885,748,685	83.0%	162,206,856.34	0.06



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices