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DISCOVERY WORLD

DISCOVERY WORLD CORPORATION
Formerly, Southern Visayas Property Holdings, Inc.
**(A corporation duly organized under the laws of the
Republic of the Philippines)**

**Prospectus Relating to the Offering of
168,000,000 Primary Common Shares
with a par value of ₱1.00 per Share
through an Initial Public Offering
at an Offer Price of ₱3.28 per Offer Share**

**To be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.**

Issue Manager and Underwriter



Abacus Capital & Investment Corporation

Selling Agents

**The Trading Participants of
The Philippine Stock Exchange, Inc.**

Prospectus dated October 18, 2013

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE
SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD
BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

DISCOVERY WORLD

DISCOVERY WORLD CORPORATION

Formerly, Southern Visayas Property Holdings, Inc.

(A corporation duly organized under the laws of the Republic of the Philippines)

Principal Office: Station 1, Balabag, Malay, Aklan

Corporate Office: 2F JTKC Centre 2155 Chino Roces Ave., Makati City

Telephone Number: (+632) 813-8857

www.discovery.com.ph

This Prospectus relates to the initial public offering (“IPO”) of Discovery World Corporation (“DWC”, the “Company” or the “Issuer”), formerly Southern Visayas Property Holdings, Inc. (“SVPHI”), of One Hundred Sixty-Eight Million (168,000,000) Common Shares (the “Offer Shares”) with a par value of One Peso (₱1.00) per share at the offer price of Three Pesos and Twenty-Eight Centavos (₱3.28) per share (the “Offer Price”) or an aggregate Offer Price of Five Hundred Fifty-One Million and Forty Thousand Pesos (₱551,040,000.00) (the “Offer”). The Offer Price of Three Pesos and Twenty-Eight Centavos (₱3.28) per share was determined by the Company, in consultation with its Issue Manager and Underwriter. See “Determination of Offer Price” on page 56 of this Prospectus. The Offer Shares will represent 26.84% of the issued and outstanding Common Shares of the Company after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be issued out of the existing authorized capital stock of the Company of One Billion Two Hundred Million Pesos (₱1,200,000,000.00) divided into One Billion Two Hundred Million (1,200,000,000) Common Shares with a par value of One Peso (₱1.00) per share, of which Four Hundred Fifty-Eight Million (458,000,000) Common Shares are issued and outstanding. After the completion of the Offer, the issued and outstanding common shares of the Company shall be Six Hundred Twenty-Six Million (626,000,000) Common Shares.

The Company shall cause its existing stockholders who own at least Ten Percent (10.00%) of the outstanding shares of stock after the Offer to enter into an escrow agreement with an escrow agent not to sell, assign, or in any manner dispose of their shares for a period of 180 days commencing on the Listing Date. Furthermore, shares issued and fully paid for within 180 days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least 365 days from full payment of said shares. Certain stockholders of the Company are subject to these lock-up requirements. See the sub-section “Lock-Up” starting on page 62 of this Prospectus.

All Common Shares of the Company issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. Please refer to sub-section “Rights Relating to the Common Shares” on page 45 of this Prospectus.

The common shares may be subscribed by eligible subscribers regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies. Please see the sections “Terms of the Offer” starting on page 13 of this Prospectus and “Philippine Foreign Investment, Exchange Controls, and Foreign Ownership” on page 240 of this Prospectus.

The Company expects to raise gross proceeds of Five Hundred Fifty-One Million and Forty Thousand Pesos (₱551,040,000.00). The net proceeds from the Offer, after deducting the issue management and underwriting fees, registration and licensing fees, listing fees, taxes, and other related fees and expenses from the gross proceeds, are estimated to amount to Five Hundred Sixteen Million Four Hundred Fifty-Five Thousand Eight Hundred Six Pesos and Nine Centavos (₱516,455,806.09). The net proceeds from the Offer will be used for: (a) the acquisition of Discovery Fleet Corporation (“Discovery Fleet”) and Palawan Cove Corporation (“Palawan Cove”); (b) debt retirement; and (c) working capital purposes.

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid, in the form of cash or property, are subject to approval by the Company’s Board of Directors. Dividends paid in the form of additional Common Shares are subject to the approval of the Company’s Board of Directors and stockholders who own at least two-thirds ($\frac{2}{3}$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Common Shares. On July 22, 2013, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its shareholders as dividends, whether cash, property or stock, at least ten percent (10.00%) of the Corporation's net income for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company’s business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders’ requirements, appropriate reserves and applicable laws. As of the date of this Prospectus, the Company has not declared any kind of dividend to its shareholders since its incorporation. Refer to the section “Dividends and Dividend Policy” on page 50 of this Prospectus.

The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. Unless otherwise stated, the information contained in this Prospectus is as of October 18, 2013. All information contained in this Prospectus has been supplied by the Company, which accepts full responsibility for the accuracy and completeness of the information contained herein. The Company confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Abacus Capital & Investment Corporation (“Abacus Capital”), as the Issue Manager and Underwriter, represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. The Issue Manager and Underwriter also warrants and represents that, to the best of its knowledge, after exercising the appropriate due diligence review, there are no other material facts, the omission of which would make any statement in the Prospectus, as a whole, misleading. Except for failure to exercise the required due diligence review, the Issue Manager and Underwriter assumes no liability for any information supplied in this Prospectus. The Issue Manager and Underwriter will receive an underwriting fee from the Company based on a percentage of the gross proceeds from the sale of the Offer Shares. The Offer will be underwritten on a firm commitment basis at the Offer Price. Please refer to the section “Plan of Distribution” on page 59 of this Prospectus.

Prospective investors to the Offer Shares must conduct their own evaluation of the Company and the terms and conditions of the Offer, including the merits and risks involved. Please refer to the section entitled “Investment Considerations and Risk Factors” starting on page 19 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Offer Shares described herein.

Market and certain industry data used throughout this Prospectus were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Issue Manager and Underwriter make any representation as to the accuracy of such information.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Words including, but not limited to, “believes”, “may”, “will”, “estimates”, “continues”, “anticipates”, “intends”, “expects”, “forecasts”, and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company’s actual results could differ substantially from those anticipated in the Company’s forward-looking statements. One should read this Prospectus and the documents referenced in this Prospectus and filed as exhibits to the Registration Statement, of which this Prospectus is a part, completely and with the understanding that actual future results may be materially different from what the Company expects. Forward-looking statements contained herein are qualified by these cautionary statements.

On September 11, 2013, the Company filed an Amended Registration Statement with the Securities and Exchange Commission (“SEC”) covering the Offer Shares and the issued and outstanding Common Shares of the Company not covered by the Offer in accordance with the provisions of the Securities Regulation Code (“SRC”). The SEC issued an order on [●], rendering effective the Registration Statement and a Certificate of Permit to Offer Securities for Sale. The issuance of the Certificate of Permit to Offer Securities for Sale is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

The Company filed its application with The Philippine Stock Exchange, Inc. (“PSE”) for the listing of the Common Shares of the Company that are already issued and outstanding, as well as the Offer Shares on March 22, 2013. The Board of Directors of the PSE approved the listing of the Common Shares on July 24, 2013.

The approval of the application will be made only upon compliance with the requirements for listing. The PSE assumes no responsibility for the correctness of any of the statements, opinions, and reports made or expressed in this Prospectus. The listing of the Common Shares of the Company is subject to the approval of the PSE Board of Directors. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The PSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, salesperson, or other person has been authorized by the Company or the Issue Manager and Underwriter to issue any advertisement or to give information or make any representation in connection with the Offer other than those contained in this document, and if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Issue Manager and Underwriter.

This Prospectus has been authorized for circulation and distribution only in the Philippines. The distribution of this Prospectus and the Offer of the Offer Shares may be restricted by law in certain jurisdictions. The Company and the Issue Manager and Underwriter require persons into whose possession this Prospectus comes to inform them of, and observe all such restrictions. Prospective investors should also inform themselves on any taxation or legislation affecting them personally, and should consult their professional advisers with respect to the acquisition or disposition of the Offer Shares.

For investor relation matters, investors may contact Ms. Mary Jean D. Codiñera, the Company's Investor Relations Officer, at (+632) 519-5626, telefax number (+632) 519-5625, and through her email address jean.codinera@discovery.com.ph.

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A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

DISCOVERY WORLD CORPORATION

By:

RUBEN C. TIU
Chairman of the Board

JOHN Y. TIU, JR.
Director and President

ROMUALDO C. MACASAET
Director, Chief Financial Officer and
Treasurer

LAMBERTO R. VILLENA
Director

A. BAYANI K. TAN
Director and Corporate Secretary

CHUN BING G. UY
Independent Director

ELIZABETH ANN C. PARPAN
Independent Director

SUBSCRIBED AND SWORN to before me this _____ at _____, Metro Manila, affiants exhibiting the following:

Affiant	Type of ID and ID Number
Ruben C. Tiu	TIN 101-831-527
John Y. Tiu, Jr.	TIN 106-218-996
Romualdo C. Macasaet	TIN 180-178-105
Lamberto R. Villena	TIN 106-573-810
A. Bayani K. Tan	TIN 102-054-041
Chun Bing G. Uy	TIN 106-573-744
Elizabeth Ann C. Parpan	TIN 175-876-113

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of 2013.

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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following words or expressions shall have the following meanings:

“Abacus Capital”	Abacus Capital & Investment Corporation, the Company’s Issue Manager and Underwriter
“Applicant”	A person, whether natural or juridical, who seeks to subscribe to the Initial Public Offering by submitting an Application to Subscribe under the terms and conditions prescribed in this Prospectus
“Application to Subscribe” or “Application”	The application to subscribe to the Offer Shares
“AOI & By-Laws”	Articles of Incorporation and By-Laws of the Company
“Banking Day”	Any of the days in a week, except Saturdays, Sundays, and holidays, when banks are not required to do, or are authorized by law to close for, business in Metro Manila
“BIR”	Bureau of Internal Revenue
“Board of Directors” or “Board” or “BOD”	The board of directors of the Company
“Book Value per Share”	The result of dividing the Total Stockholders’ Equity account of the Company by the total number of Common Shares issued and outstanding
“BPI”	Bank of the Philippine Islands
“BSP”	Bangko Sentral ng Pilipinas
“CAGR”	Compounded Annual Growth Rate, the year-over-year growth rate of an investment over a specified period of time. The compounded annual growth rate is calculated by taking the n^{th} root of the total percentage growth rate, where n is the number of years in the period being considered.

“Certificate of Permit”	Certificate of Permit to Offer Securities for Sale issued by the SEC
“Common Shares” or “Shares”	The shares of common stock of the Company with a par value of ₱1.00 per share, including the Offer Shares
“Company”, “Issuer”, or “DWC”	Discovery World Corporation (formerly, Southern Visayas Property Holdings, Inc.)
“DENR”	Department of Environment and Natural Resources
“Discovery Fleet”	Discovery Fleet Corporation, a subsidiary of TDLCI
“DOT”	Department of Tourism
“Eastwest”	East West Banking Corporation
“EBITDA”	Earnings Before Income Tax, Depreciation, and Amortization
“ECC”	Environmental Compliance Certificate
“EIS”	Environmental Impact Statement
“Eligible Applicant”	Any person of legal age or duly organized and existing corporations, partnerships, or other corporate entities applying to subscribe to the Offer Shares, regardless of nationality
“EMP”	Environmental Management Plan
“Enderun”	Enderun Colleges, Inc., an educational institution offering a full range of bachelor’s degree, non-degree, short-term, and vocational courses and programs in the fields of hotel and restaurant management and culinary arts
“Escrow Bank”, “Custodian Bank”, and “Receiving Agent”	Sterling Bank of Asia
“Euro-Pacific”	Euro-Pacific Resorts, Inc., the company that owns and operates Club Paradise, a resort in Dimakya Island, Coron, Palawan

“FIT”	Free or Fully Independent Travelers, refers to a single traveler or a small group of up to 9, in contrast to large, organized groups. These leisure tourists are independent, planning their own travel, itinerary, or route without the assistance of a group tour, pre-arranged schedule, or other group setting.
“FLAgT”	Forest Land Use Agreement for Tourism Purposes
“GDP”	Gross Domestic Product
“Government”	The Government of the Republic of the Philippines
“HSAI”	Hotel Systems Asia, Inc., a related party of the Company by virtue of the former being a subsidiary of JTKC Equities, Inc.
“IPO”	Initial Public Offering
“JEI”	JTKC Equities, Inc., a major shareholder of the Company
“KIC”	Kent Industrial Corporation, the accommodation mortgagor for the OLSA.
“LSI”	Local Small Investor, a share subscriber who is willing to subscribe a minimum board lot or whose subscription does not exceed ₱25,000.00
“LTO”	Land Transportation Office
“Manual”	Manual of Corporate Governance
“MARINA”	Maritime Industry Authority, the single administration in the Philippines responsible for oversight in the implementation of the 1978 international convention on standards of training, certification, and watchkeeping for seafarers, as amended
“Offer”	The Initial Public Offering of 168,000,000 primary Common Shares of the Company subject to the terms and conditions stated in this Prospectus and in the Application to Subscribe

“Offer Period”	The period commencing at 9:00 a.m. on November 8,, 2013 and ending at 12:00 noon, on November 14,, 2013 unless extended by agreement between the Company, the Underwriter, and the PSE
“Offer Price”	₱3.28 per Offer Share
“Offer Shares”	168,000,000 primary Common Shares of the Company that are subject to the Offer
“OFs”	Overseas Filipinos
“OLSA”	Omnibus Loan and Security Agreement, the agreement between DBP as lender and the Company as the borrower
“P&A”	Punongbayan and Araullo, the Company’s external auditor
“Palawan Cove”	Palawan Cove Corporation
“PCD Nominee”	PCD Nominee Corporation, a corporation wholly owned by PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC
“PDTC”	Philippine Depository and Trust Corporation
“₱” or “Peso”	Philippine Peso, or lawful currency of the Republic of the Philippines
“PFRS”	Philippine Financial Reporting Standards
“PSE”	The Philippine Stock Exchange, Inc.
“P&A”	Punongbayan & Araullo, the Company’s independent auditors
“R.A.”	Republic Act
“SCCP”	Securities Clearing Corporation of the Philippines
“SEC”	Securities and Exchange Commission of the Philippines
“SRC”	R. A. No. 8799, otherwise known as The Securities Regulation Code

“Stock Transfer Agent”	Rizal Commercial Banking Corporation – Stock Transfer Processing Section
“SVPHI”	Southern Visayas Property Holdings, Inc., the former name of the Company before it changed its corporate name to “Discovery World Corporation”
“TDLCI”	The Discovery Leisure Company, Inc., a major shareholder of the Company
“Trading Day”	Any day on which trading is allowed in the PSE
“Trading Participants” or “TPs”	The member brokers of the PSE
“\$ or USD”	United States Dollar
“VAT”	Value-added Tax

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PARTIES TO THE OFFER

The Issuer

Discovery World Corporation

(formerly, Southern Visayas Property Holdings, Inc.)

Principal Office: Station 1, Balabag
Malay, Aklan

Corporate Office: 2F JTKC Centre
2155 Chino Roces Ave.
Makati City

Issue Manager and Underwriter

Abacus Capital & Investment Corporation

2902 East Tower
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Legal Counsel to the Issue

Tan Venturanza Valdez

2704 East Tower
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City, Metro Manila

Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City, Metro Manila

Escrow Bank, Custodian Bank, and Receiving Agent

Sterling Bank of Asia

Trust Group
3/F Sterling Bank Corporate Center
Ortigas Avenue, Greenhills
San Juan City, Metro Manila

Stock Transfer Agent

Rizal Commercial Banking Corporation

Stock Transfer Processing Section
Ground Floor, West Wing, 221 Grepalife Building
Sen. Gil Puyat Avenue, Makati City

SUMMARY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

The Offer

The Company is offering for subscription One Hundred Sixty-Eight Million (168,000,000) primary Common Shares to be issued out of the existing authorized capital stock, each with a par value of ₱1.00 per share. The Offer Shares shall enjoy equal rank, preference, and priority with the issued and outstanding Common Shares of the Company. The Offer Shares are being made available for subscription in the Philippines at an Offer Price of Three Pesos and Twenty-Eight Centavos (₱3.28) per share.

The Company expects to raise gross proceeds of Five Hundred Fifty-One Million and Forty Thousand Pesos (₱551,040,000.00). The net proceeds from the Offer, after deducting all related fees and expenses from the gross proceeds, will approximately be Five Hundred Sixteen Million Four Hundred Fifty-Five Thousand Eight Hundred Six Pesos and Nine Centavos (₱516,455,806.09). The net proceeds from the Offer will be used for: (a) the acquisition of Discovery Fleet and Palawan Cove; (b) debt retirement; and (c) working capital purposes.

The Offer Shares shall represent 26.84% of the Company's total issued and outstanding capital stock after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be underwritten, on a firm basis, by Abacus Capital. The total fees to be derived by the Issue Manager and Underwriter shall be based on a percentage of the gross proceeds from the sale of the Offer Shares which is exclusive of out of pocket expenses and inclusive of amounts that will be ceded to the Selling Agents.

The Company

The Company was incorporated and registered with the SEC on January 5, 1993 as Southern Visayas Property Holdings, Inc. On March 21, 2013, the SEC approved the change of the Company's name to "Discovery World Corporation (doing business under the names and styles of Discovery Shores Boracay, Discovery Shores, Platitos Resto-Bar, Sands Lounge, Indigo Resto-Bar and Sunken Pool Bar)".

Its primary purpose is to develop, invest in, own, acquire, administer, construct and operate hotels, resorts, apartelles, condominiums, townhouses, buildings, other tourist-related structures, and their usual facilities, including but not limited to, the operation of transportation or shuttle services for tourists in all its various forms by means of automobiles, motor cars, buses, trucks, cruise lines, yachts, boats, luxury vessels, leisure and

sports crafts, and other similar modes of transportation and conveyances of every kind and description as may be allowed by law.”¹

Currently, the Company operates Discovery Shores Boracay, a resort hotel located in Boat Station 1 of the island of Boracay, Aklan. Its registered address and principal place of business is at Station 1, Balabag, Malay, Aklan, Philippines. The Company’s commercial operations started on March 22, 2007. The Company has a management agreement with The Discovery Leisure Company, Inc. (“TDLCI”) for the operation of Discovery Shores Boracay for an initial term from March 1, 2013 to February 28, 2022, extendible by the parties. Discovery Shores Boracay received several recognitions in its five (5) years of operations. These include: (a) No. 1 Hotel Spa in Asia, (b) Top Family Hotel in Asia, (c) the No. 2 Top Resorts in Asia, and (d) No. 5 Top Resorts in the World in 2012.

On September 27, 2013, the Company acquired a 67.00%-stake in Euro-Pacific Resorts, Inc. (“Euro-Pacific”), the company that owns and operates Club Paradise in Dimakya Island, Coron, Palawan. Euro-Pacific was incorporated on May 3, 1989. Club Paradise enjoys an “AA” resort accreditation rating from the Department of Tourism (“DOT”). It offers a total of 52 units situated in different areas in the island. It received the Kalakbay “Resort of the Year (AA category)” award in 2001 and 2003 from the DOT.

The major shareholders of the Company are JTKC Equities, Inc. (“JEI”) owning 66.07% of the Company and TDLCI owning 33.93% of the Company pre-IPO.

For a detailed discussion of the Company, please refer to section “The Company” section starting on page 65 of this Prospectus.

Competitive Strengths

The Company’s competitive strengths include the following:

- Recognized brand name;
- Strategic location;
- Service that’s all heart;
- Excellent facilities; and
- Value for money.

For a detailed discussion of the Company’s competitive strengths, please refer to section “Competitive Strengths” section starting on page 67 of this Prospectus.

¹ As approved by the SEC on March 21, 2013.

Business Strategies

The Company's business strategies include the following:

- Capitalize on prime location and provide luxurious guestrooms and excellent resort facilities to attract high-end leisure markets;
- Deliver outstanding, consistent, and personalized service with unique "wow factors" and continuous enhancements/innovations to keep guests coming back;
- Maintain rate level for luxury market category and focus on revenue management for sustainable growth; and
- Ensure sufficient investment in each property to retain and attract guests and industry partners.

For a detailed discussion of the Company's business strategies, please refer to section "Business Strategies" section starting on page 71 of this Prospectus.

Investment Considerations and Risk Factors

Before making an investment decision, prospective investors are advised to consider carefully all the information contained in this Prospectus, including the following key points characterizing the potential risks associated with an investment in the Offer Shares, presented in the order of importance.

Risks relating to the Company and its Business

- Dependence on the Conditions of the Philippine Hospitality Industry
- Highly Competitive Resort Tourism Industry
- Entry into New Businesses
- Economies of Tourists' Home Countries
- Imitation or Infringement of the Company's Intellectual Property Rights
- Tourism Seasonality
- Reclassification of Parcels of Land in Boracay Island
- Available Infrastructure and Steady Power in Boracay and Dimakya Island
- Tourist Transportation between Caticlan and Boracay
- Tourist Transportation between Coron and Dimakya Island
- Availability of Hospitality Industry Workers
- Competition in Areas for Future Resort Hotel Developments
- Limited Experience in Resort Hotel Operations
- Peace and Order Situation in Property Locations
- Environmental Issues in Boracay
- Labor Matters
- Dependence on Members of Senior Management Team
- Rescission of Memorandum of Agreement with HSAI

Risks relating to the Philippines

- Political or Social Instability in the Philippines
- Occurrence of Natural Catastrophes
- Downgraded Status of the Civil Aviation Authority of the Philippines
- Poor Maintenance and Lag in Expansion of Airports in the Philippines
- Travel Advisories to the Philippines
- Philippine Dispute with China
- Foreign Exchange Controls

Risks relating to the Offer and the Offer Shares

- Listing of Offer Shares on the PSE
- Trading and Liquidity
- Market Volatility

Please refer to the section entitled “Investment Considerations and Risk Factors” beginning on page 19 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

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Summary Financial Information

The table below presents the summary of operating and financial information of the Company for periods ending December 31, 2010, 2011, and 2012, and June 30, 2012 and 2013, and as of December 31, 2010, 2011, and 2012, and June 30, 2013. The summary financial data below are based on its audited financial statements prepared in accordance with Philippine Financial Reporting Standards (“PFRS”). The summary financial information should be read in conjunction with the auditor’s reports and the financial statements and notes thereto contained in this Prospectus and the sections entitled “*Management’s Discussion*”.

The information below is not necessarily indicative of the results of future operations or financial condition of the Company.

Table 1: DWC Summary of Comprehensive Income					
<i>Amounts in ₱millions</i>	2010	2011	2012	June 30, 2012	June 30, 2013
Revenues	308.64	347.78	366.00	204.94	206.26
Costs of Sales and Services	152.68	161.96	188.92	98.52	99.32
Gross Income	155.95	185.82	177.08	106.42	106.94
Operating Expenses	93.28	113.85	140.07	81.88	57.89
Operating Income	62.68	71.97	37.01	24.54	49.06
Other Charges (Income)	23.08	8.98	8.18	3.60	5.45
Profit Before Tax	39.60	62.99	28.83	20.94	43.61
Net Profit	38.03	62.64	21.22	15.59	30.53

Differences in decimal numbers are due to rounding off.

Table 2: DWC Summary of Financial Position				
<i>Amounts in ₦ millions</i>	2010	2011	2012	June 30, 2013
Assets				
Cash and cash equivalents	59.72	60.18	96.99	99.45
Trade and other receivables - net	115.82	114.64	20.38	16.60
Financial asset at fair value through profit or loss	-	-	62.50	62.50
Due from related parties	-	-	96.36	165.68
Inventories	13.54	14.84	15.15	16.91
Other current assets	37.92	51.63	30.82	32.79
Total Current Assets	227.01	241.30	322.19	393.92
Property and equipment - net	603.11	615.74	622.46	616.82
Investment property	10.94	12.42	12.72	12.72
Deferred tax asset	-	-	2.38	2.37
Other non-current assets	1.90	1.90	1.90	1.90
Total Non-current assets	615.95	630.06	639.46	633.82
Total Assets	842.96	871.36	961.65	1,027.74
Liabilities and Shareholder's Equity				
Interest- bearing loans and borrowings	114.50	117.50	147.50	197.50
Trade and other payables	94.25	113.57	128.96	128.32
Due to related parties	7.32	8.23	0.96	0.64
Income tax payable	-	-	1.44	6.52
Total Current Liabilities	216.07	239.30	278.86	332.98
Interest- bearing loans and borrowings - net of current	196.88	159.38	121.88	103.13
Due to a related party	5.08	5.08	5.08	5.08
Retirement benefit obligation	2.07	5.04	7.29	7.48
Total Non-Current Liabilities	204.03	169.50	134.24	115.68
Total Liabilities	420.10	408.80	413.10	448.66
Capital stock	155.40	155.40	155.40	458.00
Deposit for Future Subscription	258.00	237.00	302.60	-
Revaluation reserves	-	-1.96	-1.48	-1.48
Retained Earnings (Deficit)	9.47	72.12	92.03	122.56
Total Equity	422.87	462.56	548.55	579.08
Total Liabilities and Shareholder's Equity	842.96	871.36	961.65	1,027.74

Differences in decimal numbers are due to rounding off.

TERMS OF THE OFFER

<p>Offer Shares</p>	<p>The Company is offering for subscription 168,000,000 primary Common Shares to be issued out of the existing authorized capital stock. The Offer Shares have a par value of One Peso (₱1.00) per share and enjoy equal rank, preference, and priority with the existing issued and outstanding Common Shares of the Company.</p> <p>The Company shall allocate 50,400,000, or 30.00% of the Offer Shares, among the PSE Trading Participants (“TPs”). Each TP shall initially be allocated 373,000 Offer Shares (computed by dividing the Offer Shares allocated to the PSE Trading Participants between 135 PSE Trading Participants) and subject to reallocation as may be determined by the PSE. A total of 16,800,000, or 10.00% of the Offer Shares, shall be allocated to the Local Small Investors (“LSIs”). The Issue Manager and Underwriter will distribute 100,800,000 Offer Shares, or 60.00% of the Offer Shares, directly to the general public. At the completion of the Offer, the Offer Shares will comprise 26.84% of the Company’s issued and outstanding shares of 626,000,000.</p>
<p>Offer Price</p>	<p>The Offer Shares are being offered at the price of Three Pesos and Twenty-Eight Centavos (₱3.28) per Offer Share. Please see section “Determination of Offer Price” on page 56.</p>
<p>Offer Period</p>	<p>The Offer Period shall commence at 9:00 a.m. of November 8, 2013 up to 12:00 noon of November 14, 2013. DWC and Abacus Capital reserve the right to extend or terminate the Offer Period at any time subject to prevailing market conditions and the approval by the SEC and the PSE.</p> <p>Applications from Trading Participants, LSIs, and the Underwriter must be received by the Receiving Agent not later than 12:00 noon of November 14, 2013. Applications received thereafter or with incomplete documents will be rejected.</p> <p>The five (5)-day Offer Period shall be followed unless sooner terminated or extended by the Company after obtaining SEC and PSE approvals. If, for any reason, any day of the Offer Period is a non-Banking Day, the Offer Period shall automatically be extended to the next succeeding Banking Day/s.</p>
<p>Payment Terms</p>	<p>The Offer Shares must be paid for in full upon submission of the Application and the requisite attachments.</p> <p>Payment for the Offer Shares shall be made either by: (a) a personal or corporate check/s drawn against an account with a Bangko Sentral ng Pilipinas (“BSP”) authorized bank at any of its branches located in Metro Manila; or (b) a managers’ or cashiers’ check issued by such</p>

	<p>authorized bank.</p> <p>Checks must be made payable to the order of “DWC IPO” crossed “Payee’s Account Only” and dated as of the date of the Application.</p>												
Minimum Subscription	<p>The Offer Shares may be subscribed at a minimum of 1,000 Offer Shares and, thereafter, in multiples of 1,000 Offer Shares. No application for multiples of any other number of Offer Shares shall be considered.</p>												
Restriction on Issuance and disposal of shares	<p>The Company’s existing stockholders who own at least 10.00% of the outstanding shares of stock shall enter into an Escrow Agreement with an Escrow Agent not to sell, assign, or in any manner dispose of their shares for a period of 180 days commencing on the Listing Date.</p> <p>Furthermore, shares issued and fully paid for within 180 days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least 365 days from full payment of said shares.</p> <p>In accordance with the Listing Rules for the Main and Small, Medium and Emerging (“SME”) Boards of the PSE, the following are covered by the lock-up requirement:</p> <table border="1" data-bbox="560 1093 1418 1375"> <thead> <tr> <th>Shareholder</th> <th>No of Shares Subject to Lock-Up for 180 days</th> <th>No of Shares Subject to Lock-Up for 365 days</th> </tr> </thead> <tbody> <tr> <td>The Discovery Leisure Company, Inc.</td> <td>155,399,995</td> <td>-</td> </tr> <tr> <td>JTKC Equities, Inc.</td> <td>248,000,000</td> <td>54,599,998</td> </tr> <tr> <td>Total</td> <td>403,399,995</td> <td>54,599,998</td> </tr> </tbody> </table>	Shareholder	No of Shares Subject to Lock-Up for 180 days	No of Shares Subject to Lock-Up for 365 days	The Discovery Leisure Company, Inc.	155,399,995	-	JTKC Equities, Inc.	248,000,000	54,599,998	Total	403,399,995	54,599,998
Shareholder	No of Shares Subject to Lock-Up for 180 days	No of Shares Subject to Lock-Up for 365 days											
The Discovery Leisure Company, Inc.	155,399,995	-											
JTKC Equities, Inc.	248,000,000	54,599,998											
Total	403,399,995	54,599,998											
Summary of Use of Proceeds	<p>The gross proceeds from the Offer will amount to ₱551,040,000.00. The net proceeds from the Offer, after deducting the estimated related expenses to the Offer, will amount to ₱516,455,806.09 and will accrue to the Company.</p> <p>The net proceeds from the Offer will be used for the following, in order of priority: (a) the acquisition of Discovery Fleet and Palawan Cove; (b) debt retirement; and (c) working capital purposes. In the event that the actual expenses relating to the Offer differ from the estimates, the actual net proceeds may be higher or lower than the expected net proceeds. Any increase or decrease in the net proceeds will be addressed by corresponding adjustments to the Company’s provision for working capital requirements.</p>												

	<table border="1"> <thead> <tr> <th colspan="3">Breakdown of Net Proceeds from Offer</th> </tr> <tr> <th>Purpose</th> <th>Amount</th> <th>Date of Disbursement</th> </tr> </thead> <tbody> <tr> <td>Entry into New Businesses: Acquisition of Discovery Fleet and Palawan Cove</td> <td>₱120,000,000</td> <td>4th Quarter 2013</td> </tr> <tr> <td>Debt retirement</td> <td>325,000,000</td> <td>4th Quarter 2013</td> </tr> <tr> <td>Working capital purposes</td> <td>71,455,806</td> <td>4th Quarter 2013</td> </tr> <tr> <td>Total</td> <td>₱516,455,806</td> <td></td> </tr> </tbody> </table>	Breakdown of Net Proceeds from Offer			Purpose	Amount	Date of Disbursement	Entry into New Businesses: Acquisition of Discovery Fleet and Palawan Cove	₱120,000,000	4th Quarter 2013	Debt retirement	325,000,000	4th Quarter 2013	Working capital purposes	71,455,806	4th Quarter 2013	Total	₱516,455,806	
Breakdown of Net Proceeds from Offer																			
Purpose	Amount	Date of Disbursement																	
Entry into New Businesses: Acquisition of Discovery Fleet and Palawan Cove	₱120,000,000	4th Quarter 2013																	
Debt retirement	325,000,000	4th Quarter 2013																	
Working capital purposes	71,455,806	4th Quarter 2013																	
Total	₱516,455,806																		
<p>Eligible Applicant and Restrictions on Ownership</p>	<p>The Offer Shares may be subscribed to or held by any person of legal age or duly organized and existing corporation, partnerships, or other corporate entities regardless of nationality, subject to the restrictions provided by law on foreign ownership of companies engaged in certain activities, and to the Company's and Issue Manager and Underwriter's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase.</p> <p>At present, the Company owns several parcels of land and enjoys a perpetual right of way over a lot, all located in Balabag, Malay, Aklan. The Philippine Constitution and related statutes limits foreign ownership in a domestic corporation that owns real property to a maximum of 40.00% of its outstanding capital stock entitled to vote. Accordingly, said domestic corporation cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership described above.</p>																		
<p>Dividends</p>	<p>The Company is authorized to distribute dividends out of its surplus profit. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($\frac{2}{3}$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.</p> <p>On July 22, 2013, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its shareholders as dividends, whether cash, property or stock, at least ten percent (10.00%) of the Corporation's net income for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company's business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders' requirements, appropriate reserves and applicable laws.</p>																		

	As of the date of this Prospectus, the Company has not declared any kind of dividend to its shareholders since its incorporation. Refer to the section “Dividends and Dividend Policy” on page 50 of this Prospectus.
Application and Acceptance	<p>Application forms to subscribe for the Offer Shares may be obtained from Abacus Capital or from any TP.</p> <p>All applications (the “Application”) shall be evidenced by the Application to Subscribe form, duly executed in each case by an authorized signatory of the Applicant and accompanied by:</p> <ul style="list-style-type: none"> a. one (1) completed signature card; b. the corresponding payment for the Offer Shares covered by the Application; c. photocopy of two (2) valid identification cards (IDs) for each signatory, one (1) of which should be a government ID; and d. all other required documents. <p>Applications must be received by the Receiving Agent not later than 12:00 noon of November 14, 2013. Applications received thereafter or without the required documents will be rejected.</p>
Other Documentary Requirements for Corporate Applicants	<p>If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:</p> <ul style="list-style-type: none"> a. a certified true copy of the Applicant’s latest Articles of Incorporation and By-Laws; b. a certified true copy of the SEC Certificate of Registration of the Applicant and other constitutive documents, duly certified by its Corporate Secretary; and c. a duly notarized Corporate Secretary’s certificate that sets forth: <ul style="list-style-type: none"> (i) the resolution of the Applicant’s Board of Directors authorizing the purchase of the Offer Shares subject of the Application and designating signatories for the purpose; and (ii) the specimen signatures of such designated signatories
Requirements for Non-Resident Individual or Foreign Corporate and Institutional Applicants	In addition to the requirements for corporate applicants, non-resident individuals or foreign corporate and institutional Applicants are required to submit together with the Application, a representation and warranty stating that their investing in the Offer Shares being applied for will not violate the rules and jurisdiction of incorporation and organization and that they are allowed to acquire or invest in the Offer Shares.
Right to Accept/Reject/Scale down Applications	The actual number of Offer Shares subject of the Application to Subscribe forms shall be subject to confirmation by Abacus Capital and the final approval of DWC. DWC and Abacus Capital reserve the right to accept, reject, or scale down the number and amount of Offer

	<p>Shares covered by the Application. DWC and Abacus Capital have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as DWC and Abacus Capital, in their sole discretion, may deem appropriate, subject to the distribution guidelines of the PSE. Applications received after the expiration of the Offer Period or any extension thereof or Applications with incomplete requirements shall be rejected. Applications where checks are dishonored upon first presentation and Applications that do not comply with the terms of the Offer shall be rejected. Any payment received pursuant to the Application does not mean approval or acceptance by DWC of the Application. Notwithstanding, the acceptance of any Application to Subscribe forms, the actual subscription of the Offer Shares by the Applicant will be effected only upon the Listing of the Offer Shares at the PSE.</p>
<p>Refunds</p>	<p>In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Issue Manager and Underwriter, is less than the number covered by its Application, or if an Application is rejected by the Company, DWC shall refund, without interest, via check payable to the Applicant (or in case of joint Applicants to the first named Applicant) and crossed "Payee's Account Only", within five (5) Banking Days from the end of the Offer Period, all, or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected.</p> <p>Such refund check shall be made available for pickup at the Receiving Agent's offices five (5) days after the end of the Offer Period. Refund checks that remain unclaimed after thirty (30) days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address indicated in the Application.</p>
<p>Registration and Lodgment of Shares with the PDTC</p>	<p>All shares are required to be lodged with the Philippine Depository and Trust Corporation (the "PDTC"). The Applicants must provide the required information in the space provided in the Application to effect the lodgment. The Offer Shares will be lodged with the PDTC at least two (2) trading days prior to the Listing Date.</p> <p>The Applicant may request for the uplifting of their shares and to receive stock certificates evidencing their investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.</p>
<p>Issuance and Transfer Taxes</p>	<p>All fees of the Stock Transfer Agent, documentary stamp or other taxes, and other expenses that may be incurred in connection with the sale of the Offer Shares and the lodgment of the shares, shall be for the account of DWC.</p>

Registration of Foreign Investments	<p>The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the banking system. The registration from the BSP of all foreign investments in the Offer Shares will be the responsibility of the foreign investors. See “Philippine Foreign Investments, Foreign Ownership and Exchange Controls” on page 240 of this Prospectus.</p>
Listing and Trading	<p>It is expected that the Offer Shares shall be listed on the PSE on November 21, 2013, and trading is expected to commence on the same date.</p> <p>In the event that the shares are not listed in the PSE for any reason, DWC shall return the payments made by the Applicants for the Offer Shares under their respective Applications without interest.</p>
Expected Timetable	<p>The expected timetable of the Offer is scheduled as follows:</p> <p>Start of Offer: November 8, 2013 End of Offer: November 14, 2013 Submission of Firm Order and Commitments by Trading Participants: November 12, 2013 Deadline of Submission of Application for Trading Participant’s, LSIs, and Underwriter: November 14, 2013 Lodgment of Shares with PDTC: November 19, 2013 Listing Date and Commencement of Trading on the PSE: November 21, 2013</p>

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INVESTMENT CONSIDERATIONS AND RISK FACTORS

Before making an investment decision, prospective investors should carefully consider the risks described below in addition to the other information set forth in this Prospectus. However, this section does not purport to disclose all risks and other significant aspects of investing in the Offer Shares. Investors deal in a range of investments, each of which may carry a different level of risk. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and may cause the market price of the Offer Shares to fall significantly.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performances. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities.

The Prospectus contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements as a result of certain factors that may include, but are not limited to, those discussed below. Certain terms used in this description of risk factors are defined elsewhere in this Prospectus.

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to be invested in or the nature of risks involved in trading of securities, especially in the trading of high-risk securities. Investors should undertake independent research regarding the Company and the trading of securities before commencing any trading activity and may request all publicly available information regarding the Company and the Offer Shares from the SEC. Each investor should consult his/her own counsel, accountant, and other advisors as to legal, tax, business, financial, and other related aspects of an investment in the Offer Shares.

The following risks are listed in the order of importance and discuss fully the factors that make the offering speculative or risky.

Risks relating to the Company and its Business

Dependence on the Conditions of the Philippine Hospitality Industry

A number of factors, many of which are common to the global hospitality industry, could affect the conditions of the country's hospitality industry and the Company's financial performance, including the following:

- Changes in the domestic, regional, and global economies, which are affected by factors, including, but not limited to, the political landscape, environmental conditions, and viral epidemics such as human avian flu and Severe Acute Respiratory Syndrome (SARS);
- Increased threat of terrorism, terrorist events, airline strikes, hostilities between countries, or increased risk of natural disasters that may affect travel patterns and reduce the number of business and commercial travelers and tourists;
- Changes in governmental laws and regulations, fiscal policies, and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies, and ordinances;
- Increased competition in the Boracay hospitality industry, for example new supply in the markets within which the Company operates in or will operate in, which could negatively affect the Company's resort hotel's occupancy;
- Increases in operating costs and occurrence of unanticipated costs due to various reasons, including inflation, labor costs, workers' compensation and health-care related costs, utility and energy costs, property tax, advertising and promotion expenses, insurance, environmental damage and acts of nature and their consequences;
- Changes in interest rates and in the availability, cost, and terms of debt financing and other changes in the business that adversely affect our ability to obtain financing and comply with debt financing covenants;
- Relations between service providers, suppliers, and/or lenders and the Company;
- Difficulties in identifying hospitality assets to acquire and completing and integrating acquisitions;
- Increase in transportation or fuel costs or strikes among workers in the transportation industry, particularly in the aviation industry; and
- Adverse weather patterns.

As a result of such factors, the Company's business, financial position, and results of operations could be materially and adversely affected.

Highly Competitive Resort Tourism Industry

Travel + Leisure has officially awarded Palawan as Overall Top Island and Top Island in Asia for 2013. Placing second to Palawan in both the Overall Top Island and the Top Island in Asia categories was Boracay, the winner of 2012 Top Island Award. The awards were given at the awarding ceremony for Travel + Leisure World's Best Awards held in New York City on July 18, 2013. The votes were casted through online voting where readers ranked their favorite Islands. The survey started from December 2012 to April 2013.¹

The Company is currently operating in Boracay through Discovery Shores Boracay and in Coron, Palawan through Club Paradise. With the continuous growth in tourism in these areas, more tourism-related businesses are established to cater to different market classes. The increasing number of hotels in Boracay and Coron has resulted in increased competition among these establishments. This situation may consequently lead to lower

¹ <http://www.travelandleisure.com/articles/worlds-best-islands-2013/2>

revenues and/or decreased profitability for companies in this line of business, including the Company.

While Boracay and Coron are slowly being saturated by all types of hotels and resorts, the Company believes that most of these are not direct competitors as they are not comparable to the products and services that the Company offers.

Discovery Shores Boracay is a luxury hotel that caters to the upper class market. The Company believes there are substantially fewer contenders in this particular segment in Boracay. The Company also tries to preserve the quality of its facilities and services continually in order to maintain competitiveness in the upper-middle and upper class markets to which it caters. Discovery Shores Boracay was even awarded as the Best Hotel Spa for 2012 for the Asia sub-category by Travel + Leisure magazine².

On the other hand, Club Paradise, for its size and price positioning, does not have significant competition in Coron. Its closest competition are El Rio y Mar and Busuanga Bay Lodge, but these are not private island resorts. The other significant island resorts in Coron are the Two Seasons Coron Island Resort & Spa with a much higher price point, and the exclusive Mangenguey Resort with only seven (7) villas. The Company plans to undertake the refurbishment of Club Paradise's facilities and amenities in the first quarter of 2014 in pursuit of attaining accolades anew, like the Kalakbay "Resort of the Year (AA category)" awards it received from the DOT in 2001 and 2003.

Entry into New Businesses

DWC's primary growth strategy is to enter new businesses. These include: (a) a cruise business; (b) a resort hotel business in San Vicente, Palawan; and (c) an island resort in Coron, Palawan. DWC is allocating a portion of the net proceeds of the Offer to fund the purchase of the first two (2) new businesses. The latter, on the other hand, will be funded by loans tapped from existing credit lines with local banks. The entry into these new businesses exposes the Company to a new set of challenges and risks as follows:

Entry into the Cruise Business

DWC is looking at acquiring Discovery Fleet Corporation, a cruise business that offers full diving and non-diving programs. Discovery Fleet, which made its maiden voyage in April 2013, offers divers with days of scuba diving in the Philippines' renowned dive sites that feature reefs, wrecks, and marine life and offers non-diving customers full days of snorkeling, island visits, kayaking, and beach hopping on board a cruise ship. The program for divers is bound for the Tubbataha Reef, with Cagayancillo and Calusa as add-on options. The diving season starts in late March and ends by mid-June. The program for non-divers is bound for Pandan Island, Coron, and Apo Reef with the season starting mid-October and ends mid-March.

² <http://www.travelandleisure.com/worldsbest/2012/air-cruise-more/more-hotel-spas-asia/418>

On April 10, 2013, the Company entered into a Memorandum of Agreement and a Supplemental Memorandum of Agreement on June 4, 2013 with TDLCI to purchase all of its rights and interests to the outstanding shares of Discovery Fleet. TDLCI currently owns 100.00% of Discovery Fleet.

The Company is earmarking ₱100.0 million from the proceeds of the Offer, wherein (a) ₱6.9 million is allocated to purchase the outstanding shares of Discovery Fleet held by TDLCI; (b) about ₱35.0 million is allocated to fund the refurbishments and upgrading of a boat owned by Discovery Fleet, and (c) the balance is allocated for general working capital.

The Company does not intend to change the management and personnel of Discovery Fleet after it concludes the acquisition of Discovery Fleet; thus, no disruption in operations is expected.

Given the nature of this business, the Company may be faced with challenges and risks related to the cruise boat and diving businesses.

Discovery Fleet's operation of cruise boats carries an inherent risk of loss caused by adverse weather conditions, maritime disaster, including, but not limited to, oil spills and other environmental mishaps, fire, mechanical failure, collisions, human error, and other circumstances or events. Although Discovery Fleet has skilled ship personnel, including its captain with 29 years and chief mate with 18 years in experience, there can be no assurance that any of these events can be entirely avoided and this may result in loss of life or property, loss of revenue, or increased costs.

The operation of cruise boats also involves the risk of other incidents at sea or while in port that may bring into question passenger safety may adversely affect performance and may lead to litigation against Discovery Fleet, including drowning, missing passengers, inappropriate crew or passenger behavior, and onboard crimes. Although passenger safety is the highest priority in the design and operation of Discovery Fleet, there can be no assurance that accidents and other incidents involving the cruise boats will not occur in the future. Furthermore, accidents such as drowning, injuries such as sinus squeeze, ear squeeze, reverse ear squeeze, and tooth squeeze, and medical issues onboard the cruise boats such as incidences of stroke, myocardial infarction (heart attack), and decompression sickness (Bends or Caisson's disease) may also cause problems as the cruise boats can take as much as 20 hours to get back to Puerto Princesa for the nearest hospital. Discovery Fleet has in its roster experienced and internationally-recognized dive masters with an average experience of five (5) years in leading dives in Philippine waters who are trained to be aware of the signs, symptoms, and treatment of diving-related injuries and decompression sickness. Discovery Fleet also supports DAN Asia-Pacific, which provides Worldwide Emergency Evacuation Coverage and optional Dive Injury (Treatment) Insurance Services for its members and is responsible for funding and/or manning 24-hour diving emergency hotlines throughout the Asia-Pacific region. Despite of these, there can still be no assurance that the onboard skilled personnel can always observe and be equipped with the necessary medical attention that the passengers will need and the assistance of DAN Asia-Pacific will always be on time and effective. Furthermore, hospitals in Puerto

Princesa are still not at par with the known tertiary hospitals in Metro Manila in terms of medical facilities, which may lead to sub-par medical attention.

Discovery Fleet has an outstanding insurance policy with MAA General Assurance Phils., Inc., which covers accidental death, total & permanent disablement, accidental dismemberment, unprovoked murder & assault, accidental medical reimbursement, food poisoning, repatriation expenses (within the Philippines only), and burial expenses for all manifested passenger of the vessel, for a maximum of 71 persons. There can be no assurance that all risks are fully insured against or that any particular claim will be fully paid. Such losses, to the extent that these are not adequately covered by contractual remedies or insurance, could affect Discovery Fleet's financial results.

It is possible that Discovery Fleet could be forced to cancel a cruise or a series of cruises due to these factors or incur increased port related and other costs resulting from such adverse events. Any such event involving the cruise boats may affect passengers' perceptions of safety or result in increased governmental or other regulatory oversight. An adverse judgment or settlement in respect of any claims that may arise against Discovery Fleet may also lead to negative publicity about it. Anything that will damage its reputation (whether or not justified), including adverse publicity about passenger safety, could have an adverse impact on demand, which could lead to reduction in sales.

Entry into the Resorts Business in San Vicente, Palawan

DWC is currently looking at entering the resort hotel business in San Vicente, Palawan that will feature world-class, five (5) -star facilities that its current upper class target market demand.

On May 3, 2013, the Company entered into a Memorandum of Agreement with TDLCI to purchase all of the latter's rights and interests to the outstanding shares of Palawan Cove. TDLCI currently owns 100.00% of Palawan Cove and 33.97% of DWC.

The Company is earmarking ₱20.0 million from the proceeds of the Offer, wherein (a) ₱12.5 million is allocated to purchase the outstanding shares of Palawan Cove held by TDLCI; and (b) the balance is allocated for working capital purposes.

The Company does not intend to change the management and personnel of Palawan Cove after it concludes the acquisition of Palawan Cove, thus, no disruption in operations is expected.

The Company may be faced with challenges in operating a new resort hotel in Palawan, a location that is currently unfamiliar to the Company as well as its affiliates in the hospitality/tourism business. The Palawan resort hotel is envisaged to operate in the same market as Discovery Shores Boracay, i.e. Philippine Class A and upper Class B markets, as well as tourists from Korea, Taiwan, USA, Russia, to name a few. The Company plans to replicate the successful strategies it implemented in Discovery Shores Boracay for the Palawan resort hotel. It will also tap TDLCI's experience in operating and managing this property.

The Company also faces the risk of the non-extension of its Forest Land Use Agreement for Tourism Purposes (“FLAgT”) with FLAgT No. 01-2012 with the Department of Environment and Natural Resources (“DENR”), which is valid for 25 years starting on February 27, 2012 and renewable for another 25 years. The Company plans to develop the Palawan Cove property starting on the latter half of 2013 and expects to start operations by 2015. Given this, the Company believes that it would start reaping the benefits from the investment starting on 2015 and it should be able to more than fully recoup its investments up until February 27, 2037. The Company believes that any extension from 2037 will just further improve the gains on its investment.

Entry into the Resorts Business in Coron, Palawan

On September 10, 2013, the Company entered into a Memorandum of Agreement to acquire Fifty Thousand (50,000) Euro-Pacific shares equivalent to One Hundred Percent (100.00%) ownership of Euro-Pacific. Euro-Pacific owns and operates Club Paradise located in Dimakya Island, Coron, Palawan.

On September 27, 2013, the Company signed the Deed of Assignment of Shares with Juergen Warnke, Lutgarda Bulacan, Eva Policar-Bautista, Luningning Robillo, and Noemi Evangelista to effect the acquisition of Thirty-Three Thousand Five Hundred (33,500) Euro-Pacific shares, equivalent to 67.00% of the outstanding capital stock of Euro-Pacific for ₱175,071,000.

On the same date, the Company paid deposits for future stock subscription in Euro-Pacific amounting to ₱64,454,000.

The Company also placed in escrow \$500,000 with Sterling Bank of Asia representing the partial payment for the remaining 33.00% of Euro-Pacific shares. The said escrow will be released upon the transfer of the remaining shares of Euro-Pacific to DWC.

The total purchase price for 100.00% ownership of Euro-Pacific is ₱261,300,000 at a US dollar exchange rate of ₱43.55. The purchase price represents a price to Earnings before Income Tax, Depreciation, and Amortization (“EBITDA”) ratio of 5.5x on its annualized June 2013 performance.

The amounts paid and put in escrow was funded through a loan from the Company’s existing credit line with Eastwest. This loan has a maximum tenor of 180 days with the interest set at prevailing market rates, reprisable, and payable monthly in arrears.

Euro-Pacific was incorporated on May 3, 1989. Its island resort, Club Paradise, currently enjoys an “AA” resort accreditation rating from the DOT. The island resort also received the Kalakbay “Resort of the Year (AA category)” awards in 2001 and 2003 from the DOT.

The 14-hectare Dimakya Island has 700 meters of powdery white sand beach gently sloping into clear turquoise waters with colorful reefs. The island offers exotic and endemic wildlife such as Calamian deer, scaly anteaters, monitor lizards, and rare birds including eagles and night herons that thrive on its the dense forest. The seas

around Dimakya Island present an abundance of giant clams, sea sponges, huge coral beds, multitude of fish, and other marine creatures. The seabed provides vast sea grass ground, which makes it an ideal feeding area for dugong or sea cow. In addition to this, the nearby Dimalanta Shipwreck, the wreck of World War II Japanese Kyokuzan Maru, also offers a very interesting site for divers.

On September 27, 2013, Euro-Pacific signed a Management Agreement with TDLCI for the operation of Club Paradise effective on October 1, 2013 until September 30, 2023, extendible by the parties. Furthermore, all employees of Euro-Pacific, excluding management, were simultaneously retired and re-hired under DWC on a contractual basis for a maximum of five (5) months. All employees who pass the standards of the new management will be retained.

The Company may also be faced with challenges in operating this island resort since Coron is a location that is currently unfamiliar to DWC as well as its affiliates in the hospitality/tourism business. Euro-Pacific has been operating since 1989 and has already built a reputation on its current market. This will enable the Company to replicate the successful strategies it implemented previously in addition to the successful strategies it implemented in Discovery Shores Boracay. The vast experience of TDLCI in managing and operating hotel properties will also benefit the Company.

The Company also faces the risk of the non-extension of Euro-Pacific's FLAgT with No. 4B-12312029-0001, valid for 25 years and expiring on December 31, 2029. The Company plans to start the refurbishment of the island resort by the first quarter of 2014, to be rolled on a per phase basis. After the Company finishes the refurbishments in 2015, the Company believes that it would start reaping Club Paradise's full potential by 2016 and that it should be able to more than fully recoup its investments up until December 31, 2029.

Economies of Tourists' Home Countries

The Company features facilities and services that are of world-class standards. This enables the Company to market Discovery Shores Boracay to foreigners in addition to upper class Filipino customers. A downturn in the economic performance of the countries and regions where a significant number of its potential foreign customers are located, such South Korea, Singapore, the United States, and European countries, among others, could adversely affect the inflow of foreign customers. This situation could have an adverse effect on the Company's business, financial condition and results of operation.

The Company actively participates in travel trade shows abroad to market Discovery Shores Boracay. The drop in one customer foreign group is usually covered by another foreign group. For example, in 2012, the guests from Taiwan decreased from 9.00% to 6.00%. However, the guests from South Korea increased to 23.00% from 21.00%. Furthermore, the efforts to increase revenues from Filipino guests also increased from 44.00% of total guest revenues in 2011 to 50.00% in 2012.

Imitation or Infringement of the Company's Intellectual Property Rights

The Company's "Discovery Boracay" and "Discovery Shores" trademarks under license are now very well established in the Philippines and abroad, and these trademarks are used in the marketing and promoting of Discovery Shores Boracay to the general public. The Company has a Trademark Licensing Agreement with Discovery World Ltd. that gives it the exclusive right to use in the Philippines some trademarks owned by Discovery World Ltd. Please refer to the sub-section entitled "Trademarks and Copyrights" of this Prospectus for more details.

In the event that the Company's trademarks under license are imitated or otherwise infringed, the Company's reputation and business may be adversely affected. There can be no assurance that these trademarks will not be susceptible to imitation or other infringement. In the event that the Company initiates legal or other proceedings to enforce its intellectual property rights, there can be no assurance that it will succeed in such proceedings or be able to obtain favorable outcomes at a reasonable cost or at all. In such an event, the Company's business, financial position, and results of operations could be materially and adversely affected.

Tourism Seasonality

The tourism business has pronounced seasonal aspects. The Company categorizes these as: (a) super peak during the Halloween, Christmas to New Year, Chinese New Year, Holy Week, and Golden Week, a Japanese holiday that starts on April 29 and ends on May 5; (b) peak during the period of October 16 to June 15; and (c) regular season during the period of June 16 to October 15.

Seasonality causes fluctuations in the number of tourist arrivals in a particular destination. It can cause under-utilization of resources during the regular season, and increased demand for resources during super peak and peak seasons. In general, seasonality is perceived to have a negative effect because it is linked with a reduction of revenues.

To address the effect of seasonality, the Company employs different strategies. These include: (a) price discrimination based on the said super peak, peak, and regular seasons; (b) market diversification by attracting more foreigners during the regular season; (c) other strategies including recruitment of temporary staff during super peak and peak seasons and minimizing costs during regular season; and (d) providing quality of service excellence, establishing the Discovery Shores Boracay as a preferred destination.

Reclassification of Parcels of Land in Boracay Island

Proclamation No. 1064 reclassified Boracay Island as forestland (protected area) and agricultural land (alienable and disposable). The actual ground survey and delineation divided Boracay Island into blocks: (a) Blocks A and D describe the area classified as agricultural land, which may be sold, leased or otherwise disposed of by the government for private use and titled by private claimants, while (b) Blocks B, C, and E to Q describe the area classified as forestlands, which cannot be alienated and disposed of by the government.

A person may file an application for registration under Presidential Decree No. 1529 of a parcel of land located in Project No. 13-A, if he qualifies under any of the following instances:

- a. Those who, by themselves or through their predecessors-in-interest, have been in open, continuous, exclusive and notorious possession and occupation of alienable and disposable lands of the public domain under a bona fide claim of ownership since June 12, 1945 or earlier;
- b. Those who have acquired ownership of land in any other manner provided by law; or
- c. Those who have acquired ownership of private lands or abandoned river beds by right of accession or accretion under existing laws.

Should the court hearing the registration application find that the applicant or such other party opposing the application has sufficient title proper for registration, judgment will be rendered confirming the title of the applicant or such opposing party. Said judgment becomes final upon the expiration of thirty (30) days from date of receipt of notice of judgment. After the judgment becomes final and executory, the court will issue an order for the issuance of the decree of registration and corresponding certificate of title in favor of the person adjudged entitled to registration. The decree of registration will bind the land and quiet title thereto, subject only to such exceptions or liens, as may be provided by law. It will be conclusive upon and against all persons, including the government. Upon the expiration of one (1) year from date of entry of the decree of registration, the decree of registration and the certificate of title issued will become incontrovertible. Any person aggrieved by such decree may pursue his remedy by action for damages against the applicant or any other person responsible for the fraud.

The properties upon which the Discovery Shores Boracay stand is within Project No. 13-A, Alienable or Disposable per LC Map. No. 3642 under Proclamation No. 1064 dated May 22, 2006.

Subject to the conditions previously mentioned, the Company intends to apply for the registration of the parcels of land under the Torrens System currently covered by tax declarations under its name. Although a tax declaration is not conclusive evidence of ownership of real property, it is a good indicator of possession in the concept of owner because under Philippine law, a voluntary declaration of real property for taxation purposes manifests not only the desire to obtain title to the said property but also a person's adverse claim against all interested parties thereto. A tax declaration, coupled with actual possession of the real property, constitute evidence of great weight and can be the basis of a claim of ownership through prescription. Hence, tax declarations under the name of the Company covering the parcels of land on which Discovery Shores Boracay stands, together with records maintained by the Company to show acquisition of ownership over said lots from previous owners and the consistent payment of real property taxes thereon by the Company and its predecessors-in-interest for over sixty years now, constitute strong evidence of actual possession that can ripen to ownership.

Available Infrastructure and Steady Power in Boracay and Dimakya Island

Given the increased number of establishments, related staff and workers, tourists, and local residents in Boracay, the island's key infrastructure facilities are usually overburdened especially during the super peak and peak seasons. The nearby airports of Aklan and Caticlan are usually strained from plane and tourist movements during these months, resulting in delays and inconveniences for visitors. The seaport and ferry service from the island of Aklan to Boracay and vice-versa are often strained also with the number of tourists moving back and forth that have caused delays as well. The power situation during super peak and peak seasons have resulted in intermittent power supply from the main power cooperative serving Boracay. Furthermore, power from the main power cooperative is often fluctuating and may damage sensitive electronic equipment or appliances. The super peak and peak seasons have also strained the solid waste disposal facilities of Boracay. The aforementioned strained infrastructure facilities and basic services may negatively affect tourists' experience of Boracay and may result in non-returns, or negative feedback that may cause others planning to visit Boracay to defer such plans. The strain in infrastructure and its negative effects may result in a decline in the Company's level of service delivery and negatively impact its operations and revenues as well.

To ensure that the Company's guests and visitors have a positive and good experience of Boracay and the Discovery Shores Boracay facilities, that Company ensures that its guests are taken care of, as soon as they get to the island of Aklan, the main gateway to Boracay. Guests are picked up by the Discovery Shores Boracay van and personnel at the airport and are transported to the seaport where the Company's own boats ferry guests to Boracay. Guests are then transported again in the Company's vans when they get to the Boracay ferry station. The Discovery Shores Boracay resort hotel is equipped with a generator set that is capable of providing the hotel and its facilities the required power to run all electrical requirements over a number of days. For solid waste management, the Company follows existing ordinances on waste segregation to manage biodegradable and recyclable wastes at the barangay level. The residual wastes are the responsibility of the local government unit, which uses the Malay Sanitary Landfill, a comprehensive and long-term solution for Boracay's solid waste management³.

Club Paradise is located at Dimakya Island, Coron, Palawan. Coron is easily accessible by air from Manila to Busuanga Airport with a travel time of about one (1) hour. There are currently two (2) local carriers that fly from Manila to Busuanga, and vice versa, on a daily basis. These are AirPhil Express and Cebu Pacific, which both complete five (5) flights a day. Club Paradise guests are picked up by chartered van at the airport and are transported to Yulo King Ranch, the jump-off point to get to the resort island, where chartered boats ferry guests to the island resort.

Club Paradise, being on an island, stands alone and is not connected to Coron's power grid. Club Paradise's electricity is supplied through generator sets. Water on the island is provided by three (3) means: (a) Club Paradise ferries fresh water into the island; (b) Club Paradise has its sewage treatment plant that recycles waste water for non-potable use; and (c) rain water is harvested during the rainy season as grey water. For solid waste

³ <http://sunboracay.com/en/a-call-for-a-sustainable-waste-management-on-boracay-island>

management, Club Paradise employs waste segregation. Biodegradable materials are composted while non-biodegradable materials are ferried to Coron, which are then after collected by the local government unit.

Tourist Transportation between Caticlan and Boracay

The movement of tourists between the ports of Caticlan and Boracay is facilitated only by ferryboats. Due to the large number of tourists during the super peak and peak seasons, there is often crowding and delays at the said ports. Overloading of boats and bad weather have, on some occasions, resulted in accidents.

As mentioned earlier, the Company maintains a fleet of its own boats that are for the exclusive use of its guests. This service has set the Company apart from other hotels and resorts in Boracay that do not provide such service.

Tourist Transportation between Coron and Dimakya Island

Upon landing at the Busuanga airport, Club Paradise picks up its guests with chartered vans and transports its guests to Yulo King Ranch for 20 minutes. Thereafter, Club Paradise guests are transported to Dimakya Island through chartered ferryboats for another 40 minutes.

The Company intends to acquire vans and ferry boats for Club Paradise as part of its improvements on its operations. This will ensure a smooth and safe transfer of visitors to and from the island resort. This service shall be exclusively available to Club Paradise guests only.

Availability of Hospitality Industry Workers

Given the growing number of hotels and resorts in Boracay and Coron, most establishments are not only competing for guests, but also for competent staff. Competing hotels often poach staff from other in order to build-up their staff and ensure satisfactory service delivery to guests. Staff poaching has resulted in more expensive personnel costs as well as service disruptions when staff members leave as establishments become understaffed.

While the Company is aware of such incidents of staff poaching, it believes that such incidents are greatly reduced given the better compensation, benefits, and lodging facilities made available to its employees and staff.

Competition in Areas for Future Resort Hotel Developments

The areas for the Company's planned resort hotel developments are also in areas that are currently established tourist destinations. Other resort hotels already exist in these target areas and competition for tourists/guests can become quite pronounced.

While the Company's future resort hotel developments might be coming in "late" in such established tourist destinations, it believes that, given the track record of service delivery and excellence of its Discovery Shores Boracay property that have received accolades

from various sectors, replicating the success factors of Discovery Shores Boracay in these new areas is a key objective and strategy in establishing its new resort hotel properties.

Limited Experience in Resort Hotel Operations

At present, the Company only has one resort hotel property, which is the Discovery Shores Boracay. The future plans and business strategies of the Company involve the establishment and management of additional resort hotel properties in other key tourist destinations in the country. Given its limited operating experience, there is no assurance that the new resort hotel properties of the Company will meet the same relative success and accolades that its Discovery Shores Boracay hotel has achieved.

While Discovery Shores Boracay is currently the only resort hotel property of the Company, it should be noted that TDLCI, one of the major shareholders, is a hotel management company that also manages Discovery Suites in Ortigas and Discovery Country Suites in Tagaytay. Its experience in running these successful hotel and resort hotels can be extended to the new resort hotel projects of the Company.

Peace and Order Situation in Property Locations

The peace and order situation in Boracay, Coron, and other areas for future hotel and resort development is generally fair. Elements of the Philippine National Police (PNP) are usually quite visible in key tourist destinations to ensure oversight and vigilance on crimes against tourists, and to maintain the peace and orderliness of the area. However, outlying areas of these main tourist destinations are susceptible to criminal elements committing crimes against tourists. Terrorist threats against tourists are generally present, and the vigilance and presence of the police and Armed Forces of the Philippines (AFP) are necessary in key areas. In a situation where there is a deterioration in the peace and order situation, or incidence of terrorist attacks in key tourist destinations, such as Boracay and Coron, tourist arrivals will be adversely affected. This situation, in turn, could also affect the operating results of the Company.

While the Company relies on the PNP and AFP for maintaining the peace and order situation and protecting its guests and facilities from terrorist threats, the Company also employs its own security force to ensure that its immediate environs have an appropriate first line of protection and defense for both Discovery Shores Boracay and Club Paradise.

The nearest PNP station to Discovery Shores Boracay is the Malay Auxiliary police and the Brgy. Balabag police, which are just 500 meters away and can be called upon for additional security.

For Club Paradise, the AFP - Western Command in Canigaran and the PNP - Palawan Command spearhead the maintenance of the peace and order situation. The presence of the Philippine Coast Guard is also evident through their stations in Coron and its neighboring islands like Culion and Linapacan.

Environmental Issues in Boracay

The growth in tourist arrivals, hotels, restaurants and bars, and related tourist facilities in Boracay has caused an increase in population and construction activities. These have strained Boracay's own infrastructure facilities that require an upgrade or expansion to keep up with the growth in population and facilities. The strains in infrastructure have also caused environmental issues in Boracay, the most notorious incidence of which was the e. coli bacteria outbreak in 1997.

In 1997, the DENR declared the waters of Boracay unsafe for swimming due to e. coli contamination. The older pipes in the island were prone to breakage that caused wastewater to leak into the sea. Many tourists veered away from Boracay because of the dreaded e. coli.

During the first half of 2011, the Boracay Island Water Co., (BIWC), a subsidiary of the Manila Water Co. Inc., entered into a ₱78.0-million project to improve the island's wastewater treatment plant in Brgy. Balabag to make sure that treated wastewater that flows back into the natural waters conforms to environmental standards.

To mitigate the risk of getting contaminated water into the resort hotel, DWC sourced out its supply of water from BIWC. Furthermore, the Company also tapped the resort hotel's discharge line to the BIWC's sewer line to ensure that all wastewater flowing out of the resort hotel conforms to DENR standards.

Labor Matters

As of June 30, 2013, the Company has a total of 268 employees. Out of these, a total of 91 are regular employees and 177 are contractual.

For Discovery Shores Boracay, contractual employees make up almost two-thirds of the Company's total manpower complement. The majority of these are with the Front Office, Food & Beverage, Engineering, and Housekeeping. On January 1, 2011, the Company entered into a Service Agreement with Eslabon Manpower Services as contractor for these services. The agreement is effective until January 1, 2012, which may be continued by the parties on a month-to-month basis subject to termination upon a thirty (30)-day prior written notice. Under the agreement, Eslabon Manpower Services will provide personnel that will render service seven (7) days a week, eight (8) hours per day, inclusive of Sundays and holidays. In case of overtime work, the extra time in excess of eight (8) hours will be subject of additional billing.

Being labor intensive, the Company is naturally exposed to the risk of industrial or labor disputes. The contractual workers under service contract may be declared regular employees under certain circumstances. Should the contractual workers be considered as employees of the Company, they will be entitled to all the benefits mandated by labor laws and Company policies. The occurrence of such events may have a material adverse effect on the Company's business, financial condition, or results of operation.

The labor force of the Company is not unionized and the risk of work stoppage due to strikes or similar concerted action is minimized. Furthermore, the Company complies with all the labor laws, rules, and regulations, and even provides better compensation, benefits, and lodging facilities to its employees and staff, thus avoiding any significant dispute with its workers. The Company's management believes that current relations between the Company and its employees and workers are generally good and cordial. None of the employees are under any collective bargaining agreement. The Company has not experienced any work stoppage or strike since it started operations in 2007. See the section entitled "Employees" on page 98 of this Prospectus.

Dependence on Members of Senior Management Team

The Company has and will likely continue to depend significantly on the continued individual and collective contributions of its senior management team. The senior management team includes the President, the Assistant Vice President for Project Development, Resident Manager, Director of Operations, and Director of Sales and Marketing.

The Company believes that it has enough managerial talent that can easily be tapped to fill in senior management positions in the event that these positions are vacated.

Rescission of Memorandum of Agreement with HSAI

On February 26, 2013, the Company entered into a Memorandum of Agreement with Hotel Systems Asia, Inc. ("HSAI") to purchase Eight Million Eight Hundred Sixty-Two Thousand Four Hundred Fifty-Eight (8,862,458) shares, equivalent to Ten and Ninety-Sixth percent (10.96%) of Enderun Colleges, Inc., for a total consideration of One Hundred Ten Million Nine Hundred Fifteen Thousand Three Hundred Eighteen Pesos and Fifty-Two Centavos (₱110,915,318.52).

In line with the Company's decision to concentrate on the tourism business, DWC has decided that it will no longer pursue its planned investment in Enderun. On September 25, 2013, the Company and HSAI executed a Memorandum of Rescission to rescind and terminate the said Memorandum of Agreement for the proposed sale of Enderun shares. With this Memorandum of Rescission, both DWC and HSAI waive and release each other from any and all rights, claims, and causes of action of whatever nature that they may have on the proposed sale of the subject Enderun shares.

Risks relating to the Philippines

Political or Social Instability in the Philippines

The Philippines has from time to time experienced political and military instability. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the former administration. No assurance can be given that the political environment in the Philippines will stabilize and any political or social instability in the future could result in inconsistent or sudden changes in regulations and policies that affect the Company or its partners, which could

have an adverse effect on the Company's business, results of operations and financial condition.

President Benigno S. Aquino III was elected President of the Philippines after the presidential elections held on May 10, 2010. There is no assurance that the new President of the Philippines will continue to implement the economic policies favored by the previous administration. Any potential instability could have an adverse effect on the Philippine economy, the Company's business, and the Company's results of operations and financial condition.

Occurrence of Natural Catastrophes

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, floods, volcanic eruptions, earthquakes, mudslides, and droughts, and have inherent risks of experiencing a tsunami.

Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage the Company maintains will adequately compensate it for all damages and economic losses resulting from natural catastrophes, including possible business interruptions.

Downgraded Status of the Civil Aviation Authority of the Philippines

In 2008, the safety rating of the Philippines was downgraded by the US Federal Aviation Authority (FAA) upon the recommendation of the International Civil Aviation Organization (ICAO) to Category 2 from Category 1 after a failed safety audit. In March 2010, the European Commission imposed a ban on Philippine carriers from European airspace for the failure of the Civil Aviation Authority of the Philippines (CAAP) to reform the country's civil aviation system. European carriers withdrew their routes in favor of other more popular and regionally competitive destinations. This drove the Philippine tourism industry to concentrate on Asia markets. This has a negative effect on the Philippine tourism industry, which has a material impact on the Company's business, financial condition, and results of operation. This risk is beyond the control of the Company.

On July 12, 2013, the EU lifted the ban imposed in 2010 after the CAAP addressed major safety concerns raised by the ICAO. ICAO lifted the remaining significant security concerns after the Philippines, through the CAAP, passed the audit conducted from February 18-22, 2013.⁴

⁴ <http://www.abs-cbnnews.com/business/09/16/13/pal-returns-europe-london-nov-4>

Poor Maintenance and Lag in Expansion of Airports in the Philippines

The Ninoy Aquino International Airport (NAIA) Terminal 1 has gotten a bad reputation in the past few years. The travel website “The Guide to Sleeping in Airports⁵” tagged NAIA Terminal 1 as one of the world's worst airports to sleep in on October 2011. On November 2011, CNN's travel website CNN Travel listed it as one of the world's 10 most hated airports.⁶

After earning global notoriety for its “numerous and long queues,” “filthy” toilets, sub-standard facilities, and “creative airport departure fees,” among a long list of ills, NAIA Terminal 1 in Metro Manila is now being rehabilitated with a budget of ₱1.16 billion. The government aims to complete the rehabilitation by early 2014. Transport Secretary Joseph Emilio Abaya said that the repair works would not affect the terminal's operations, adding that a foreign consultant, OVE ARUP & Partners HK Ltd, was tapped to undertake the design of NAIA, while C Squared will handle the structural design of the terminal. Of the total amount, ₱340.0 million will be used to improve the structural integrity of the NAIA Terminal 1 building, while ₱500.0 million has been allocated for architectural, engineering, and interior design and works to improve the internal facilities. To address runway congestion, ₱300.0 million will be used for the construction of a rapid exit taxiway. Lastly, Another ₱20.0 million is allocated for the complete rehabilitation of 72 toilets.⁷

Travel Advisories to the Philippines

The Philippines has, at times, been the subject of other countries’ travel advisories given perceived risks or threats of insurgents and terrorists on their respective citizens travelling to the Philippines. These advisories have often had a negative effect on foreign tourist arrivals in the country, which in turn, has affected the Philippine tourism industry.

The National Government, through its agencies like the Department of Foreign Affairs and the DOT are aware of such negative advisories or travel restrictions and are quick to make representations and hold discussions with their counterparts among such advisory-issuing countries to dissuade their concerns and assure protection of their citizens visiting the Philippines. Furthermore, efforts by both the DOT in coordination with the Philippine National Police in establishing a “Tourist Police Units”⁸ to help protect and resolve matters concerning both foreign and local in key tourist spots around the country.

Philippine Dispute with China

The on-going dispute between the Philippines and China over the islands in the Western Philippine Seas has caused China to issue travel advisories, and even a travel ban, among citizens to the country. Diplomatic efforts between the Philippines and China, and even bringing up the issue to the United Nations for discussion and resolution, have been on going with China often taking a hard-line stance.

⁵ <http://www.sleepinginairports.net/worst-airports.htm#.USd4b6UqZ8E>

⁶ <http://travel.cnn.com/explorations/life/10-most-hated-airports-324645>

⁷ <http://www.interaksyon.com/business/46193/completion-of-naia-1-rehab-eyed-in-early-2014>

⁸ <http://newsinfo.inquirer.net/123059/tourist-police-units-created-in-major-philippine-tourist-destinations>

Despite the dispute between the two countries, China still comes out to be the fourth international visitor of the Philippines, after South Korea, USA, and Japan, with 199,157 visitors in the first half of 2013 and 250,883 visitors for the whole year of 2012. These represent increases of 32.11% and 3.19% from period to period.⁹

Foreign Exchange Controls

Currently, the Philippines has liberal foreign exchange controls. The BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- Suspend temporarily or restrict sales of foreign exchange;
- Require licensing of foreign exchange transactions; or
- Require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

About 40.00% of the Company's sales come from international sources, mostly from international travel agencies such as Faithfully from Taiwan, Flight Centre from Australia, and GTA from Hong Kong, and on-line travel agencies such as Agoda, Expedia, and Booking.com. Despite this, the foreign exchange exposure in sales to the international markets is immaterial. The payments are made primarily in Philippine Pesos, whether they book through counterparts here in the Philippines or through direct bookings from abroad. In 2012, revenues in USD accounted only for 2.50% of the total. In the event that the government imposes foreign exchange controls or restrictions, the Company will not be affected given that it is not heavily exposed to USD.

Risks relating to the Offer and the Offer Shares

Listing of Offer Shares on the PSE

The subscribers of the Offer Shares are required to pay in full for their subscription upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, there can be no guarantee that listing will occur on the anticipated listing date or at all. Delays in the commencement of trading in shares of the PSE have occurred in the past. If the PSE does not list the Offer Shares, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. However, they would be able to sell their shares by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

Trading and Liquidity

The Company's common stock will be traded on the PSE. The trading of the Offer Shares, however, is not expected to commence until 10 calendar days after the end of the Offer Period, thereby making an investment in the Offer Shares illiquid during those 10 calendar days. There can be no assurance that a holder of the Offer Shares will be able to dispose of such Offer Shares in a timely manner. As a result, a holder of such Offer Shares

⁹ <http://www.visitmyphilippines.com/images/ads/736f99929b0ec99aed0a2e600d59ca95.pdf>

may not be able to take full advantage of market gains during periods of share price increases and conversely, may not be able to limit losses during periods of sharp price declines.

Market Volatility

The market price of securities fluctuates, and it is impossible to predict whether the price of such securities will rise or fall. An individual security may experience upward or downward movements, and may even lose its entire value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. There may also be a substantial difference between the buying price and the selling price of each security.

Historical price performance is not a guide for future price performance and there may be a big difference between the purchase price of the securities and the eventual price at which these securities are sold. The market price of the Offer Shares will be influenced by, among other factors, the Company's financial position, results of operations, and overall stock market conditions, as well as Philippine economic, political, and other factors.

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USE OF PROCEEDS

The gross proceeds from the Offer will amount to ₱551,040,000.00. The net proceeds from the Offer of the Offer Shares, after deducting the estimated related expenses to the Offer, will amount to ₱516,455,806.09 and will accrue to the Company.

The following table shows the breakdown of the Offer proceeds:

Table 3: Breakdown of Proceeds from Offer	
Particulars	Amount
Gross Proceeds	₱551,040,000.00
Estimated Offer Expenses	34,584,193.91
Total	₱516,455,806.09

The subsequent table shows the estimated breakdown of the expenses to the Offer:

Table 4: Breakdown of Estimated Offer Expenses	
Particulars	Amount
Underwriting Fee and Selling Commission	₱16,531,200.00
Taxes	12,113,193.60
PSE Listing and Processing Fees	2,103,280.00
Estimated Legal and Audit Fees	1,500,000.00
SEC Registration and Filing Fees	825,432.60
Estimated Stock Transfer Agency Fees	150,000.00
Estimated Receiving, Escrow, and Custodian Bank Fees	150,000.00
PCD Processing Fees	61,087.71
Estimated Other Related Expenses	1,150,000.00
Total	₱34,584,193.91

The estimated other related expenses are broken down as follows:

Table 5: Breakdown of Estimated Other Related Expenses	
Particulars	Amount
Printing of Selling Materials	₱450,000.00
Roadshow presentation expenses	300,000.00
Publication Fees	200,000.00
Out-of-pocket Expenses	200,000.00
Total	₱1,150,000.00

The Company will deposit in escrow the net proceeds of the Offer to be released based on the schedule of disbursements in accordance with the work program disclosed herein.

The net proceeds from the Offer will be used for the following, in order of priority and subject to the succeeding paragraph: (a) the acquisition of Discovery Fleet and Palawan Cove; (b) debt retirement; and (c) working capital purposes.

In the event that the actual expenses relating to the Offer differ from the above estimates, the actual net proceeds may be higher or lower than the expected net proceeds set forth above. Any increase or decrease in the net proceeds will be addressed by corresponding adjustments to the Company's provision for working capital requirements.

The following table shows the allocation of the net proceeds:

Purpose	Amount	Date of Disbursement
Entry into New Businesses: Acquisition of Discovery Fleet and Palawan Cove	₱120,000,000.00	4 th Quarter 2013
Debt retirement	325,000,000.00	4 th Quarter 2013
Working capital purposes	71,455,806.09	4 th Quarter 2013
Total	₱516,455,806.09	

Entry into New Businesses: Acquisition of Discovery Fleet and Palawan Cove

The Company intends to allocate a total of ₱120.0 million to enter new businesses, to include a cruise business and a resort hotel in Palawan.

Acquisition of Discovery Fleet Corporation

The Company is looking at entering into the cruise business through the acquisition of Discovery Fleet Corporation, a related party by virtue of the latter being a 100.00% subsidiary of TDLCI, allocating ₱100.0 million for this purpose. The Company entered into a Memorandum of Agreement on April 10, 2013 and a Supplemental Memorandum of Agreement on June 4, 2013 with TDLCI to purchase all its rights and interests to the outstanding shares of Discovery Fleet at par value. TDLCI currently owns 100.00% of Discovery Fleet.

The Company plans to allocate ₱6.9 million to purchase all the rights and interests to the outstanding shares of Discovery Fleet held by TDLCI, about ₱35.0 million to fund the refurbishments and upgrading of the second cruise boat, and the balance for its general working capital.

Discovery Fleet is a cruise business that offers full diving and non-diving programs, which made its maiden voyage in April 2013. It offers divers with days of scuba diving in the Philippines' renowned dive sites that feature reefs, wrecks, and marine life and offers non-diving customers full days of snorkeling, island visits, kayaking, and beach hopping on board a cruise ship. Discovery Fleet shall have two (2) main seasons for the business. The program for divers, which is bound for the Tubbataha Reef, with Cagayancillo and Calusa as add-on options, are offered from late March to mid-June. The program for non-divers, which is bound for Pandan Island, Coron, and Apo Reef, are offered from mid-October to mid-March. The period between mid-June and mid-October will be the boats' downtime, meant for bringing the boats in for regular repairs and tune-ups. Proper preventative maintenance during this downtime is highly essential as this will make major emergency repairs far less likely in the future.

The cruise boats have about 50 rooms and facilities that include a food salon.

Discovery Fleet currently has two (2) boats. The first boat is named “Discovery Palawan”, while the second boat is named “Discovery Adventures”. Discovery Palawan made its maiden voyage last April 2013. On the other hand, Discovery Adventures currently under refurbishment. The machine overhaul & general repairs, replacement of pipes, electrical works, re-plating, and steel works are scheduled to be done on the 4th quarter of 2013 until the 1st quarter of 2014. The approval of the interior design, retrofitting works, procurement of materials & installation, replacement of plumbing fixture, reconditioning/replacement of air-conditioning equipment, and floor & wall finishes are scheduled to be done on the 1st quarter of 2014 until the 2nd quarter of 2014. The first sea trial, which shall determine if more repairs or modifications will be necessary, is scheduled to be on the 2nd quarter of 2014. The final sea trial with the Maritime Industry Authority (“MARINA”) and the classification agency is scheduled on the 3rd quarter of 2014. Discovery Adventures’ maiden voyage is scheduled to be on the second half of 2014.

Acquisition of Palawan Cove Corporation

DWC is currently looking at entering the resort hotel business in San Vicente, Palawan that will feature world-class, five (5) -star facilities that its upper class target market demand. The Company is looking at entering the resort hotel business in Palawan through the acquisition of Palawan Cove, a company that owns a beachfront property in San Vicente, Palawan.

The Company is earmarking ₱20.0 million from the proceeds of the Offer, wherein (a) ₱12.5 million is allocated to purchase the outstanding shares of Palawan Cove held by TDLCI; and (b) the balance is allocated for working capital purposes.

On May 3, 2013, the Company entered into a Memorandum of Agreement with TDLCI to purchase all the rights and interests of the outstanding shares of Palawan Cove. Palawan Cove is 100.00% owned by TDLCI, which concurrently owns 33.97% of DWC.

Palawan Cove is currently in the pre-construction phase involving permits acquisition, surveying, data gathering, engagement of consultants, and design & planning. This will last until the 1st quarter of 2015. Palawan Cove will then proceed with the construction phase, which includes site development, substructure, superstructure, sanitary & plumbing works, electrical works, air-conditioning works, architectural & interior fit-out, and exterior treatments (swimming pools and landscape works). This will be from the 2nd quarter of 2015 to the 4th quarter of 2016. The migration, soft opening, & start of operations is slated to be sometime in 2017. The Company intends to advance cash to the Company through its cash flows from the operations of Discovery Shores Boracay and Club Paradise and debt to fund the construction, migration, soft opening, and start of operations of Palawan Cove.

The following shows the breakdown of the allocation of net proceeds allocated to the entry into new businesses:

Target Company	Amount (in ₱0.00)
Discovery Fleet Corporation	₱100,000,000.00
Palawan Cove Corporation	20,000,000.00
Total	₱120,000,000.00

Debt Retirement

The Company is allocating ₱325.0 million of the net proceeds to settle its short-term obligations with East West Banking Corporation (“Eastwest”) and the Bank of the Philippine Islands (“BPI”). The following shows the current balances and the effects of the planned debt retirement:

Financial Institution	As of October 15, 2013 (Actual)	Expected Balances as of Offer Period	Debt Retirement Proceeds Allocation	Net Balances
BPI <i>(Full Debt Retirement)</i>	₱100,000,000.00	₱100,000,000.00	₱100,000,000.00	₱0.00
Eastwest <i>(Partial Debt Retirement)</i>	100,000,000.00	365,000,000.00	225,000,000.00	₱140,000,000.00
Total	₱200,000,000.00	₱465,000,000.00	₱325,000,000.00	₱140,000,000.00

Eastwest Loan

The Company has a credit facility from Eastwest with a revolving promissory line amounting to ₱600.0 million with a 180-day tenor, and interest set at prevailing market rates, repriced and payable monthly in arrears, and a domestic bills purchase line of ₱5.0 million for outright purchase of local and regional customers’ checks at an interest rate based on prevailing market rates and waived charges for good funds.

Current outstanding and unpaid drawings of the Company on the Eastwest credit facility amounts to Three Hundred Sixty-Five Million Pesos (₱365,000,000.00) as of October 15, 2013. The details of the ₱365.0 million loan balance are shown below, presented in the order of maturities:

Value Date	Maturity Date	Amount	Interest Rate	Purpose
August 1, 2013	October 30, 2013	₱40,000,000.00	4.50%	Payment of Management Fees to HSAI-Raintree, Inc. and Working Capital
August 28, 2013	November 26, 2013	₱10,000,000.00	5.25%	Working capital
August 27, 2013	December 3, 2013	₱10,000,000.00	5.25%	Working capital
September 4, 2013	December 3, 2013	₱10,000,000.00	5.25%	Working capital
September 5, 2013	December 3, 2013	₱10,000,000.00	5.25%	Working capital
September 19, 2013	December 3, 2013	₱10,000,000.00	5.25%	Working capital
September 26, 2013	December 3, 2013	₱10,000,000.00	5.25%	Working capital
September 25, 2013	December 20, 2013	₱265,000,000.00	4.50%	Acquisition of 100.00% stake in Euro-Pacific, including incidental expenses
Total		₱365,000,000.00		

The loans can be further summarized as follows:

Purpose	Amount
Acquisition of Euro-Pacific	₱265,000,000.00
Payment of Management Fees to HSAI-Raintree, Inc.	34,000,000.00
Working capital of Discovery Fleet	33,000,000.00
Working capital of DWC	14,000,000.00
Working capital of Palawan Cove	11,000,000.00
Others	8,000,000.00
Total	₱365,000,000.00

Acquisition of Euro-Pacific

On September 25, 2013, the Company availed of a ₱265,000,000 loan from Eastwest for the acquisition of Euro-Pacific. This covers ₱175,071,000 for the 67.00%-stake in Euro-Pacific, ₱64,454,000 for the deposits for future stock subscription, and ₱21,775,000, equivalent to \$500,000, placed in escrow with Sterling Bank of Asia.

The Company acquired 67% of Euro-Pacific, equivalent to 33,500 shares, on 27 September 2013, and intends to acquire the remaining 33% on a later date. In view of the Company's purchase of Euro-Pacific shares, the Company deposited in escrow with Sterling Bank of Asia Five Hundred Thousand US Dollars (\$500,000.00) which it shall release only upon issuance of the Certificate Authorizing Registration (CAR) by the BIR on the sale and transfer of Euro-Pacific shares.

The balance of ₱3,700,000 was used for incidental expenses incurred in relation to the acquisition of Euro-Pacific.

Management Fees due to HSAI-Raintree, Inc.

The management fees due to HSAI-Raintree, Inc. amounting to about ₱34.0 million include Value-Added Tax ("VAT") and withholding taxes.

Working Capital

The various working capital used by Discovery Fleet, DWC, and Palawan Cove pertain mostly to the payment of permits and licenses, salaries and employee benefits, outside services, food and beverage, utilities, supplies, professional fees, and others.

Others

Others include payment of other expenses such as registration fees with the Registry of Deeds, documentary stamp taxes for the Eastwest loan, and funding of interest expenses on all loans.

The Company intends to roll all loans from Eastwest maturing prior to the receipt of proceeds from the IPO. The proceeds from the IPO allocated to the retirement of debt with Eastwest will not cover the entire loan balance with the said bank. The balance of ₱140.0 million shall be paid in monthly in arrears,

BPI Loan

The Company obtained an unsecured revolving credit line from BPI with a maximum principal amount of One Hundred Million Pesos (₱100,000,000.00). The total outstanding balance of the loan is One Hundred Million Pesos (₱100,000,000.00) as of June 30, 2013 and as of the date of this Prospectus, with an interest rate of four and one-fourth percent (4.25%) per annum and payable upon maturities of ninety (90) days.

The details of the ₱100.0 million loan balance follows:

Value Date	Maturity Date	Amount	Interest Rate	Purpose
August 19, 2013	November 17, 2013	₱42,000,000.00	4.25%	Payment of Management Fee to HSAI-Raintree, Inc.
August 28, 2013	November 26, 2013	₱30,000,000.00	4.25%	Advance to Discovery Fleet - Purchase of 1 st boat
September 2, 2013	December 1, 2013	₱28,000,000.00	4.25%	Advance to Discovery Fleet - Purchase of 2 nd boat
Total		₱100,000,000.00		

These loans were used to fund: (a) the payment of the management fees due to HSAI-Raintree, Inc. amounting to ₱42.0 million; (b) the purchase of Discovery Fleet's first boat amounting to ₱30.0 million; and (c) the purchase of Discovery Fleet's second boat amounting to ₱28.0 million.

The Company intends to roll all loans from BPI maturing prior to the receipt of proceeds from the IPO. The proceeds from the IPO allocated to the retirement of debt with BPI will fully cover the entire loan balance with the said bank.

Working Capital Purposes

The Company intends to allocate the balance of the net proceeds amounting approximately ₱71.5 million for the working capital requirements of Discovery Shores Boracay and Club Paradise. The following shows the allocation per operation.

Purpose	Amount
Discovery Shores Boracay	₱55,186,688
Club Paradise	16,269,118
Total	₱71,455,806

The Company working capital requirements of both Discovery Shores Boracay and Club Paradise pertains to its accounts receivables, inventory, and operating expenses, which include salaries and employee benefits, outside services, food and beverage, utilities, management fees, supplies, professional fees, and others.

In the event of any deviation or adjustment in the planned use of proceeds, DWC shall inform the SEC and the PSE in writing thirty (30) days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicative above, should be approved by Discovery's Board of Directors and disclosed to the PSE. In addition, DWC shall submit via the PSE's Online Disclosure System the following disclosure to ensure transparency in the use of proceeds:

- a. Any disbursements made in connection with the planned use of proceeds from the Offer;
- b. Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;
- c. Annual summary of the application of the proceeds on or before January 31 of the following year; and
- d. Approval by DWC's Board of Directors of any reallocation on the planned use of proceeds.

DWC shall submit an independent auditor's certification on the accuracy of the information reported by DWC to the PSE in DWC's quarterly and annual reports as required in items (b) and (c) above.

DESCRIPTION OF SECURITIES

The following description of the Company's capital stock does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's Amended Articles and By-Laws.

Share Capital

As of the date of this Prospectus, the Company's authorized capital stock is ₱1,200,000,000.00, consisting of 1,200,000,000 Common Shares with a par value of ₱1.00 per share, of which 458,000,000 Common Shares are issued and outstanding.

Subject to the approval of the SEC, the Company may increase or decrease its authorized capital, provided that the increase or decrease is with the approval of a majority of the Board of Directors and by its stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company.

After the completion of the Offer, 52.17% of the Company's authorized capital stock shall be issued and outstanding.

Rights Relating to the Common Shares

Voting Rights

Each Common Share entitles the holder to one (1) vote.

At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Company at the time of the closing of the transfer books for such meeting.

In the election of Directors, each stockholder, in person or by proxy, is entitled to such number of votes as is equivalent to the product of the number of Common Shares owned by him multiplied by the number of Directors to be elected. The stockholder may cumulate his votes in favor of one (1) or more candidates as he may see fit. A Director may also be removed by the vote of stockholders representing two-thirds (2/3) of the outstanding voting shares.

Voting rights cannot be exercised with respect to shares declared delinquent or treasury shares, or if a shareholder has elected to exercise his appraisal right.

Pre-emptive Rights

The Corporation Code provides that all stockholders of a stock corporation will enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto. Under the Company's Articles of Incorporation, pre-emptive rights are denied as to all issuances or dispositions of the Company's Common Shares.

The Company's Amended Articles of Incorporation state that:

"No stockholder shall have a right to purchase or subscribe to any additional share of the capital stock of the corporation whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Corporation or of any other class, and whether out of the number of shares authorized by the Articles of Incorporation of the Corporation as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Corporation acquired by it after the issue thereof; nor shall any holder of any such stock of any class, as such holder, have any right to purchase or subscribe for any obligation which the Corporation may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Corporation or to which shall be attached or appertain any warrant or warrants or any instrument or instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Corporation, any shares of its capital stock of any class.

The Board of Directors may, from time to time, grant stock options, issue warrants or enter into stock purchase reciprocal investments, private placements, joint ventures, or similar agreements for purpose necessary or desirable for the Corporation and allocate, issue, sell or otherwise transfer, convey or dispose of shares of stock of the Corporation of a class or classes and to such persons or entities to be determined by the Board, including, but not limited, to employees, officers and directors of the corporation.

These provisions shall be printed in all stock certificates of the Corporation."

Dividend Rights

Dividends may be declared from the unrestricted retained earnings of the Company at such time and in such percentage or amount as the Board of Directors may deem proper. No dividend shall be declared that will impair the capital stock of the Company.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation that have not been allocated for any purpose. A corporation may pay dividends in cash, in property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Corporation Code requires, as a general rule, that a corporation with retained earnings in excess of 100.00% of its paid-in capital declares and distributes as dividends the amount of such surplus. Notwithstanding this requirement, a corporation may retain all or any portion of such surplus in the following cases: (a) when justified by definite expansion plans approved by the board of directors of the corporation; (b) when the required consent of any financing institution or creditor to such distribution has not been secured; or (c) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies.

Please see further discussion under “Dividends and Dividend Policy”.

Appraisal Rights

The Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- a. An amendment of the articles of incorporation that has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence;
- b. The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation; and
- c. A merger or consolidation.

In any of these circumstances, the dissenting shareholder may require the Company to purchase its shares at a fair value, which in default of agreement is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the Company, and the third by the two thus chosen. In the event of a dispute, the SEC will determine any question about whether a dissenting shareholder is entitled to this right of appraisal. This remedy will only be available if the Company has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders. From the time the shareholder makes a demand for payment until the Company purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Access to Corporate Books and Records

Shareholders have the right to inspect the books and records of the Company, including the minutes of all Board and stockholders’ meetings, and records of business transactions of the Company. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records is not acting in good faith or for a legitimate purpose in making the demand for inspection or has improperly used any information secured through any prior examination of the records of such corporation or any other corporation.

Liquidation Rights

Each shareholder is entitled to a *pro rata* share in the assets of the Company available for distribution to the shareholders in the event of dissolution, liquidation and winding up, subject to the superior rights of the creditors of the Company.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the Company in a derivative action in circumstances where the Company itself is unable or unwilling to institute necessary proceedings to redress wrongs committed against the Company or to vindicate corporate rights such as, for example, where the directors themselves are the malefactors.

Treasury Shares

Subject to the authorization of the SEC, the Company may acquire its own Common Shares, provided that, it has unrestricted retained earnings to pay for the Common Shares to be acquired or purchased and only for a legitimate corporate purpose/s.

The Common Shares repurchased by the Company shall become treasury shares that may again be disposed of at a reasonable price as may be fixed by the Board of Directors. These treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

As of the date of this Prospectus, the Company does not hold any treasury shares.

Other Securities

The Company has not issued any other form of securities other than its Common Shares.

Transfer of Common Shares

All transfer of legal title to the Common Shares must be evidenced by a transfer document in a form acceptable to the Company, and must be registered in the share register of the Company. The law does not require the transfer of the Common Shares to be effected through the PSE. However, off-exchange sales will subject the transferor to a capital gains tax that is significantly greater than the share transfer tax applicable to sales effected through the PSE. All sales of Common Shares listed on the PSE must be effected through a licensed stockbroker in the Philippines. No share of stock against which the Company holds unpaid claims, like unpaid subscriptions due and payable shall be transferable in the books of the Company. In case of delinquent shares, no stock certificate, either physical or electronic, shall be issued to a shareholder until the full amount of his/her subscription together with interest and expenses, if any is due, has been paid.

Stock Transfer Agent

The Company's stock and transfer book is maintained at the principal office of the Company's stock transfer agent, Rizal Commercial Banking Corporation – Stock Transfer Processing Section located at Ground Floor, West Wing, 221 GPL Grepalife Building, Sen. Gil Puyat Avenue, Makati City.

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

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DIVIDENDS AND DIVIDEND POLICY

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($\frac{2}{3}$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On July 22, 2013, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its shareholders as dividends, whether cash, property or stock, at least ten percent (10.00%) of the Corporation's net income for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company's business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders' requirements, appropriate reserves and applicable laws.

As of the date of this Prospectus, the Company has not declared any kind of dividend to its shareholders since its incorporation. The Company cannot provide assurance that it will pay any dividends in the future.

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HISTORY OF SHARE ISSUANCES

Below is the history of the Company's Common Share issuances and subscriptions from the date of incorporation up to the present.

The Company was incorporated and registered with the SEC on January 5, 1993 with an authorized capital stock of One Million Six Hundred Thousand Pesos (₱1,600,000.00) divided into One Million Six Hundred Thousand Common Shares (1,600,000) with a par value of One Peso (₱1.00) per share. The following are the incorporators of the Company:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
Marlon Tandinco	Filipino	399,996	399,996.00	99,996.00
Ramon Zialcita	Filipino	1	1.00.00	1.00
Dinna Gayla	Filipino	1	1.00.00	1.00
Jim Fondevilla	Filipino	1	1.00.00	1.00
Zenaida Entereso	Filipino	1	1.00.00	1.00
Total		400,000	400,000.00	100,000.00

On November 18, 1994, the SEC approved the increase in the authorized capital stock of the Company, from One Million Six Hundred Thousand Pesos (₱1,600,000.00) divided into One Million Six Hundred Thousand (1,600,000) Common Shares with a par value of One Peso (₱1.00) per share to One Hundred Million Pesos (₱100,000,000.00) divided into One Hundred Million (100,000,000) Common Shares with a par value of One Peso (₱1.00) per share. Out of the increase in authorized capital stock, Thirty Million Pesos (₱30,000,000.00) was subscribed and completely paid for by Ayala Hotels, Inc. through conversion of advances made by Ayala Hotels, Inc. to the Company in the amount of Twenty-Seven Million One Hundred Thirty-Five Thousand Sixty-Six Pesos and Forty Centavos (₱27,135,066.40) and cash infusion in the amount of Two Million Eight Hundred Sixty-Four Thousand Nine Hundred Thirty-Three Pesos and Sixty Centavos (₱2,864,933.60). The resulting ownership structure after the increase in authorized capital stock is as follows:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
Ayala Hotels, Inc.	Filipino	29,999,995	29,999,995.00	29,999,995.00
Marlon Tandinco	Filipino	399,996	399,996.00	99,996.00
Ramon Zialcita	Filipino	1	1.00	1.00
Dinna Gayla	Filipino	1	1.00	1.00
Jim Fondevilla	Filipino	1	1.00	1.00
Zenaida Entereso	Filipino	1	1.00	1.00
Fernando Zobel de Ayala	Filipino	1	1.00	1.00
Jaime Augusto Zobel de Ayala II	Filipino	1	1.00	1.00
Francisco H. Licuanan III	Filipino	1	1.00	1.00
Mercedita S. Nolleto	Filipino	1	1.00	1.00
Sherisa P. Nuesa	Filipino	1	1.00	1.00
Total		30,400,000	30,400,000.00	30,100,000.00

On March 10, 1998, the incorporators of the Company assigned a total of Four Hundred Thousand (400,000) Common Shares to Ayala Hotels, Inc., and the latter fully paid the same. The resulting ownership structure after such assignment and full payment is as follows:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
Ayala Hotels, Inc.	Filipino	30,399,995	30,399,995.00	30,399,995.00
Fernando Zobel de Ayala	Filipino	1	1.00	1.00
Jaime Augusto Zobel de Ayala II	Filipino	1	1.00	1.00
Francisco H. Licuanan III	Filipino	1	1.00	1.00
Mercedita S. Nollo	Filipino	1	1.00	1.00
Sherisa P. Nuesa	Filipino	1	1.00	1.00
Total		30,400,000	30,400,000.00	30,400,000.00

On July 4, 2003, shareholders Jaime Augusto Zobel de Ayala II and Sherisa P. Nuesa assigned their One (1) share each to the following shareholders: Jaime E. Ysmael and Dinna G. Bayangos. The resulting ownership structure is as follows:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
Ayala Hotels, Inc.	Filipino	30,399,995	30,399,995.00	30,399,995.00
Fernando Zobel de Ayala	Filipino	1	1.00	1.00
Francisco H. Licuanan III	Filipino	1	1.00	1.00
Mercedita S. Nollo	Filipino	1	1.00	1.00
Jayme E. Ysmael	Filipino	1	1.00	1.00
Dinna G. Bayangos	Filipino	1	1.00	1.00
Total		30,400,000	30,400,000.00	30,400,000.00

On July 25, 2003, Ayala Hotels, Inc. assigned all its shares to The Discovery Leisure Company, Inc. (formerly known as JT Perle Corporation). On the same date, shareholders Fernando Zobel de Ayala, Francisco H. Licuanan III, Mercedita S. Nollo, Jaime E. Ysmael and Dinna G. Bayangos assigned their One (1) share each to the following shareholders: Ruben C. Tiu, John Y. Tiu, Jr., Hermon Son, Grace Y. Tiu, and Evelyn T. Lim. The resulting ownership structure is as follows:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	30,399,995	30,399,995.00	30,399,995.00
Ruben C. Tiu	Filipino	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	1	1.00	1.00
Herman Son	Filipino	1	1.00	1.00
Grace Y. Tiu	Filipino	1	1.00	1.00
Evelyn T. Lim	Filipino	1	1.00	1.00
Total		30,400,000	30,400,000.00	30,400,000.00

On June 26, 2005, shareholder Herman Son assigned his One (1) share to Ben C. Tiu. The resulting ownership structure is as follows:

Name	Nationality	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	30,399,995	30,399,995.00	30,399,995.00
Ruben C. Tiu	Filipino	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	1	1.00	1.00
Ben C. Tiu	Filipino	1	1.00	1.00
Grace Y. Tiu	Filipino	1	1.00	1.00
Evelyn T. Lim	Filipino	1	1.00	1.00
Total		30,400,000	30,400,000.00	30,400,000.00

On March 23, 2006, the SEC approved the increase in the authorized capital stock of the Company, from One Hundred Million Pesos (₱100,000,000.00) divided into One Hundred Million (100,000,000) Common Shares with a par value of One Peso (₱1.00) per share to Two Hundred Ten Million Pesos (₱210,000,000.00) divided into One Hundred Million (100,000,000) Common Shares with a par value of One Peso (₱1.00) per share and One Hundred Ten Million (110,000,000) Preferred Shares with a par value of One Peso (₱1.00) per share. Out of the increase in the authorized capital stock, Fifteen Million (15,000,000) Common Shares and One Hundred Ten Million (110,000,000) Preferred Shares were subscribed to by The Discovery Leisure Company, Inc. The resulting ownership structure after the increase in authorized capital stock is as follows:

Name	Nationality	Class of Shares	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	Common	45,399,995	45,399,995.00	45,399,995.00
		Preferred	110,000,000	110,000,000.00	110,000,000.00
Ruben C. Tiu	Filipino	Common	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	Common	1	1.00	1.00
Ben C. Tiu	Filipino	Common	1	1.00	1.00
Grace Y. Tiu	Filipino	Common	1	1.00	1.00
Evelyn T. Lim	Filipino	Common	1	1.00	1.00
Total			155,400,000	155,400,000.00	155,400,000.00

On October 12, 2012, the Board of Directors and Stockholders of the Company approved the reclassification of all Preferred Shares of the Company into Common Shares and the increase in the authorized capital stock of the Company from Two Hundred Ten Million Pesos (₱210,000,000.00) divided into One Hundred Million (100,000,000) Common Shares with a par value of One Peso (₱1.00) per share and One Hundred Ten Million (110,000,000) Preferred Shares with a par value of One Peso (₱1.00) per share to One Billion Two Hundred Million Pesos (₱1,200,000,000.00) divided into One Billion Two Hundred Million (1,200,000,000) Common Shares with a par value of One Peso (₱1.00) per share. Out the increase in authorized capital stock, Two Hundred Forty-Eight Million (248,000,000) Common Shares were subscribed to by JTKC Equities, Inc. The SEC approved the

reclassification of shares and the increase in authorized capital stock on January 25, 2013. The resulting ownership structure after the reclassification of shares and the increase in authorized capital stock is as follows:

Name	Nationality	Class of Shares	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	Common	155,399,995	155,399,995.00	155,399,995.00
JTKC Equities, Inc.	Filipino	Common	248,000,000	248,000,000.00	62,000,000.00
Ruben C. Tiu	Filipino	Common	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	Common	1	1.00	1.00
Ben C. Tiu	Filipino	Common	1	1.00	1.00
Grace Y. Tiu	Filipino	Common	1	1.00	1.00
Evelyn T. Lim	Filipino	Common	1	1.00	1.00
Total			403,400,000	403,400,000.00	217,400,000.00

On December 26, 2012, the Board of Directors approved the original issuance of Fifty-Four Million Five Hundred Ninety-Nine Thousand Nine Hundred Ninety-Eight (54,599,998) Common Shares in favor of JTKC Equities, Inc. at a subscription price of Fifty-Four Million Five Hundred Ninety-Nine Thousand Nine Hundred Ninety-Eight Pesos (₱54,599,998.00) payable in full through the conversion of the deposit for future subscription of JTKC Equities, Inc. in shares of stock of the Company. On June 10, 2013, the SEC approved the conversion of deposit for future subscription of JTKC Equities, Inc. amounting to Fifty-Four Million Five Hundred Ninety-Nine Thousand Nine Hundred Ninety-Eight Pesos (₱54,599,998.00). JTKC Equities, Inc. also paid in full the balance of its subscription to the increase in the authorized capital stock of the Company through the conversion of its deposit for future subscription in shares of stock of the Company amounting to One Hundred Eighty-Six Million Pesos (₱186,000,000.00). The resulting ownership structure is as follows:

Name	Nationality	Class of Shares	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	Common	155,399,995	155,399,995.00	155,399,995.00
JTKC Equities, Inc.	Filipino	Common	302,599,998	302,599,998.00	302,599,998.00
Ruben C. Tiu	Filipino	Common	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	Common	1	1.00	1.00
Ben C. Tiu	Filipino	Common	1	1.00	1.00
Grace Y. Tiu	Filipino	Common	1	1.00	1.00
Evelyn T. Lim	Filipino	Common	1	1.00	1.00
Total			457,999,998	457,999,998	457,999,998

On March 1, 2013, the Board of Directors and Stockholders of the Company approved the issuance of One (1) share each to its two (2) newly elected independent directors: Chun Bing G. Uy and Elizabeth Ann C. Parpan. On the same date, shareholders Ben C. Tiu, Grace Y. Tiu and Evelyn T. Lim assigned their One (1) share each to the following: A. Bayani K. Tan, Romualdo C. Macasaet and Lamberto R. Villena. The resulting ownership structure, which is the same ownership structure as of date of filing of the Listing Application, is as follows:

Name	Nationality	Class of Shares	No. of Shares	Amount Subscribed (in ₱0.00)	Amount Paid-up (in ₱0.00)
The Discovery Leisure Company, Inc.	Filipino	Common	155,399,995	155,399,995.00	155,399,995.00
JTKC Equities, Inc.	Filipino	Common	302,599,998	302,599,998.00	302,599,998.00
Ruben C. Tiu	Filipino	Common	1	1.00	1.00
John Y. Tiu, Jr.	Filipino	Common	1	1.00	1.00
A. Bayani K. Tan	Filipino	Common	1	1.00	1.00
Romualdo C. Macasaet	Filipino	Common	1	1.00	1.00
Lamberto R. Villena	Filipino	Common	1	1.00	1.00
Chun Bing G. Uy	Filipino	Common	1	1.00	1.00
Elizabeth Ann C. Parpan	Filipino	Common	1	1.00	1.00
Total			458,000	458,000,000.00	458,000,000.00

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DETERMINATION OF OFFER PRICE

The Offer Shares are being offered at the Offer Price of Three Pesos and Twenty-Eight Centavos (₱3.28) per share. Prior to the Offer, there has been no public trading market for the Offer Shares. The Offer Price was established by the Company in consultation with its Issue Manager and Underwriter.

The factors considered in determining the Offer Price were the following:

- a. The Company's capability to generate and increase revenues of its current operations;
- b. The Company's capability to prospective revenues based on its business plans;
- c. The estimates of the potential incremental revenues on the Company's expansion plans;
- d. The additional capital required by the Company for its expansion plans;
- e. The dilution of the existing stockholders;
- f. The prevailing market conditions; and
- g. The market price of listed comparable companies in the PSE and in foreign stock exchanges.

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CAPITALIZATION

The following table sets out the capitalization of the Company based on the audited financial statements as of December 31, 2010, 2011, and 2012 and June 30, 2013, as adjusted to reflect the issuance of the Offer Shares at the Offer Price of ₱3.28 per share, after deducting estimated fees and expenses from the Offer. See “Use of Proceeds” for the breakdown of the estimated fees and expenses.

Table 13: DWC Capitalization				
<i>Amounts in ₱millions</i>	2010	2011	2012	June 30, 2013
Interest-bearing loans and borrowings - current	₱114.50	₱117.50	₱147.50	₱197.50
Interest-bearing loans and borrowings - net of current	196.88	159.38	121.88	103.13
Due to related parties - current	7.32	8.23	0.96	15.62
Due to related parties - net of current	5.08	5.08	5.08	5.08
Capital stock	458.00	459.00	460.00	458.00
Deposit for Future Subscription	-	-	-	-
Retained Earnings (Deficit)	9.47	72.12	92.03	122.38
Total Capitalization	₱791.24	₱821.30	₱827.45	₱901.71

Differences in decimal numbers are due to rounding off.

For additional information, refer to the financial statements and accompanying notes included in Annexes I and II of this Prospectus.

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DILUTION

The net tangible book value as of June 30, 2013 was ₱578,901,111.00 or ₱1.26 per share. The net tangible book value represents the amount of the Company's total assets less its total liabilities. There are no intangible assets. The Company's net tangible book value per share represents its net tangible book value divided by the number of common shares outstanding.

After giving effect to the increase in the Company's total assets to reflect its receipt of the net proceeds of the Offer amounting to approximately ₱516,455,806.09 and the addition of 168,000,000 primary Common Shares subject of the Offer, the Company's pro forma net tangible book value would be ₱1,095,356,917.09 or ₱1.75 per share. This represents an immediate increase of ₱0.49 per share to existing shareholders and dilution of ₱1.53 per share to the investors participating in the Offer.

Dilution in pro-forma net tangible book value per share represents the estimated difference between the Offer Price and the approximate pro-forma net tangible book value per share immediately following the completion of the Offer.

The dilution effects are presented in the following summary:

Table 14: Dilution		
Offer Price per Share	₱3.28	(a)
Net Tangible Book Value per Share as of June 30, 2013	₱1.26	(b)
Pro-forma Net-Tangible Book Value per Share after the Offer	₱1.75	(c)
Increase per share to Existing Shareholders attributable to the Offer	₱0.49	(d=c-b)
Net Tangible Book Value Dilution per Share to IPO Investors, at an Offer Price of ₱3.28	₱1.53	(e=a-c)

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PLAN OF DISTRIBUTION

The Company is offering to the public One Hundred Sixty Eight Million (168,000,000) primary Common Shares with a par value of ₱1.00 per share, which are being made available for subscription in the Philippines at the Offer Price of Three Pesos and Twenty-Eight Centavos (₱3.28) per share. The Offer Shares will be issued out of its existing authorized capital stock of One Billion Two Hundred Million Pesos (₱1,200,000,000.00) divided into One Billion Two Hundred Million (1,200,000,000) Common Shares with a par value of One Peso (₱1.00) per share. The Offer Shares will represent 26.84% of the issued and outstanding Common Shares of the Company after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

Distribution of the Offer

Pursuant to the rules of the PSE, the Company will make available Fifty Million Four Hundred Thousand (50,400,000) Offer Shares comprising 30.00% of the Offer for distribution to the TPs. The total number of Offer Shares allocated to the TPs will be distributed following the procedures indicated in the implementing guidelines for the Offer Shares to be distributed by the PSE.

TPs who take up the Offer Shares shall be entitled to a selling commission of one percent (1.00%) of the Offer Shares taken up and purchased by the relevant Trading Participant. The selling commission, less withholding taxes of 10.00%, will be paid to the TPs within eight (8) banking days after the Listing Date.

The TPs may be allowed to subscribe for their dealer accounts provided that, if they opt to sell the Offer Shares to the clients during the Offer Period, it must be at a price not higher than the Offer Price per share. Likewise, the TPs are prohibited from selling the Offer Shares after the end of the Offer Period and before the Listing Date.

A total of Sixteen Million Eight Hundred Thousand (16,800,000) Offer Shares, or 10.00% of the Offer, shall be made available to LSIs. An LSI is defined as a share subscriber who is willing to subscribe a minimum board lot or whose subscription does not exceed ₱25,000.00. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Issue Manager and Underwriter shall allocate the Offer Shares by balloting, except when LSI demand is five times (5x) or more than the initial allocation, which will increase the allocation to 15.00% of total Offer.

The Issue Manager and Underwriter will distribute One Hundred Million Eight Hundred Thousand (100,800,000) Offer Shares, or 60.00% of the Offer Shares, directly to the general public. Abacus Capital has agreed to underwrite the whole Offer on a firm basis. Prior to closing of the Offer, any allocation of Offer Shares not taken up by the TPs and the LSIs shall be subscribed and/or distributed by the Issue Manager and Underwriter to their clients or the general public in the Philippines.

To facilitate the Offer, the Company has appointed Abacus Capital & Investment Corporation as the Issue Manager and Underwriter for the IPO.

The Issue Manager and Underwriter

Abacus Capital was incorporated in the Philippines on January 6, 1995. It has an authorized capital stock of ₱600,000,000.00, of which ₱500,000,000.00 represents its paid-up capital. The SEC granted it registration and authorization to act as an investment house, valid from January 1, 2012 to December 31, 2014, allowing Abacus Capital to act as issue manager and underwriter.

Abacus Capital is a culmination of a group of Filipino businessmen and entrepreneurs' objective to further their presence in the Philippine capital markets after years of success in the stock brokerage business. Since it started operations in 1995, the Issue Manager and Underwriter had actively participated in a number of initial public offering transactions. As a full-service investment house, the Issue Manager and Underwriter provide the full line of corporate finance and merchant banking products and services.

Abacus Capital, as the Issue Manager and Underwriter, represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. The Issue Manager and Underwriter also warrants and represents that, to the best of its knowledge, after exercising the appropriate due diligence review, there are no other material facts, the omission of which would make any statement in the Prospectus, as a whole, misleading. Except for failure to exercise the required due diligence review, the Issue Manager and Underwriter assumes no liability for any information supplied in this Prospectus.

Abacus Capital does not have any direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the Issue Manager and Underwriter for the Offer. Abacus Capital also has no direct relations with the Company in terms of ownership by either their respective major stockholders, and has no right to designate or nominate any member of the Company's board of directors.

There is no contract or arrangement existing between the Company, Abacus Capital, or any other third party whereby Abacus Capital may return any unsold securities from the Offer.

Underwriting Commitment

The Offer will be underwritten on a firm commitment basis at the Offer Price. The Issue Manager and Underwriter and the Issuer will enter into, on or before the start of the Offer Period, an Underwriting Agreement wherein the Issue Manager and Underwriter will agree to subscribe for, or procure subscribers for the Offer Shares.

The Underwriting Agreement is subject to certain conditions and is subject to termination by the Issue Manager and Underwriter if certain circumstances, including force majeure, occur on or before the time the Shares are listed on the PSE. In addition, the Underwriting Agreement is conditional on the Offer Shares being listed on the PSE on or before the stipulated Listing Date, or at such other date as the Issue Manager and Underwriter and the Company may agree on. Under the terms and conditions of the Underwriting Agreement, the Company has agreed to indemnify the Issue Manager and Underwriter in respect of any breach of warranty by the Company as contained therein.

Underwriting Fees

The underwriting fee and selling commission to be derived by the Issue Manager and Underwriter from the Offer shall be based on an underwriting fee of three percent (3.00%) of the gross proceeds of the Offer amounting to ₱16,531,200.00. A portion of the selling commission will be ceded to the Selling Agents as compensation for their services during the selling phase of the IPO process.

All reasonable out-of-pocket expenses to be incurred by the Issue Manager and Underwriter in connection with the Offer shall be for the account of the Company.

Relationship with the Issuer

No relationship exists between the Issue Manager and Underwriter and the Company other than as stated in the Underwriting Agreement entered into by both parties.

The Selling Agents

The TPs shall act as Selling Agents for the Issue, pursuant to the distribution guidelines of the PSE. The TPs who take up Offer Shares shall be entitled to a selling commission of one percent (1.00%) of the Offer Shares taken up and purchased by the relevant TPs. The selling commission, less withholding taxes of 10.00%, will be paid to the TPs within eight (8) banking days after the Listing Date.

Finders

There are no finders involved in this Offer.

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OWNERSHIP STRUCTURE

The following table presents the ownership structure of the Company as of the date of this Prospectus, and the expected ownership structure immediately following the completion of the Offer:

Shareholder	Nationality	Shares owned Prior to the Offer		Shares owned After the Offer	
		Number of Shares	Percent to Total	Number of Shares	Percent to Total
JTKC Equities, Inc.	Filipino	302,599,998	66.07%	302,599,998	48.34%
The Discovery Leisure Company, Inc.	Filipino	155,399,995	33.93%	155,399,995	24.82%
Ruben C. Tiu	Filipino	1	-nil-	1	-nil-
John Y. Tiu, Jr.	Filipino	1	-nil-	1	-nil-
Romualdo C. Macasaet	Filipino	1	-nil-	1	-nil-
A. Bayani K. Tan	Filipino	1	-nil-	1	-nil-
Lamberto R. Villena	Filipino	1	-nil-	1	-nil-
Chun Bing G. Uy	Filipino	1	-nil-	1	-nil-
Elizabeth Ann C. Parpan	Filipino	1	-nil-	1	-nil-
Public	Filipino	0	0.00%	168,000,000	26.84%
Total		458,000,000	100.00%	626,000,000	100.00%

Lock-Up

Pursuant to the Listing Rules for the Main and Small, Medium and Emerging (“SME”) Boards of the PSE, the Company’s existing stockholders who own at least 10.00% of the outstanding shares of stock shall enter into an escrow agreement with an escrow agent not to sell, assign, or in any manner dispose of their shares for a period of one hundred (180) days after Listing Date. This shall cover 155,399,995 shares of TDLCI for shares it subscribed in 2004 and 2005, and 302,599,998 shares of JEI it subscribed in 2012, equivalent to 66.07% of total issued and outstanding shares prior to the IPO.

Furthermore, shares issued and fully paid for within one hundred (180) days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least three hundred sixty five (365) days from full payment of said shares. On December 26, 2012, the Company approved the issuance of 302,599,998 common shares to JEI at ₱1.00 per common share, all of which have been fully paid. The issuance of 54,599,998 of these shares was approved by the SEC on June 10, 2013 and shall be subject to the 365-day lock up.

Accordingly, the following shows the breakdown of the shares covered by the lock-up requirement:

Table 16: Shareholders Subject to Lock-Up		
Shareholder	No of Shares Subject to Lock-Up for 180 days	No of Shares Subject to Lock-Up for 365 days
The Discovery Leisure Company, Inc.	155,399,995	-
JTKC Equities, Inc.	248,000,000	54,599,998
Total	155,399,995	54,599,998

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INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

Legal Counsel

Legal matters in connection with the Offer have been passed upon for the Company by Tan Venturanza Valdez, the Legal Counsel to the Issue. The said counsel has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the standards of independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

Tan Venturanza Valdez does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and has not acted as promoter, underwriter, voting trustee, or as DWC employees.

Independent Auditors

The Audited Financial Statements as of and for the years ended December 31, 2010, 2011, and 2012, and as of and for the six (6) -month period ended June 30, 2013, including the notes thereto that are incorporated by reference in this Prospectus, have been reviewed without qualification by Punongbayan & Araullo ("P&A"), auditors as stated in their reports appearing herein. The Company has not had any disagreements on accounting and financial disclosures with P&A, for the same periods or any subsequent interim period.

There have been no disagreements on accounting and financial disclosures between the Company and its current independent auditors for the same periods or any subsequent interim period. P&A has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. P&A has no, and will not receive any, direct or indirect interest in the Company or in any securities pursuant to or in connection with the Issue in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The Company's Audit Committee will review and approve the scope of audit work of the independent auditor and the amount of audit fees. The amount will then be presented for approval by the stockholders in the annual meeting. The scope of and amounts of any service rendered by the independent auditors other than the audit and preparation of financial statements, are subject to review and approval by the Audit Committee.

P&A does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and has not acted as promoter, underwriter, voting trustee, or as DWC employees.

THE COMPANY

The following discussion of the Company's business contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Investment Considerations and Risks Factors" and elsewhere in this Prospectus.

History and Development

The Company was incorporated and registered with the SEC on January 5, 1993 as Southern Visayas Property Holdings, Inc. On March 31, 2010, the SEC approved the change of the Company's name to "Southern Visayas Property Holdings, Inc. (doing business under the names and styles of Discovery Shores Boracay, Discovery Shores, Platitos Resto-Bar, Sands Lounge, Indigo Resto-Bar and Sunken Pool Bar)". On March 21, 2013, the SEC approved the change of the Company's name to "Discovery World Corporation (doing business under the names and styles of Discovery Shores Boracay, Discovery Shores, Platitos Resto-Bar, Sands Lounge, Indigo Resto-Bar and Sunken Pool Bar)".

The Company's primary purpose is to develop, invest in, own, acquire, administer, construct and operate hotels, resorts, apartelles, condominiums, townhouses, buildings, other tourist-related structures, and their usual facilities, including but not limited to, the operation of transportation or shuttle services for tourists in all its various forms by means of automobiles, motor cars, buses, trucks, cruise lines, yachts, boats, luxury vessels, leisure and sports crafts, and other similar modes of transportation and conveyances of every kind and description as may be allowed by law.¹⁰

Currently, the Company operates Discovery Shores Boracay, a resort hotel located in Boat Station 1 of the island of Boracay, Aklan. Its registered address and principal place of business is at Station 1, Balabag, Malay, Aklan, Philippines.

TDLCI acquired the Company from Ayala Hotels, Inc. on July 25, 2003. The Company's commercial operations started only upon its acquisition by TDLCI, which gave the Company a feasible business opportunity in the resort hotel business. This was the second project of TDLCI outside of Metro Manila and its first venture into the resort hotel business. In 2012, JTKC Equities, Inc. acquired a majority stake in the Company or 66.07% ownership, leaving TDLCI with 33.93% ownership. Both TDLCI and JEI are holding companies with investments in various companies in the real estate business, particularly in the leisure and hospitality sector. The registered office of TDLCI is located at 2/F JTKC Center, 2155 Chino Roces Avenue, Makati City. The registered office of JEI is located in Felix Avenue, Cainta, Rizal.

¹⁰ As approved by the SEC on March 21, 2013.

The Company established Discovery Shores Boracay in 2005. The construction of the resort hotel was from 2005 to 2006. On March 22, 2007, Discovery Shores Boracay commenced commercial operations. On March 7, 2013, the Company entered into a management agreement with TDLCI for the operation of Discovery Shores Boracay for an initial term from date of execution thereof to February 28, 2022, extendible by the parties. Discovery Shores Boracay received several recognitions in its five (5) years of operations. It is listed in the T+L 500 World’s Best Hotels in 2011, 2012, and 2013. It is also part of the Top 100 Hotels Overall, Top Resorts in Asia, Top Family Hotels in Asia, Top Hotel Spas Overall, Top Hotel Spas in Asia, Top Hotel Spas by Region, World’s Best Spa, and World’s Best Island Hotel. Please see subsection “Accreditation and Accolades” on page 112.

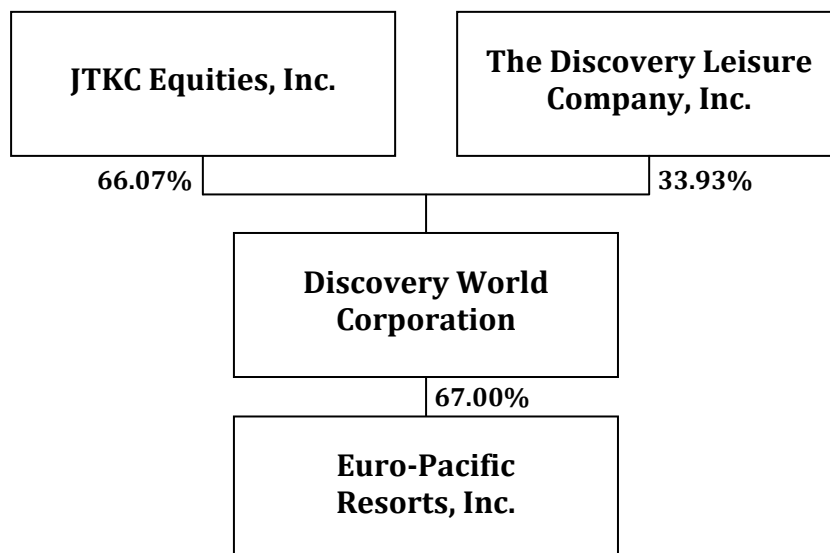
The Company operates Club Paradise in Dimakya Island, Coron, Palawan, after its acquisition of Euro-Pacific Resorts, Inc. on September 27, 2013. Currently, DWC owns 67.00% of Euro-Pacific and expects to bring this up to 100.00% within the fourth quarter of 2013. Euro-Pacific was incorporated on May 3, 1989. Club Paradise currently enjoys “AA” resort accreditation rating from the DOT. It offers a total of 52 units situated in different areas in the island. It received the Kalakbay “Resort of the Year (AA category)” awards in 2001 and 2003 from the DOT.

Since its incorporation, DWC has not been the subject of any bankruptcy, receivership, or similar proceedings. For the last three (3) years prior to this Prospectus and to date, the Company has not undergone any material reclassification, or purchase or sale of a significant amount of assets not classified as ordinary.

Corporate Structure

The Company’s corporate structure is presented in the diagram below.

Figure 1: Corporate Structure



A brief discussion of the Company’s major shareholders are presented below:

JTKC Equities, Inc.

JTKC Equities, Inc. owns 66.07% of the Company. It is the investment holding company of the Tiu family incorporated on April 22, 1993. It currently has interests in real estate, hotel and restaurant management, fitness and health establishments, steel manufacturing, mineral production, financial services, securities trading, and fund transfer and remittance. JTKC Equities, Inc., through its subsidiaries and affiliates, has presence in the Philippines, Hong Kong, Singapore, Taiwan, China, Japan, Australia, New Zealand, United Kingdom, Austria, and Canada.

The Discovery Leisure Company, Inc.

TDLCI owns 33.93% of the Company. It was incorporated on March 30, 2001. TDLCI is presently engaged in investing, purchasing, developing, leasing, selling, transferring or otherwise disposing of all properties of every kind, nature and description and wherever situated, including but not limited to, real estate. At present, TDLCI manages the Discovery hotel and resort hotel properties.

At present, Euro-Pacific is the Company's sole subsidiary. After the IPO, the Company will add Discovery Fleet and Palawan Cove as its subsidiaries with 100.00%-stakes in each company.

Corporate Vision Mission Statements

The corporate vision statement of the Company is:

"To be the most admired and preferred Filipino brand in the global hospitality industry."

The corporate mission statement of the Company is:

"To provide the very finest hospitality in strategically located tourist destinations in the Philippines by providing premium accommodations and world-class amenities that combine efficiency and Filipino all-heart hospitality while adhering to the principles of sustainability and environmental responsibility."

Competitive Strengths

Recognized Brand Name

Discovery Shores Boracay started operations in March 2007 and has since received various international recognitions.

In 2009, Discovery Shores Boracay was awarded by the DOT Region VI as the Best Resort in the Triple A Category in Western Visayas and its general manager then, Mr. Jose C. Parreño, Jr., was likewise honored as one of the Regional Director's Awardees.

In 2010, Discovery Shores Boracay made its debut on Travel + Leisure's World's Best Awards list ranking among Top 15 resorts in Asia. The ranking was gauged by the monthly publication's questionnaire to its readers at TLWorldsBest.com where readers are invited to vote for their favorite resorts and hotels. The years 2011 and 2012 were banner years for Discovery Shores as it ranked prominently in different categories in the World's Best Awards List. Please see sub-section "Accreditation and Accolades" on page 112.

These include the following:

- Top 100 Hotels Overall, World's Best Awards, 2012 - No. 5
- Top Resorts in Asia, World's Best Awards, 2012 - No. 2
- Top Family Hotels in Asia, World's Best Awards, 2012 - No. 1
- Top Hotel Spas Overall, World's Best Awards, 2012 - No. 2
- Top Hotel Spas in Asia, World's Best Awards, 2012 - No. 1
- Top Hotel Spas by Region, World's Best Awards, 2011 - No. 5
- World's Best Spas, 2011 - No. 7
- World's Best Island Hotel, 2011 - No. 16

The same travel magazine lists Discovery Shores Boracay under the T+L 500 Worlds Best Hotels consecutively in 2011, 2012, and 2013. It tops the list for hotels in the Philippines, on top of Edsa Shangri La, Makati Shangri La, and The Peninsula Manila in 2013.^{11 12 13}

Discovery Shores Boracay also holds the distinction of being the first Philippine resort included in the exclusive Small Luxury Hotels of the World collection. This collection is an unrivalled selection of some of the world's finest small independent hotels, comprising over 520 hotels in more than 70 countries, the diversity of the individual hotels, and the experiences that they offer, is exceptional.¹⁴

The resort's Indigo Restaurant consistently rates in Philippine Tatler's Best Restaurants List and in Miele Guide's 2010/2011, 2011/2012 Best Restaurants in Asia list.

Strategic Location

The Company is currently operating in Boracay through Discovery Shores Boracay. Discovery Shores Boracay sits strategically on a stretch of powder-fine sand known as Boracay's White Beach, providing premium accommodations and world-class amenities right on the island's most coveted location. The Company's resort hotel is in the Station 1 area, which is more quiet and exclusive compared to the rest of the other areas of White Beach. Boracay is known as one the best islands in the world, having ranked 2nd, 1st, and 4th in Travel+Leisure's list of Top Islands 2013¹⁵, 2012, and 2011 list.¹⁶

¹¹ <http://www.travelandleisure.com/tl500/2013>

¹² <http://www.travelandleisure.com/tl500/2012>

¹³ <http://www.travelandleisure.com/tl500/2011>

¹⁴ www.slh.com

¹⁵ <http://www.travelandleisure.com/articles/worlds-best-islands-2013/2>

¹⁶ <http://www.travelandleisure.com/worldsbest/2012/islands>

Furthermore, the Company started operating in Palawan through Euro-Pacific's Club Paradise in Coron. Travel + Leisure has officially awarded Palawan as Overall Top Island and Top Island in Asia for 2013.¹⁷

Service that's All Heart

Discovery Shores Boracay's service mantra of "Service that's All Heart" is more than just a service battle cry but a culture of caring. When it comes to guests, Discovery Shores Boracay's associates are not bound by titles. Each associate can be 'your children's nanny, or your wife's personal shopper, or your tour guide.'

The following is Discovery Shores Boracay's pillar or service:

"We treat guests as part of the family, entertaining and caring for each other. Our hospitality is very personal."

The return guest ratio at Discovery Shores Boracay is almost 70.00%.

The Company intends to apply this service mantra on all its properties.

Excellent Facilities

The Company prides itself in providing excellent facilities in its properties. Discovery Shores Boracay, which is currently the only operating property of the Company, is equipped with excellent facilities that are truly world class in nature. These include the following facilities:

Sandbox Kid's Room

The Sandbox Kid's Room is open daily with programmed kiddie activities scheduled at 4:00 p.m. This room has stuffed toys, an X-box, and various board and computer games that are available for children aged 0-12 years old. The kiddie activities include arts & crafts, Filipino games, scavenger hunts, and cooking lessons.

Terra Wellness Spa

Grounded on the belief that wholeness is accomplished by accorded tranquility of both the mind and body, Terra Wellness Spa is the ideal resort spa. Terra is a Latin word for earth, extending to oneness with nature. This definition is clearly depicted in the mood and the environment of the spa. It is all about de-stressing in a calm and relaxing place. The inspirations behind the spa are tranquility and serenity. Through specialized services, treatments, and facilities, Terra is the perfect haven for guests to float back to reality at their own pace after the treatment.

¹⁷ <http://www.travelandleisure.com/articles/worlds-best-islands-2013/2>

Swimming Pool

An idyllic alternative to the actively filled beachfront, the Discovery Shores Boracay pool is located on the ground level, adjacent to the Sands Restaurant. The pool has a kiddie area, a Jacuzzi, and sunken poolbar. Pool butlers are on hand to give complimentary treats and inflatable toys for the children, making it a perfect hangout for every member of the family.

Gym

The Discovery Shores Boracay fitness lounge is equipped with cardio and strength training equipment, assuring guests of an uninterrupted fitness regimen even while on vacation.

Recreation Room/Library

Located at the ground level, the Recreation Room/Library offers a good selection of books and DVD's for visitors' use.

The Company intends to provide similar facilities in all of its properties. The Company plans to refurbish Club Paradise by early 2014, shortly after the Company takes over its operations.

Value for Money

The Company believes that it offers great value for money spent in its properties.

As the property only operating under DWC, Discovery Shores Boracay is strategically located to give its guests an exceptional experience from the majestic view of the sunset to the breath-taking view of the shores.

Turn-down services such as towel animal sculptures, personalized quotes, towel mats embroidered with "good night", foot bath upon arrival, and generous snacks left on the dining table are some of the extra services that the resort gives its guests to ensure a very good and relaxing stay.

The resort features world-class facilities and amenities that are at par with other luxurious developments in the world. With room rates starting at ₱13,800.00 per night, guests are housed in an all-suite room equipped with a 24-hour room service, 32-inch LCD TV, 100.00% cotton oversized towels, cable television, DVD player, component system, down pillows with hypo-allergenic pillows available, hair dryer, housekeeping services, in-room safe, iPod dock, iron and ironing board, mini bar, refrigerated private bar, tea/coffee maker, and voice mail. It also prides itself for its multi awarded Terra Wellness Spa and Indigo Restaurant. Daily activities are also offered in the resort for the guests to enjoy.

Above all, it offers priceless memories thru its excellent and unique services that are all truly from the heart.

The Company intends to replicate this in all its properties.

Business Strategies

Capitalize on prime location and provide luxurious guestrooms and excellent resort facilities to attract high-end leisure markets

The Company plans to establish new hotel properties in prime, strategic locations that feature world-class, five-star facilities that its upper class target market demand. Given the relative success of the Company with its Discovery Shores Boracay property using this formula, it plans to replicate this in other established tourist destinations in the country.

The Company started operating Club Paradise in September 2013, following the acquisition of Euro-Pacific.

Deliver outstanding, consistent, and personalized service with unique “wow factors” and continuous enhancements/innovations to keep guests coming back

The pampering and care of hotel guests is a hallmark quality that the Company is committed to deliver consistently to ensure that guests are satisfied and will likely come back given their experience of staying at a DWC property. While the Boracay property has already established this reputation, the Company will draw on this experience and will replicate the same in other future properties to ensure that guests that visit all Discovery Shores properties have that same “feel at home” experience.

Maintain rate level for luxury market category and focus on revenue management for sustainable growth

In order to ensure the delivery of facilities and services that cater to the Company’s target market, it will maintain a premium pricing policy but will deliver a clear “value for money” proposition. Given the demands of the Company’s target market, it will not sacrifice the delivery of services to its clientele.

Ensure sufficient investment in each property to retain and attract guests and industry partners

Through the years, the Company has kept pace with the changing landscape, constantly evolving its hardware and software so that it can continue providing for the needs of its guests. Discovery Shores Boracay’s business performance for the past years reveals that it maintains the trust and patronage of top accounts and allowed it to acquire new accounts despite the presence of competition.

The Company, through the Discovery Group, which includes Discovery Suites in Ortigas and Discovery Country Suites in Tagaytay, has invested on a Customer Relationship Management (CRM) System with Business Intelligence capability. The CRM System will benefit the Company in the Sales, Marketing, and Operations fronts.

Sales

The CRM System can help track sales opportunities, formulate sales forecasts, and help the sales managers manage their accounts.

Marketing

The CRM System can be used to track and measure promotions and campaigns. It can also do email broadcasts using all the database of all the properties (i.e. Discovery Suites in Ortigas and Discovery Country Suites in Tagaytay). The system can also be integrated with the Property Management System (PMS), which tracks the length of stay of the guests, enabling Discovery Shores Boracay to come up with a rewards system for its patron guests.

Operations

The CRM System can be used by Guest Relations and Housekeeping to personalize the stay of the resort hotel guests.

The addition of the Business Intelligence capability allows the Company to manage the database in the CRM and PMS.

The Company will also focus on communications technology, which shall enhance the systems set, from reservations to guest facilities. Furthermore, the Discovery Group has recently rolled out its new website, www.discoveryhotels-resorts.com, which features a new booking process and social media integration, to name a few. The site will also be optimized for mobile use.

Business Plans

The Company's business plans primarily focus on the entry into new businesses, discussed below.

Entry into New Businesses

The Company plans to enter into new businesses that are tourism-related, which shall include an island resort in Dimakya Island, Coron, Palawan, a cruise business, and a resort hotel in San Vicente, Palawan.

On September 27, 2013, the Company acquired a 67.00%-stake in Euro-Pacific, the company that owns and operates Club Paradise in Dimakya Island, Coron, Palawan. Euro-Pacific was incorporated on May 3, 1989. Club Paradise enjoys an "AA" resort accreditation rating from the DOT. It offers a total of 52 units situated in different areas in the island. It received the Kalakbay "Resort of the Year (AA category)" award in 2001 and 2003 from the DOT.

The Company plans to enter into the cruise business through Discovery Fleet Corporation. The business shall entail two (2) cruise boats that will have about 50 rooms and facilities such as a food salon. This business has two (2) main seasons, namely the Tubbataha season from March to June and the leisure season from October to March. The Tubbataha season is intended for scuba safari expeditions, which shall cater to touring scuba divers who want to dive in the rich waters of the Philippines including the Tubbataha Reef, with options to Cagayancillo and Calusa. The leisure season is intended for leisure cruises that will ply the Pandan Island-Coron-Apo Reef route for local and foreign non-diving tourists.

The Company also plans to enter into the resort hotel business in Palawan through the acquisition of Palawan Cove Corporation, a company that shall develop a beachfront resort hotel property in San Vicente, Palawan. This resort hotel will feature world-class, five-star facilities that DWC's usual upper class target market demands.

Key Operating Entities

The Company operates Discovery Shores Boracay, a resort hotel located in Boat Station 1 of the island of Boracay, Aklan. Its registered address and principal place of business is at Station 1, Balabag, Malay, Aklan, Philippines. The Company's commercial operations started on March 22, 2007. The Company has a management agreement with TDLCI for the operation of Discovery Shores Boracay for an initial term from March 1, 2013 to February 28, 2022, extendible by the parties.

The Company also operates Club Paradise in Dimakya Island, Coron, Palawan through its 67.00% subsidiary, Euro-Pacific. Euro Pacific was incorporated on May 3, 1989. Club Paradise enjoys an "AA" resort accreditation rating from the DOT. It received the Kalakbay "Resort of the Year (AA category)" award in 2001 and 2003 from the DOT. On September 27, 2013, Euro-Pacific entered into a management agreement with TDLCI for the operation of Club Paradise effective on October 1, 2013 until September 30, 2023, extendible by the parties.

The following discusses the two (2) current operations of the Company.

Discovery Shores Boracay

Discovery Shores Boracay is built on 7,877.98 square meters contiguous lots at the prime portion of Boracay Island's beachfront called Boat Station 1. It has a frontage of more than 60 meters. It consists of five (5) pieces of smaller lots, where the back portion is sitting on an elevation of 11 meters higher than the other front lots, giving all structures an unobstructed view of the beach.

It houses 87 hotel rooms, divided into 65 junior suites, five (5) one-bedroom suites, 12 one-bedroom suite premier, three (3) two-bedroom suites, and two (2) two-bedroom suite premier. The hotel rooms are divided into five (5) clusters, with each cluster built on a 3-storey structure.

The resort hotel also has an open-design coffee shop, a library, a game room, kid's room, gym, first-class spa offering seven (7) individual rooms, geometric-shaped pool, outdoor Jacuzzi, and flexible-design function rooms that are designed to accommodate parties or conferences of 10 to 100 people.

The resort hotel runs its own four (4) popular restaurants namely, Indigo Coastal Cuisine, Platitos or Small Plates, Sands Restaurant, and Sandbar/Pool Bar.

Discovery Shores Boracay targets classes A and B markets and foreign tourists.

Club Paradise

Club Paradise is built on a 14-hectare property in Dimakya Island that has 700 meters of white sand beach gently sloping into the renowned waters of Palawan.

The guests' accommodation units total to 52, divided into seven (7) standard beachfront and 13 deluxe type air-conditioned beachfront cottages located at the Sunset Beach, eight (8) duplex type and eight (8) condominium-type air-conditioned family cottages at the Sunrise Beach, and 12 air-conditioned apartment-type rooms and four (4) Junior Suites at the Island View.

The island resort has a clubhouse that houses the Dugong Bar, library, video room, and indoor sports, a restaurant that houses a conference room with a capacity of up to 50 persons, Jungle Bar, videoke room, and satellite TV room, swimming pool, sports center, tennis court, beach volleyball facilities, hiking trails, dive center, souvenirs and convenience shop, business center, museum, and spa.

Club Paradise's main target market is foreign tourists accounting for more than half of its customers, while Filipino tourists in the socio-economic classes A and B account for around 30.00% to 40.00% of its customers.

Products and Services

DWC derives its revenues from the operations of Discovery Shores Boracay and Club Paradise. Both companies are in the resort business, thus both its revenues comprise of renting out the suites/rooms to guests and food & beverage sales from the restaurants, bars, room service, and banquets.

Discovery Shores Boracay

For the year ending December 31, 2012, revenues from room services amounted to ₱284.3 million, or 77.67% of total revenues for the year, while food, beverages & others amounted to ₱81.7 million or the balance of 22.33% of total revenues. For the first half ending June 30, 2013, revenues from room services amounted to ₱166.7 million, or 80.84% of total revenues for the period; while food, beverages, & others amounted to ₱39.5 million or the balance of 19.16% of total revenues

From 2010 to June 30, 2013, revenues from rooms contributed an average of 78.73% of total revenues, while the balance of 21.27% was contributed by food, beverages, & others.

From 2010 to 2012, room revenues grew at a compounded annual growth rate (“CAGR”) of 7.95%.

About 40.00% of the sales come from international sources, mostly from international travel agencies such as Faithfully from Taiwan, Flight Centre from Australia, and GTA from Hong Kong, and on-line travel agencies such as Agoda, Expedia, and Booking.com. Despite this, the foreign exchange exposure in sales to the international markets is nil. The payments are made in Philippine Pesos, whether they book through counterparts here in the Philippines or through direct bookings from abroad. In the latter case, the payment is the nett contracted rates in Philippine Pesos and done via bank transfer.

Room Rent

Discovery Shores Boracay offers 87 hotel rooms, which are all-suite type with minimum room size of 40 sqm. Each room is provided with 24-hour room service, 32-inch LCD TV, 100.00% cotton oversized towels, cable television/DVD player/component system, down pillows, hair dryer, housekeeping services, hypo-allergenic pillows available, in-room safe, iPod dock, iron and ironing board, mini bar, refrigerated private bar, tea/coffee maker, and voice mail. Room rent accounted for 77.67% of total Revenues for the year ended December 31, 2012, and 80.84% for the first half ended June 30, 2013.

The following table presents the various room types of Discovery Shores Boracay:


Table 17: Discovery Shores Boracay Suites Description	
Room Type:	Junior Suite
No. of Units:	65
Ave. Room Size:	40-45 sqm
Starting Price:	2-3 pax per room
Studio Type:	₱13,800 per night
Description:	STUDIO TYPE with extra day bed and 1 toilet and bath
	

Table 17: Discovery Shores Boracay Suites Description

Room Type: **One-Bedroom Suite**
 No. of Units: **5**
 Ave. Room Size: **65 sqm**
 Starting Price: **2-4 pax per room**
 Studio Type: **₱17,500 per night**
 Description: **FLAT TYPE with separate bedroom from receiving area and dining area, 1 toilet and bath**



Room Type: **One Bedroom Suite Premier**
 No. of Units: **12**
 Ave. Room Size: **60 sqm**
 Starting Price: **2-4 pax per room**
 Studio Type: **₱19,500 per night**
 Description: **LOFT TYPE receiving and dining areas on lower floor, bedroom on upper floor, Jacuzzi on balcony, 2 toilets and bath**



Room Type: **Two-Bedroom Suite**
 No. of Units: **3**
 Ave. Room Size: **120 sqm**
 Starting Price: **4-6 pax per room**
 Studio Type: **₱25,600 per night**
 Description: **FLAT TYPE with 2 separate bedrooms in between the receiving room and dining area, 2 toilets and baths**



Table 17: Discovery Shores Boracay Suites Description

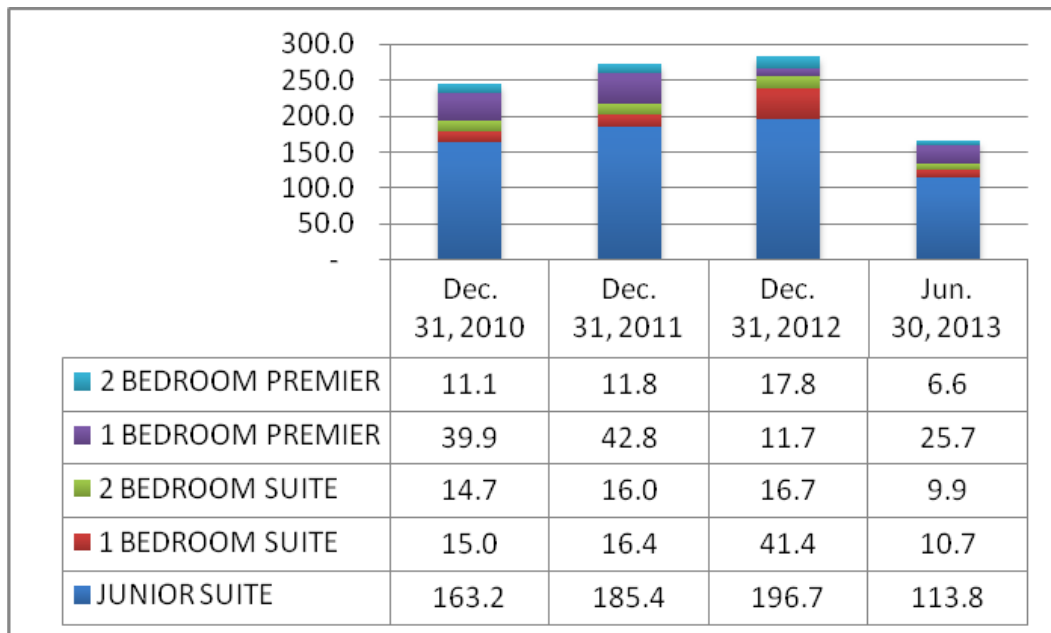
Room Type: **Two-Bedroom Suite Premier**
 No. of Units: **2**
 Ave. Room Size: **120 sqm**
 Starting Price: **4-6 pax per room**
 Studio Type: **₱28,100 per night**
 Description: **LOFT TYPE**
1st room on lower floor, 2nd room on mezzanine, receiving and dining areas on the lower floor, Jacuzzi on the balcony, 3 toilets and baths



For the first half ended June 30, 2013, the main revenue contributor to room rent are the Junior Suites accounting for 68.26% of total room rent revenues. This is followed by the One Bedroom Premier accounting for 15.40% of total room rent revenues. The last three (3) contributors to room rent revenues are the One Bedroom Suite at 6.43%, the Two Bedroom Suite at 5.96%, and the Two Bedroom Premier at 3.95%.

The following shows the contribution to room rent revenues for the full years of 2010 to 2012 and for the period ending June 30, 2013.

Figure 2: Discovery Shores Boracay Room Rent Revenues



Food and Beverages Sales

Sales from food and beverages come from three (3) categories namely, (a) restaurants and bars, (b) room service, and (c) banquets held in the hotel. For the first half ended June 30, 2013, food and beverages accounted for 19.16% of total Revenues.

Restaurants and Bars

Discovery Shores Boracay operates two (2) restaurants - Sands Restaurant and Indigo Coastal Cuisine, and two (2) bars - Sandbar and Platitos. For the year ended December 31, 2012 and for the first half ended June 30, 2013, restaurants and bars accounted for 68.69% and 84.64% of food and beverages revenues, respectively.

From 2010 to 2012, food and beverage revenues grew at a CAGR of 12.39%.

Below are brief descriptions of the restaurants.

Sands Restaurant



Sands Restaurant was the first restaurant launched by Discovery Shores Boracay. It started its operations on March 2007, primarily offering casual dining experience. Sands Restaurant is located in front of the beach offering an ocean view venue for complimentary breakfast for in-house guests, a la carte lunch and themed dinner buffets.

Sands Restaurant is the biggest contributor among the restaurants and bars. From January 2010 to June 2013, it contributed an average of 59.04% of total restaurants and bars revenue. For the year ended December 31, 2012 and for the first half ended June 30, 2013, Sands Restaurant contributed 62.92% or ₱35.3 million and 42.33% or ₱14.2 million of total Restaurants and Bars revenues, respectively.

Indigo Coastal Cuisine



Indigo Coastal Cuisine, launched on February 2008, is a fine dining restaurant that is only open for dinner. The restaurant focuses on highly seasonal menu, mainly coastal cuisine and is known for its wine selection of prestigious bottles of leading labels from old and new world wineries.

Indigo Coastal Cuisine is the most recognized dining destination among the restaurants and bar. It consistently rates in Philippine Tatler's Best Restaurants List and in Miele Guide's 2010/2011, 2011/2012 Best Restaurants in Asia list.

From January 2010 to June 2013, Indigo Coastal Cuisine contributed an average of 14.02% of total restaurants and bars revenue. For the year ended December 31, 2012 and for the first half ended June 30, 2013, Indigo Coastal Cuisine contributed ₱6.1 million and ₱9.8 million to total Restaurants and Bars revenues, equivalent to 10.85% and 29.33% of total Restaurants and Bars revenues, respectively.

Sandbar and Platitos

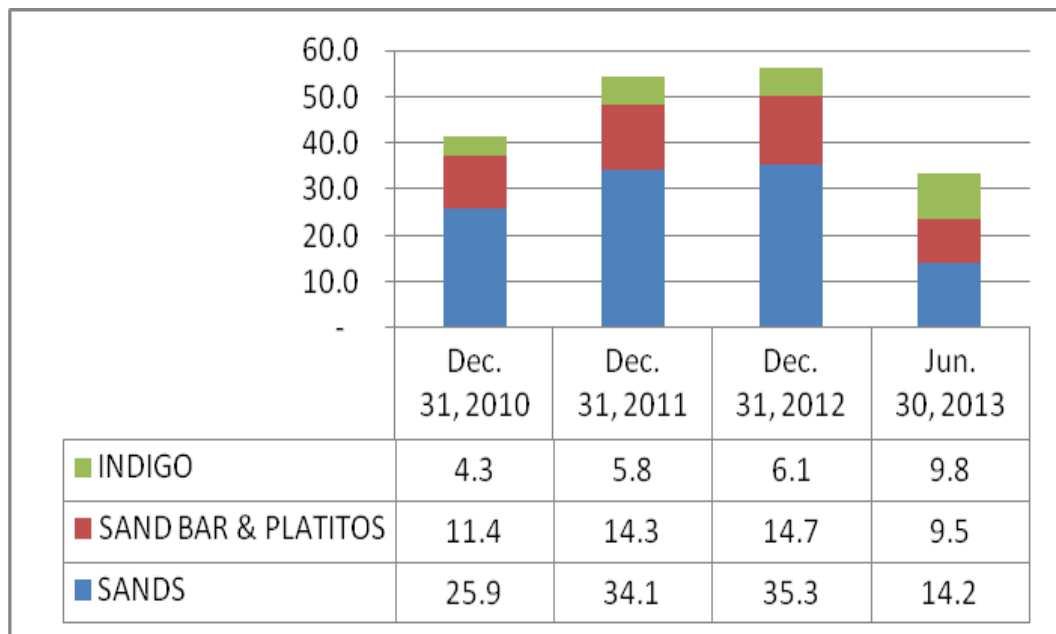


Sandbar is Discovery Shores Boracay's pool bar. It commenced operations in 2007. The Sand Bar is intended for casual lounging, primarily catering to the guests by the pool. The bar is famous for its Mango and Lychee Mojitos and traditional Margaritas, while serving a wide range of alcoholic and non-alcoholic beverages.

Platitos, which translates to Small Plates in English, is the resort hotel's beach bar that is set up every afternoon in time for the famous Boracay sunset. It is an extension of Sandbar, serving the same selection of food on Sandbar's menu. It also provides food catering for the events and parties held on the beach. The revenues from Platitos are lumped together with the revenues from Sandbar.

From January 2010 to June 2013, Sandbar and Platitos together has been the second biggest contributor to total restaurant and bar revenues with an average of 26.93% total contribution. For the year ended December 31, 2012 and for first half ended June 30, 2013, Sandbar contributed ₱14.7 million and ₱9.5 million to total Restaurants and Bars revenues, or 26.23% and 28.34% of total Restaurant and Bars revenues, respectively.

Figure 3: Restaurants and Bar Revenues



Room Service

The Company provides room service to guests 24/7 that includes food selections from the resort restaurants and cocktails from the bar that are charged with a room service fee. For the year ended December 31, 2012 and for the first half ended June 30, 2013, room service amounted to ₱3.8 million and ₱3.6 million, respectively.

Banquets

Discovery Shores is popular for hosting events such as weddings, corporate events, and meetings. For the year ended December 31, 2012 and for the first half ended June 30, 2013, banquets amounted to ₱21.8 million and ₱2.5 million, respectively.

Weddings

Wedding accommodation includes wedding ceremony set up, wedding reception, and room accommodation. A wedding accommodation needs to be reserved at least two (2) months prior to the wedding. Upon reservation, the guests can start the food tasting and participate in organizing the wedding. The prices of the packages differ depending on the season and the set up chosen by the guests.

The following shows the summary of the basic wedding services offered by Discovery Shores Boracay:

Table 18: Summary of Basic Wedding Services		
Wedding Ceremony Set- up	Wedding Reception	Room Accommodations
Complimentary pressing or steaming of the bridal gown and groom's outfit / Use of the golf cart for the bride & groom	Stage and dance floor	Overnight accommodation for two (2) in a Junior Suite inclusive of buffet breakfast for two at the Sands Restaurant
Drop-off and pick up services to and from the church	Dinner buffet – two (2) options: <ul style="list-style-type: none"> • La Primavera • El Invierno 	Minimum of five (5) rooms guaranteed for two (2) nights is required for weddings with 30-49 guests
Guest book and pen	Standard sound system	
Floral Arrangements on all tables	Complimentary use of multimedia projector	
Gazebo/Decorated tents	Standard sound system	
Basic PA system	Three-layered wedding cake	

Corporate events and meetings

Corporate events such as product launches and meetings can be hosted in the hotel or by the shore. The package includes food services, use of LCD projector, rostrum with microphone, and whiteboard with markers.

The table below shows the different rooms available for corporate events and meetings:

Table 19: Summary of Rooms Available for Banquets	
Rooms Available	Accommodation
The Belize	20-60 guests depending on seating configuration
The Caledonia	25-60 guests depending on seating configuration
The Androz	25-60 guests depending on seating configuration
Entertainment Room	8-20 guests depending on seating configuration

Other Sources of Income

Terra Wellness Spa

Discovery Shores Boracay launched Terra Wellness Spa in December 2007. The Company provides spa services to its customers, which includes body massages, facials, foot therapy, journeys, scrubs and wraps, shop sales, and others. Terra Wellness Spa was recognized as the No. 1 Hotel Spa in Asia in the Travel + Leisure 2012 World's Best Awards.

For the year ended December 31, 2012 and for the first half ended June 30, 2013, spa services generated ₱7.0 million and ₱3.7 million, or 43.64% and 43.60% of total other services, respectively.

Service Charge

The Company imposes fees on services rendered. This amounted to ₱7.7 million in 2012 and ₱4.0 million for the first half of 2013, equivalent to 47.84% and 46.68% of total other income, respectively.

Other Operated Department

Other operated department includes revenues earned from transportation charges, mini bars, guest laundry, boutique, and telephone charges. Shorelines is the hotel boutique that sells Discovery Shores Boracay's souvenir items, and various consigned items such as clothes, bags, slippers, jewelry, and accessories.

For the year ended December 31, 2012 and for the first half ended June 30, 2013, other operated department generated ₱1.4 million and ₱833,550.00, or 8.52% and 9.72% of total other services, respectively.

Club Paradise

Overnight accommodations come with full board and meals (3 meals- regular buffet or ala carte service), welcome drink upon arrival, use of resort facilities and amenities (snorkeling gear, swimming pool, jacuzzi, tennis court, video room, videoke room, satellite TV room, conference room, little nature museum, island hiking tour, table tennis, billiards, darts), resort programmed activities, full-time services of Activity Officers, service charge and government tax.

For the year ending December 31, 2012, revenues from room services amounted to ₱63.0 million, or 66.76% of total revenues for the year; while food & beverages amounted to ₱29.3 million or the balance of 33.24% of total revenues. For the first half ending June 30, 2013, revenues from room services amounted to ₱41.6 million, or 66.12% of total revenues for the period; while food & beverages amounted to ₱17.7 million or the balance of 33.88% of total revenues

From 2010 to June 30, 2013, revenues from rooms contributed an average of 70.17% of total revenues, while food & beverages contributed the balance of 29.83%.

From 2010 to 2012, room revenues grew at a CAGR of 11.84%.

Almost 60.00% of the sales come from clients directly booking with Club Paradise's own Sales and Reservations Office, by email, phone, or in-person (walk-in), and who do not have any contracted or corporate rate where the current best available rates or current promotional rates or packages are offered to them. Foreign exchange exposure in sales is nil. Rates are quoted in USD but the payments are made to Club Paradise in Philippine Pesos, whether they book through counterparts here in the Philippines or through bookings from abroad.

Room Rent

Club Paradise offers 52 units divided into three (3) phases according to their location. The rooms are at a minimum of 20 sqm.

Phase I, otherwise known as the Sunset Beach, is where seven (7) standard beachfront and 13 deluxe type air-conditioned beachfront cottages are located, suited for single, double, and triple occupancies.

Phase II, also known as the Sunrise Beach, is where eight (8) duplex-type and eight (8) condominium-type air-conditioned family cottages can be found. These family cottages can comfortably accommodate up to five (5) persons.

Phase III or the Island View is where 12 air-conditioned apartment-type rooms and four (4) Junior Suites are situated. The structure is built on a hillside fronting Dimakya Island's natural lagoon.

The architecture of Phases I and II is a modern version of the *bahay kubo* (Filipino hut) compared to Phase III's apartment-type rooms.

Room rent accounted for 66.76% of total Revenues for the year ended December 31, 2012, and 66.12% for the first half ended June 30, 2013.

The following table presents the various room types of Club Paradise:

Table 20: Club Paradise Available Rooms Description	
Room Type:	Beachfront Cottages
No. of Units:	20
Ave. Room Size:	20 - 34sqm
Starting Price:	2-3 pax per room
Studio Type:	\$210-240 per night
Description:	Single detached cottage located along Sunset beach; Double bed or Queen sized bed with provision of 1-2 extra beds; Bedroom area, bathroom, living room area, walk in closet; 2-5 minutes from the clubhouse
	

Table 20: Club Paradise Available Rooms Description

Room Type: **Seaview Room**
No. of Units: **8**
Ave. Room Size: **35 sqm**
Starting Price: **5 pax per room**
Studio Type: **\$210-\$240 per night**
Description: **Duplex type cottage with a Gardenview room, located along Sunrise beach; King sized bed with 1-2 pull out beds; Bedroom area, living room area, bathroom; 4-5 minutes from the clubhouse**



Room Type: **Gardenview Room**
No. of Units: **8**
Ave. Room Size: **35 sqm**
Starting Price: **5 pax per room**
Studio Type: **\$190 - \$220 per night**
Description: **Duplex type cottage with a Seaview room, located along Sunrise beach; King sized bed with 1-2 pull out beds; Bedroom area, living room area, bathroom; 4-5 minutes from the clubhouse**



Table 20: Club Paradise Available Rooms Description

Room Type: **Hillside Room**
No. of Units: **4**
Ave. Room Size: **38 sqm**
Starting Price: **2-3 pax per room**
Studio Type: **\$190 - \$220 per night**
Description: **Two-storey cottage with another Hillside room, located near Sunrise beach; King sized bed with 1-2 pull-out beds; Bedroom area, living room area, bathroom; 3-5 minutes' walk from clubhouse**



Room Type: **Island View Room**
No. of Units: **8**
Ave. Room Size: **27sqm**
Starting Price: **2-3 pax per room**
Studio Type: **\$170 - \$200 per night**
Description: **Apartment building located near Sunrise beach, facing the lagoon; Twin bed or Double bed with provision of 1 extra bed; Bedroom area, bathroom; 3-4 minutes' walk from Clubhouse**



Room Type: **Junior Suite**
No. of Units: **4**
Ave. Room Size: **54 sqm**
Starting Price: **2-3 pax per room**
Studio Type: **\$230 - \$260 per night**
Description: **Apartment building located near Sunrise Beach, facing the Lagoon; Twin Bed with provision of 1 extra bed; Bedroom Area, Living Room Area, 2 bathrooms; 3-4 minutes' walk from clubhouse**



Food and Beverages Sales

Sales from food and beverages come from (a) restaurants and bars, (b) room service, and (c) banquets held in the resort. For the first half ended June 30, 2013, food & beverages accounted for 25.00% of total Revenues.

Club Paradise operates one (1) restaurant called Ocean Restaurant that offers al fresco dining experience offering local and international cuisines usually laid in buffet. The restaurant also serves as venue for cultural presentations such as diverse *katutubong sayaw*, and other functions.

Club Paradise operates two (2) bars, called Dugong Bar and Jungle Bar. The Dugong Bar offers a wide variety of wines, liquors, cocktail drinks, and other special mixed beverages, open from 7:00 a.m. until the last guest leaves. On the other hand, the Jungle Bar, located at the restaurant, is just open upon request. It is a secluded native style bar with a jungle-inspired theme, perfect for groups who wish for exclusive cocktail parties.

Revenues from food and beverages also include room service to guests for 24/7 that includes food selections from the Ocean Restaurant and cocktails from the Dugong Bar that are charged with a room service fee.

From 2010 to 2012, food and beverages revenues grew at a CAGR of 8.05%.

Other Sources of Income

Club Paradise derives about 15.00% of its revenues from other sources, which primarily include transportation services, mini bar sales, spa services, and gift shop sales.

Transportation services, which account for servicing boat and land transfers, accounted for 40.43% of Other Income amounting to ₱4.6 million for six months of June 30, 2013 and 40.75% or ₱7.7 million for full year December 31, 2012.

Sales from the minibar in the rooms accounted for 33.55% of Other Income in the first half of 2013 amounting to ₱3.8 million and 33.28% for the full-year 2012 amounting to ₱6.3 million.

Spa services from the Island Spa accounted for 11.69% of Other Income in the first half of 2013 amounting to ₱1.3 million and 10.94% for the full year 2012 amounting to ₱2.1 million.

Sales from the gift shop called Island Shop accounted for 10.50% of Other Income in the first half of 2013 amounting to ₱1.2 million and 10.47% for the full year of 2012 amounting to ₱2.0 million.

Marketing and Sales Channels

Discovery Shores Boracay

Discovery Shores Boracay offers its products mainly through four (4) channels, namely (a) packages & promotions, (b) retail & wholesale, (c) rack, and (d) corporate & group. The most effective channels are packages & promotions and wholesale, at 41.96% and 40.42% of total revenue sources from January 2010 to June 30, 2013. These significantly outpace the remaining revenue sources consisting of rack at 9.97%, and corporate & group at 7.65% for the same period.

Packages and Promotions

Packages and promotions refer to revenues received from clients directly booking with the Discovery Shores Boracay's Sales/Reservations Office, by email, phone, or in person (walk-in) with no contracted or corporate rate. For such clients, the best available rates or current promotional rates or packages are offered to them. This accounted for 44.21% of total Sales for full year 2012 and 42.55% of total Sales for the first six (6) -month period of 2013.

Retail and Wholesale

Retail and wholesale accounted for 37.10% of total Sales for full year 2012 and 32.54% of total Sales for the first six (6) -month period of 2013.

Retail

Retail refers to revenues received from travel agents. These travel agents are mostly Manila-based who cater to both the local and international clients. There are very few international travel agents who book directly with Discovery Shores Boracay – they usually go through another travel agent or tour operator in Manila due to the ground arrangement advantage. The commission rates are usually at 10.00%.

Wholesale

Wholesale refers to revenues from tour operators. A tour operator usually combines tour and travel components to create a holiday with a prepared itinerary. This typically includes a package with a flight on a charter airline, transfer from the airport to the hotel, and the services of a local tour guide. Some of these tour operators handle specific markets such as South Korea and Taiwan. The commission rates are usually at 20.00% to 30.00%.

Rack

Rack accounted for 10.68% of total Sales for full year 2012 and 14.10% of total Sales for the first six (6) -month period of 2013.

Rack refers to revenues received from on-line travel agents and website direct bookings. On-line travel agents and website direct bookings almost have even revenue contribution to total rack revenues at 51.81% and 48.19% from January 2010 to June 30, 2013.

On-line Travel Agents

Booking through on-line travel agents is one of the easiest ways for the guests to reserve a room in the hotel. The Company manages the room allocation and dictates the rates and availability to the travel agents. Full payment is required from the guests with a commission ranging from 10.00% to 20.00% for the travel agents. The top three (3) travel agencies of the Company are Agoda (www.agoda.com), Expedia (www.expedia.com.ph), and Booking.com (www.booking.com).

Website Direct Bookings

Website direct bookings are done through the Discovery Shores Boracay website with instant booking confirmation once payment via credit card is cleared by the bank. Discovery Shores Boracay's website also features the "Design Your Stay" page, which gives the guests the option to pre-book other services such as Kalibo transfers, food & beverage, and spa, to name a few.

Corporate and Group

Corporate accounts refer to registered companies excluding travel agents and tour operators that Discovery Shores Boracay tapped for corporate group requirements such as meetings, incentives, conferences, and other events. Group refers to sales from a booking of a minimum of 10 rooms. This accounted for 8.01% of total Sales for full year 2012 and 10.81% of total Sales for the first six (6) -month period of 2013.

The following shows Discovery Shores Boracay's revenue breakdown according to marketing and sales channels:

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Packages & Promotions	39.94%	41.07%	44.21%	42.55%
Retail & Wholesale	46.02%	43.69%	37.10%	32.54%
Rack	6.49%	9.82%	10.68%	14.10%
Corporate & Group	7.55%	5.42%	8.01%	10.81%
Total	100.00%	100.00%	100.00%	100.00%

Club Paradise

Club Paradise offers its products mainly through five (5) channels, namely (a) direct bookings, (b) travel agents, (c) online travel agencies (OTAs), (d) corporate and free independent travelers (“FIT”), and (e) Dugong Dive Center. The most effective channels are through direct bookings and travel agents, at 55.96% and 26.60% of total revenue sources from January 2010 to June 30, 2013. These significantly outpace the remaining revenue sources consisting of OTAs at 8.04%, corporate at 7.64%, and Dugong Dive Center at 1.76% for the same period.

Direct Bookings

Direct Bookings are comparable to Discovery Shores Boracay’s Packages and Promotions where clients directly book with Club Paradise’s reservations team based in Manila by email, phone, or in person (walk-in) with no contracted or corporate rate. For such clients, the best available rates are offered to them. Club Paradise also offers clients directly booking with them two (2) packages called “Sariling Atin” for local residents and “Romancing in Paradise” for honeymooners.

This accounted for 54.00% of total Sales for both full year 2012 and for the first six (6) -month period of 2013.

Travel Agents

Travel Agents are comparable to the Retail and Wholesale channel of Discovery Shores Boracay. These travel agents and tour operators are mostly Manila-based who cater to both the local and international clients. These agents and operators provide clients with a prepared itinerary, that typically includes a package with a flight on a charter airline, transfer from the airport to the hotel, and the services of a local tour guide.

This accounted for 25.00% of total Sales for full year 2012 and 28.00% of total Sales for the first six (6) -month period of 2013.

Online Travel Agents

OTAs are comparable to the Rack channel of Discovery Shores Boracay excluding booking on Club Paradise’s own website as it is not equipped with a booking engine. Club Paradise is being sold online by the top OTAs, namely Agoda, Expedia, and Booking.com.

This accounted for 10.00% of total Sales for both full year 2012 and for the first six (6) -month period of 2013.

Corporate and FIT

Club Paradise partners with key local and international tour operators and travel agents and manages relationships with corporate accounts for group as well as FIT business. Sales calls are regularly conducted to the local wholesale and corporate accounts by a team of three (3) sales associates, including the Assistant Sales &

Marketing Manager who also participates in select international sales trips and travel trade shows organized by the DOT to meet with international buyers. This channel is equivalent to Discovery Shores Boracay's corporate and group channel.

This accounted for 9.00% of total Sales for full year 2012 and 6.00% of total Sales for the first six (6) -month period of 2013.

Dugong Dive Center

This marketing and sales channel is unique to Club Paradise. Dugong Dive Center exclusively caters to the dive market. This accounted for 2.00% of total Sales for both full year 2012 and for the first six (6) -month period of 2013.

The following shows Club Paradise's revenue breakdown according to marketing and sales channels:

Table 22: Club Paradise's Breakdown of Revenue per Channel: 2010 to 1H 2013				
	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Direct Bookings	60.00%	56.00%	54.00%	54.00%
Travel Agents	27.00%	27.00%	25.00%	28.00%
Online Travel Agency	4.00%	8.00%	10.00%	10.00%
Corporate	8.00%	7.00%	9.00%	6.00%
Dugong Dive Center	1.00%	2.00%	2.00%	2.00%
Total	100.00%	100.00%	100.00%	100.00%

Competition

Discovery World Corporation

There are a very few resort hotels in Boracay that offer premium all-suite accommodations and world-class amenities. The principal factors that affect the Company's business are service, location, room rate, the supply and demand for hotel rooms, and changes in travel patterns and preferences.

The Company has identified Asya Premier Suites Boracay and Shangri-La Boracay Resort & Spa as its major competitors in the hotel and services industry in Boracay.

Asya Premier Suites Boracay

Playa Asya Resort, Inc. was organized on February 20, 2004. Its primary purpose is to undertake and carry on the business of establishing, owning, operating and/or managing a beach resort including the construction of cottages, motels/hotels or other structures with their appurtenances for lodging, restaurant, bars, recreational and other purposes necessary, proper, advisable, convenient or related to the said business of operating a beach resort.

Shangri-La Boracay Resort & Spa

Boracay Shangri-La Hotel & Resort, Inc. is a wholly owned subsidiary of Pilotpro Investments Ltd. It was incorporated on May 20, 2005 and started its commercial operations on March 2, 2009. Shangri-La Asia Limited, incorporated in Bermuda, is its ultimate parent company. Its primary purpose is to purchase or own real property (except land) and personal property of all kinds, to sell, lease, convey, mortgage, construct, improve and develop, contract for, manage and administer, alone or jointly with others, any interest in real or personal property as well as in hotels, inns, lodging housing and all adjunct and accessories thereto.

The following table presents comparable key information about the Company and its competitors.

	Discovery Shores Boracay¹⁸	Asya Premier Suites Boracay¹⁹	Shangri-La Boracay Resort & Spa²⁰
Location	Station 1	Station 3	Bgy. Yapak
No. of Rooms/Suites	87	31	219
No. of Restaurants/ Bars	4	2	8
Rooms	Suites	Suites	Rooms, Suites, Villas
Published Rates per Season			
Super Peak	₱19,000 - ₱28,100	₱20,000 - ₱30,400	₱19,300 - ₱77,000
Peak	₱16,500 - ₱28,100	₱18,000 - ₱28,400	₱18,800 - ₱70,800
Regular	₱12,150 - ₱28,100	₱15,000 - ₱24,400	₱13,200 - ₱57,000

The Company believes that Discovery Shores Boracay can effectively compete with other resorts in its area of competition because it provides luxurious guestrooms and excellent resort facilities that attract high-end leisure markets. It also delivers outstanding, consistent, and personalized service with unique “wow factors” and provides continuous enhancements and innovations to keep guests coming back. Furthermore, it offers world-class cuisine through its bar and restaurants. Lastly, it ensures that it provides sufficient investment in the property to retain and attract guests and industry partners.

Because of all these, Discovery Shores Boracay received several accreditations and various local and international accolades, to include No. 1 Hotel Spa in Asia, Top Family Hotel in Asia, the No. 2 Top Resorts in Asia, and No. 5 Top Resorts in the World in 2012, which makes Discovery Shores Boracay rise above its competition.

¹⁸ http://reservation.discoveryhotels-resorts.com/booking-start.php?property_id=1

¹⁹ <http://www.asyapremier-boracay.com/reservation.html>

²⁰ <http://www.shangri-la.com/boracay/boracayresort/reservations/>

Club Paradise

For its size and price positioning, Club Paradise does not have significant competition in the Coron area. Its closest competition in Coron is El Rio y Mar and Busuanga Bay Lodge, but these are not private island resorts. The other significant island resorts in the area are the Two Seasons Coron Island Resort & Spa, which operates at a much higher price point, and the exclusive Mangenguey Resort that only has seven (7) villas, which makes them a lot incomparable to the Club Paradise.

El Rio y Mar

El Rio y Mar Island Resort is located in San Jose, Coron, Palawan. It has a 500-meter stretch of white sand beach. The resort has a total of 24 rooms, divided into nine (9) Casas with floor area of 45 sqm, four (4) cedar cabanas with floor area of 54 sqm, and 11 native cabanas with floor area of 34 sqm. All rooms are on the beach fronting the bay with the best view of the sunset and surrounded by lush mangroves. All rooms are fully air-conditioned, have fully stocked mini bar, refrigerator, coffee and tea making facilities, and bathroom shower and wash cabin with hot and cold water system. Deluxe rooms are with TV and Video facilities.

Busuanga Bay Lodge

Busuanga Bay Lodge is located in Busuanga Island, Coron, Palawan, nestled in the integrated resort enclave of Puerto del Sol. The resort has 14 rooms, divided into three (3) Clubhouse Suites with floor area of 60 sqm, four (4) Deluxe Garden Casitas with floor area of 45 sqm, six (6) Garden Casitas with floor area of 35 sqm, and one (1) Clubhouse Superior Suite with a floor area of 35 sqm. The rooms all have views of the bay that serves as haven for yachts and fisher folk. The rooms come in four (4) types spread across the resort. The resort has a Bermuda theme.

The following table presents comparable key information about the Company and its competitors.

	Club Paradise	El Rio y Mar	Busuanga Bay Lodge
Location	Dimakya Island, Coron	San Jose, Coron	Busuanga Bay, Coron
No. of Rooms/Suites	56	24	14
Average Room Sizes	32.4 sqm	41.5 sqm	43.2 sqm
No. of Restaurants/ Bars	1 Restaurant / 2 Bars	1 Restaurant / 1 Bar	1 Restaurant / 2 Bars
Published Rates	\$170 - \$260	\$150 - \$200	₱8,000 - ₱14,000

Suppliers

Discovery Shores Boracay

Discovery Shores Boracay sources most of its products and services inputs from suppliers located in the Boracay Island and from the mainland Aklan. These include food and beverages, outside services, supplies, and utilities. Discovery Shores Boracay's suppliers are well distributed, with only Aklan Electric Cooperative, Inc. accounting for more than 10.00% of the Discovery Shores Boracay's total costs at 13.86% for the year ended 2012. Aklan Electric Cooperative, Inc. supplies electricity to Discovery Shores Boracay.

Club Paradise

Club Paradise sources about 85.00% of its inputs from Manila via air and sea freight. Inputs purchased from the main island in Coron primarily pertain to fresh items like seafood, fruits, and meats.

Club Paradise's suppliers are well distributed, with only Petron Corporation, which supplies Club Paradise with diesel and gasoline for their 24/7 generators set, accounting for more than 10.00% of Club Paradise's total costs at 34.46% for the six (6) -month period ended June 30, 2013 and 47.18% for the full year 2012.

Customers

Discovery Shores Boracay

Discovery Shores Boracay's customer types comprise mainly of customers who book directly through the Discovery Shores Boracay website, customers who book through packages and promotions, on-line travel agents, international and local travel agencies, and corporate entities gained through sales calls and visits.

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Packages and Promotions	39.94%	41.07%	44.21%	42.55%
International & Local Travel Agencies	45.87%	43.69%	37.10%	32.54%
Corporate	7.70%	5.42%	8.01%	10.81%
On-line Travel Agents	3.50%	5.30%	5.77%	7.76%
Direct Bookings	2.98%	4.52%	4.91%	6.35%
Total	100.00%	100.00%	100.00%	100.00%

The following table presents the breakdown of Discovery Shores Boracay's customers by nationality.

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Philippines	50%	44%	48%	52%
Korea	23%	21%	17%	14%
Russia	4%	4%	4%	6%
Taiwan	6%	9%	11%	5%
USA	4%	4%	5%	5%
Australia	2%	3%	3%	4%
Hong Kong	2%	2%	1%	2%
Others	9%	13%	11%	12%
Total	100%	100%	100%	100%

Club Paradise

Club Paradise's customer types comprise mainly of customers who book directly with Club Paradise's reservations team based in Manila by email, phone, or in person (walk-in), through traditional travel agents, through online travel agents, corporate entities gained through sales calls and visits and FIT business, and divers who book through the Dugong Dive Center .

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Direct Bookings	60.00%	56.00%	54.00%	54.00%
Travel Agents	27.00%	27.00%	25.00%	28.00%
Online Travel Agency	4.00%	8.00%	10.00%	10.00%
Corporate	8.00%	7.00%	9.00%	6.00%
Dugong Dive Center	1.00%	2.00%	2.00%	2.00%
Total	100.00%	100.00%	100.00%	100.00%

The following table presents the breakdown of Club Paradise's customers by nationality.

	Full Year 2011	Full Year 2012
Filipino	42.50%	38.50%
Japanese	7.60%	7.30%
German	8.00%	6.40%
Korean	4.70%	6.00%
American	7.40%	6.00%
French	4.40%	4.60%
Russian	3.40%	4.40%
British	2.90%	4.00%
Others	19.10%	22.80%
Total	100.00%	100.00%

Business Development

Discovery Shores Boracay

Discovery Shores Boracay's business development activities comprise of property refurbishment and resort promotions.

Discovery Shores Boracay actively carries out refurbishment works to keep the place modern and new that potentially attracts new hotel guests, promotes repeat visitations of old hotel guests, and increases their length of stay.

Resort promotions done by Discovery Shores Boracay include the following:

Tourism Trade Conventions and Exhibitions

Discovery Shores Boracay participates in tourism trade conventions and exhibitions in the Asia-Pacific region such as the China Luxury Travel Mart, ASEAN Tourism Forum, and Malaysian Association of Tour and Travel Agents International Travel Exhibition. In addition, Discovery Shores Boracay also actively participates in overseas road shows, consumer fairs, and product updates organized by the DOT.

Advertisements and Online Reservations

Discovery Shores Boracay makes placements in trade magazines that are circulated in the Asia-Pacific region as well as worldwide. It also has promotional materials intended for the guests of the hotels owned by TDLCI including the Discovery Suites in Ortigas, Pasig and Discovery Country Suites in Tagaytay, both located in Luzon, Philippines.

The Company accepts online hotel reservations through its website:

www.discoveryshoresboracay.com

Promotional tie-ups with Tourism-Related Companies

Discovery Shores Boracay is marketed through collaborations with tourism-related companies. For example, certain packages with certain airlines include accommodations at Discovery Shores Boracay and airline tickets. In addition, Discovery Shores Boracay has tie-ups with local and foreign travel agencies offering customized travel packages at preferred rates.

Business Partners

Discovery Shores Boracay has established a good working relationship with major local and overseas travel agents and On-line Travel Agents such as Utell, Expedia, Agoda, Booking.com, which promotes Discovery Shores Boracay worldwide to their corporate clients and foreign individual travelers.

Discovery Shores Boracay has also entered into contractual arrangements with corporate clients such as HSBC, Trend Micro, San Miguel Corporation, Asian Development Bank, Accenture, Unilab, and AmDocs, to name a few.

Discovery Shores Boracay spent the following business development expenses for the past three (3) years and for the first half ended June 30, 2013:

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Business Development	₱57,144,337	₱47,151,976	₱49,334,720	₱16,630,266
Sales	308,635,616	347,781,388	366,003,566	206,263,121
Percentage to Sales	18.52%	13.56%	13.48%	8.06%

Club Paradise

Like Discovery Shores Boracay, Club Paradise's business development activities comprise of property refurbishment and resort promotions.

Throughout the years, Club Paradise carried out refurbishment works to refresh the guest rooms and facilities, which involve adding new elements to rooms to ensure that the island resort is competitive within its market. The typical scope of works includes redecoration, replacement of furniture, fittings and equipment, and minor works to improve ease of operation. After DWC takes over the operations of Club Paradise, the Company intends to undertake the refurbishment of Club Paradise's facilities and amenities in the first quarter of 2014 in pursuit of attaining accolades anew, like the Kalakbay "Resort of the Year (AA category)" awards it received from the DOT in 2001 and 2003.

Prior to the transfer of operations of Club Paradise to Discovery World Corporation, Club Paradise had very limited marketing promotions budget. Its promotions were mainly done by partner wholesalers and through social media sites. Club Paradise also participates in select international sales trips and travel trade shows organized by the DOT to meet with international buyers. Moving forward, DWC plans to replicate the resort promotions done by Discovery Shores Boracay in Club Paradise.

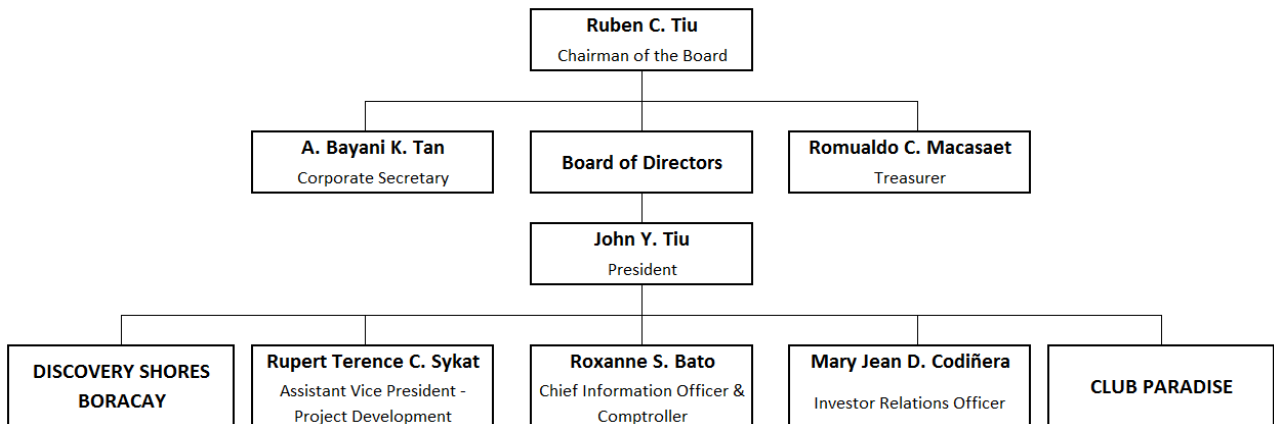
Club Paradise spent the following business development expenses for the past three (3) years and for the first half ended June 30, 2013:

	Full Year 2010	Full Year 2011	Full Year 2012	First Half 2013
Business Development	₱7,266,065	₱9,758,217	₱6,477,191	₱2,392,918
Sales	104,822,232	121,216,647	130,407,867	82,631,260
Percentage to Sales	6.93%	8.05%	4.97%	2.90%

Organizational Structure

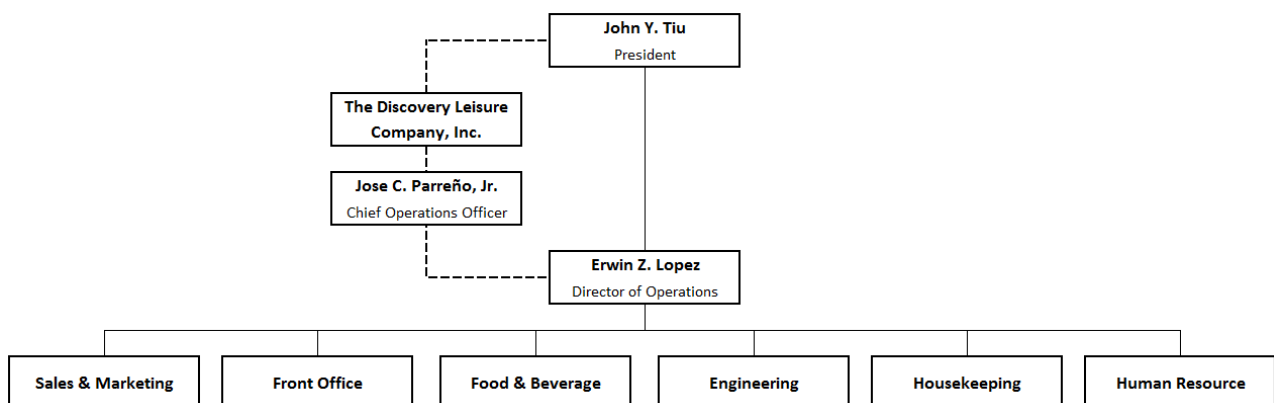
The following diagram presents the organizational structure of the Company:

Figure 4: Discovery World Corporation Organizational Structure



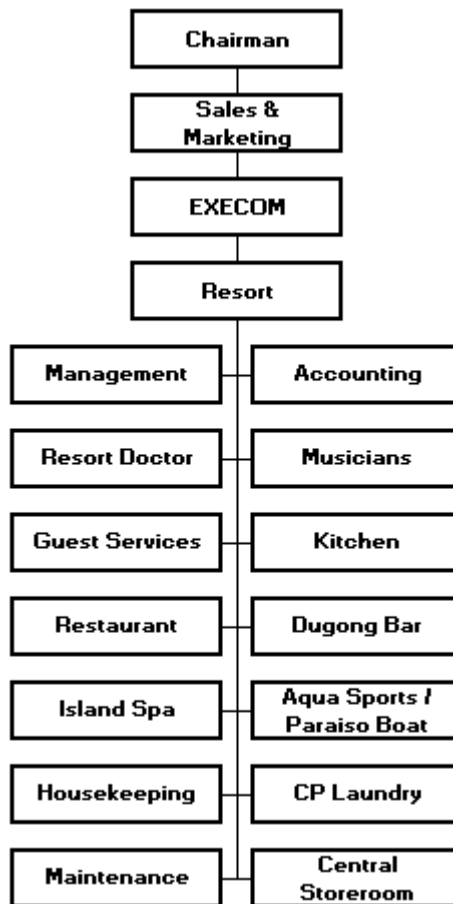
The operations, management, and marketing activities of Discovery Shores Boracay are under a management agreement with TDLCI. As such, Mr. Erwin Z. Lopez, the Director of Operations of Discovery Shores Boracay, reports directly to the Chief Operations Officer of TDLCI, Mr. Jose. C. Parreño, Jr., and to the Company's President, Mr. John Y. Tiu.

Figure 5: Discovery Shores Boracay Organizational Structure



DWC acquired 67.00% of Euro-Pacific on September 27, 2013. As such, its current organizational chart for Club Paradise as shown below is very different from that of Discovery Shores Boracay. Moving forward, the Company will align Club Paradise's departments to fit its own and TDLCI's management needs.

Figure 6: Euro-Pacific Resorts, Inc. Organizational Structure



Employees

As of October 15, 2013, the Company has a total of 268 direct employees. Out of these, a total of 91 are regular employees and 177 are contractual. After the Company’s takeover of Euro-Pacific, the Company’s manpower complement indirectly increased by 100 contractual employees, for a total direct and indirect manpower count of 368 employees composed of 91 regular and 277 contractual employees.

The Company’s employees are not unionized. They are also not a party to any collective bargaining agreements.

There has been no incidence of employee strikes since DWC’s incorporation. There are no incidences of strikes at present nor are there any threatened incidences of strikes.

In the next 12 months from the date of this Prospectus, the Company foresees that it will engage an additional three (3) employees who will be in charge of Euro-Pacific, Discovery Fleet, and Palawan Cove.

The following table presents the breakdown of employees per department.

Table 31: DWC Manpower Complement			
Category	Regular	Contractual	Total
Project Development	1	0	1
Investor Relations	1	0	1
Finance	14	5	19
Discovery Shores Boracay			
Management	2	0	2
Sales & Marketing	7	0	7
Front Office	23	23	46
Food & Beverage	14	71	85
Engineering	13	14	27
Housekeeping	15	63	78
Human Resource Department	1	1	2
Club Paradise*			
Accounting	0	6	6
Resort Doctor	0	1	1
Musicians	0	3	3
Guest Services	0	9	9
Kitchen	0	17	17
Restaurant	0	15	15
Dugong Bar	0	5	5
Island Spa	0	6	6
Aqua Sports / Paraiso Boat	0	4	4
Housekeeping	0	13	13
CP Laundry	0	5	5
Maintenance	0	14	14
Central Storeroom	0	2	2
Total	91	277	368

* Indirect employees through Euro-Pacific

The following discusses the groups within the Company's organization.

Project Development

This department is headed by Mr. Rupert Terence C. Sykat. He is in charge of evaluating prospective investments of the Company.

Investor Relations

This department is composed of Ms. Mary Jean D. Codiñera, the Company's Investor Relations Officer, and Ms. Roxanne S. Bato, the Company's Comptroller who concurrently holds the title of Chief Information Officer. Ms. Codiñera is in charge of addressing the investors' concerns. Ms. Bato is in charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE.

Finance

This department is headed by the Comptroller, Ms. Roxanne S. Bato. This department is responsible for financial reporting, cash fund management, payroll, cashiering, accounts payables, purchasing, and information technology. It is composed of 19 employees, with 14 regular employees and five (5) contractual employees.

Discovery Shores Boracay

Management

The whole Operations group is currently headed by Mr. Erwin Peter Z. Lopez, the Director of Operations. He handles the day-to-day operations of the resort hotel, with the Sales & Marketing department, Front Office, Food & Beverage, Engineering, Housekeeping, and Human Resource all reporting to him.

Sales & Marketing

This department is led by Ms. Joy Anne C. Denoga, the Director of Sales & Marketing. This department is in charge of the Rooms and Banquet Sales, Marketing Communications, which includes advertising, promotions, and media, and Marketing Services, which includes collaterals and brochures. This group is comprised of seven (7) regular employees.

Front Office

This office is led by one (1) Guest Relations Manager in charge of the personal relations with the hotel's guests, one (1) Front Office Manager in charge of reservations and guest services, and one (1) Duty Manager in charge of the concierge services and airport representatives. The entire group is composed of 46 employees, with 23 regular employees and 23 contractual employees.

Food and Beverage

The Food & Beverage department is divided into two (2) sections, with the F&B operations section reporting directly to Mr. Erwin Peter Z. Lopez and the kitchen reporting to the Corporate Chef, Mr. Anthony Raymond. The whole department is composed of 85 employees, with 14 regular employees and 71 contractual employees.

Engineering

The Engineering department is headed by the Chief Engineer. This department is in charge of property operations & maintenance and energy-cost monitoring. The department is composed of 27 employees, with 13 regular employees and 14 contractual employees.

Housekeeping

This department is directly managed by the Resident Manager. The department handles room turnover, room amenities, laundry, mini-bar and the public area upkeep. The department is composed of 78 employees, with 15 regular employees and 63 contractual employees.

Human Resource

This department is headed by the Human Resources Manager, Ms. Ligaya Ochoa. The department handles recruitment, compensation & benefits, training & organizational development, labor relations, and employee relations and activities. This group is composed of one (1) regular employee and one (1) contractual employee.

Club Paradise

DWC took over Euro-Pacific on September 27, 2013. With the purchase of Euro-Pacific, all employees were simultaneously retired and re-hired under DWC on a contractual basis for a maximum of five (5) months. After this period, the Company will determine which of the employees will be absorbed under the new management based on their compatibility with the standards set forth by TDLCI. Furthermore, the Company will conduct reorganizational activities as such that Club Paradise's organization will be aligned with DWC's and TDLCI's management styles.

Description of Property

Land

The respective tax declarations of the following lands located in Sitio Pinaongon, Barangay Balabag, Malay, Aklan have been issued by the Provincial Assessor of the Province of Aklan in favor of the Company:

Tax Declaration No.	Lot No.	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)	Zonal Value (₱0.00)*
05-003-0501	614	3,945	Commercial	9,632,400.00	4,816,200.00	2,367,000.00
05-003-0503	615-pt.	2,616	Commercial	5,622,720.00	2,811,360.00	1,569,600.00
05-003-0508	615-A-2	729	Commercial	1,924,560.00	962,280.00	437,400.00
3861	768-A	1,200	Commercial	2,304,000.00	1,152,000.00	720,000.00
3860	768-B	274	Commercial	526,080.00	263,040.00	164,400.00

**The latest zonal values issued by the Bureau of Internal Revenues ("BIR") do not provide for land classified as commercial located in Balabag, Malay Aklan. Hence, the zonal value used here is the highest valuation provided by the BIR for lots located in Balabag Property, Barangay Balabag, i.e., ₱600.00/sq. m. (Residential Regular).*

The Company acquired title to Lot No. 614 by virtue of a Deed of Absolute Sale dated December 23, 1993, executed by the Company as buyer and Costa Blanca Resort, Inc. as seller for a total consideration of Fourteen Million Pesos (₱14,000,000.00).

In the said agreement, the parties recognized that Lot No. 614 is an unregistered land with improvements thereon, including the “Moonshiner’s Bar”. The seller will cause all occupants to vacate from the said property.

Lot No. 614 is mortgaged in favor of Eastwest by virtue of the agreement the Company, together with Palawan Cove Corporation, Cay Islands Corporation, and Discovery Fleet Corporation, entered with the bank on December 4, 2012 for the renewal of its credit facility.

The Company acquired title to Lot No. 615-pt. by virtue of a Deed of Absolute Sale dated December 23, 1993, executed by the Company as buyer and Costa Hills Resort Company, Ltd. as seller for a total consideration of Nine Million Pesos (₱9,000,000.00).

Lot No. 615-pt. is mortgaged in favor of the Eastwest by virtue of the agreement the Company, together with Palawan Cove Corporation, Cay Islands Corporation and Discovery Fleet Corporation, executed with the bank on December 4, 2012 for the renewal of its credit facility.

The Company acquired title to Lot No. 615-A-2 by virtue of a Deed of Absolute Sale with Agreement on Right of Way dated December 23, 1993, executed by the Company as buyer and the sole surviving heirs of Mr. Clotilde Calizo as sellers. The said agreement is discussed in the subsection “Right of Way”.

The Company is also the registered owner of the following parcels of land located in Balabag, Malay, Aklan:

TCT No.	Lot No.	Area (sqm)
T-35848	30-C-12-A	200
T-42155	30-C-13-B	226

The Company acquired title to Lot No. 30-C-12-A by virtue of a Deed of Absolute Sale dated September 22, 2004 executed by the Company as buyer and Mr. Lino M. Lozanes as seller for a total consideration of Two Hundred Thousand Pesos (₱200,000.00).

No encumbrances are annotated on the certificates of title of Lot Nos. 30-C-12-A and 30-C-13-B. However, the description of Lot No. 30-C-13-B provided in TCT No. T-42155 bears a note that a portion of the property along lines 1-2-3-6-7, as indicated on plan, is reserved for a proposed road-widening project.

A tax declaration for Lot No. 30-C-13-B was issued by the Provincial Assessor of the Province of Aklan in favor of the Company:

Tax Declaration No.	Lot No.	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)	Zonal Value (₱0.00)*
3773	30-C-13-B	226	Residential	99,440.00	19,890.00	135,600.00

* Valuation used for lots located in Sitio Pinaongon, Barangay Balabag.

Right of Way

The Company acquired a perpetual right of way over Lot No. 615-A-4 located in Pinaongon, Balabag, Malay, Aklan, covered by Tax Declaration No. 05-003-00513 issued by the Provincial Assessor of the Province of Aklan in favor of Mr. Cleotilde Calizo:

Tax Declaration No.	Lot No.	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)	Zonal Value (₱0.00)*
05-003-00513	615-A-4	81	Commercial	213,840.00	106,920.00	48,600.00

The perpetual right of way was acquired by the Company through a Deed of Absolute Sale with Agreement on Right of Way dated December 23, 1993, executed by the Company as buyer and the sole surviving heirs of Mr. Clotilde Calizo as sellers:

Name	Citizenship	Attorney-in-Fact
Lydia C. Claud	Canadian	N/A
Alejandro C. Claud	Filipino	Lydia C. Claud
Prima C. Bandiola	Filipino	Lydia C. Claud
Genoveva C. Rufon	Filipino	N/A
Serina C. Cawaling	Filipino	N/A
Restituta C. Quinto	Filipino	Serina C. Cawaling
Genaro C. Claud	Filipino	Lydia C. Claud
Irineo Arcibal	Filipino	Dolia A. Saluna
Catalino Arcibal	Filipino	Dolia A. Saluna
Dolia A. Saluna	Filipino	N/A
Anecita A. Raymundo	Filipino	Dolia A. Saluna
Amada A. Gelito	Filipino	Dolia A. Saluna
Clarita Claud	Filipino	Felmenito Claud
Louie Claud	Filipino	Felmenito Claud
Felmenito Claud	Filipino	N/A
Eva C. Paraoan	Filipino	N/A
Wilfredo Trinidad	Filipino	Lydia C. Claud
Bermeo Trinidad	Filipino	Lydia C. Claud
Fe Trinidad-Tamayo	Filipino	Lydia C. Claud
Gary Diocson	Filipino	Lydia C. Claud
Gerry Diocson	Filipino	Lydia C. Claud
Grace Guei	Filipino	Lydia C. Claud
Glen Diocson	Filipino	Lydia C. Claud

In the agreement, the parties recognized that the sellers are co-owners of a one thousand nine hundred and eight (1,908) square meter parcel of unregistered land, with improvements existing thereon, situated in Balabag, Malay, Aklan, which is a portion of Lot No. 615 that is nearest the seashore. Said portion of Lot No. 615 is subdivided into Lot Nos. 615-A-1 (Port.), 615-A-2 (Port.), 615-A-3 (Port.) and 615-A-4 (Port.).

The parties also recognized that the Company owns a parcel of land depicted as Lot No. 615-Portion, which is located further from the seashore, and is negotiating the purchase of Lot No. 614. However, access to either lot owned by the Company requires passing through Lot No. 615-A-4 (Port.) owned by the sellers.

By virtue of the agreement, the Company purchased Lot No. 615-A-2 (Port.) from the sellers and acquired a perpetual right of way through Lot No. 615-A-4 (Port.) for a total consideration of Two Million Nine Hundred Fifty-One Thousand Five Hundred Pesos (₱2,951,500.00).

Land Swap

A Memorandum of Agreement dated November 6, 2008 was entered into by the Company and Friday's Holdings, Inc. (FHI). In the said agreement, the parties recognized:

- (a) That FHI is the declared owner of a parcel of land with a declared area of three hundred sixty-nine (369) square meters, which is a portion of Lot No. 615 and covered by Tax Declaration No. 05-003-0512 issued by the Provincial Assessor of the Province of Aklan;
- (b) That the Company has acquired a perpetual right of way over a parcel of land with a declared area of eighty-one (81) square meters, which is also a portion of Lot No. 615 and covered by Tax Declaration No. 93-003-0316 (currently covered by Tax Declaration No. 05-003-00513);
- (c) That the Company erected a structure on the parcel of land on which the Company acquired right of way, which structure encroaches on the property of FHI, affecting an area of about twenty and ninety-six hundredth (20.96) square meters;

By virtue of the agreement, the Company ceded a portion of Lot No. 615, with an area of twenty and ninety-six hundredth (20.96) square meters, in favor of FHI in exchange for the portion of FHI's property upon which the structure erected by the Company encroached. Consequently, the parties agreed on the subdivision of Lot No. 615 as follows:

- (a) Lot No. 1 – Portion of Lot No. 615 forming part of FHI's property, with a measured area of twenty and ninety-eight hundredth (20.98) square meters and encroached by the structure erected by the Company, to be ceded to the Company in exchange for an equivalent portion of the Company's property;
- (b) Lot No. 2 – Portion of Lot No. 615 forming part of the Company's property, with a measured area of twenty and ninety-eight hundredth (20.98) square meters, to be ceded to FHI in exchange for Lot No. 1, and to be appended to the remaining portion of Lot No. 615 of FHI's property;
- (c) Lot No. 3 – Portion of Lot No. 615 of the Company's property after deducting Lot No. 2, with a remaining area of approximately sixty and two hundredth (60.02) square meters;
- (d) Lot No. 4 – Combined area of Lot Nos. 3 and 1 after the exchange of Lot Nos. 1 and 2, which will be the new portion belonging exclusively to the Company, with an approximate area of eighty and ninety-eight hundredth (80.98) square meters.

Building

Discovery Shores Boracay

The Company owns the following buildings and improvements located in the premises of Discovery Shores Boracay in Sitio Pinaungon, Balabag, Malay, Aklan and covered by individual tax declarations issued under the name of the Company:

Tax Declaration No.	Improvement Thereon	Area (sq. m.)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
2874	Clubhouse	1,006.67	Commercial	13,049,578.10	10,439,660.00
2875	Cluster 1	200.42	Commercial	5,626,160.28	4,219,620.00
2876	Cluster 1	200.42	Commercial	5,626,160.28	4,219,620.00
2878	Cluster 2	258.04	Commercial	7,830,860.96	5,873,150.00
2877	Cluster 3	163.24	Commercial	4,421,460.68	3,095,020.00
2881	Cluster 4	380.00	Commercial	12,986,093.64	10,388,870.00
2879	Cluster 5	341.00	Commercial	10,663,766.36	8,531,010.00
2880	Cluster 6	110.00	Commercial	3,865,810.00	2,706,070.00
2896	Power House	77.00	Commercial	890,890.00	445,440.00
2897	Guard House	5.00	Commercial	23,595.00	7,080.00

The Company consistently complies with applicable sanitary, health and safety regulations imposed by the local government of Malay, Aklan in the operation, maintenance and management of the building and improvements located in the premises of Discovery Shores Boracay. In 2012, the Company secured the following Municipal Licenses/Mayor's Permits issued by the Office of the Mayor of the Municipality of Malay, Province of Aklan in favor of the Company involving the said buildings and improvements:

Business	Business Class	Permit No.
Discovery Shores – Boracay Branch	Contractor – Resort/Hotel RH1	2012-02-0727
Gym	Contractor – Gym	2012-02-0730
Restaurant and Bar	Restaurants – Restaurant/Bar R1/B1	2012-02-0728
Spa Service Center	Services – Spa/Massage Clinic	2012-02-0729

The Company also owns various equipment/machinery covered by Tax Declaration No. 2898 under the name of the Company and located in Sitio Pinaungon, Balabag, Malay, Aklan:

Tax Declaration No.	Kind of Property	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
2898	Machinery	Commercial	6,000,000.00	4,800,000.00

Club Paradise

In view of the acquisition of Euro-Pacific, the Company also beneficially owns the following buildings and improvements located in the premises of Club Paradise and covered by individual tax declarations issued under the name of Euro-Pacific:

Beach Cottages and Hotel

Tax Declaration No.	Improvement Thereon	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
019-0027-C	Beach Cottage 1	30	Commercial	98,549.24	29,560.00
019-0028-C	Beach Cottage 2	30	Commercial	98,549.24	29,560.00
019-0029-C	Beach Cottage 3	30	Commercial	98,549.24	29,560.00
019-0030-C	Beach Cottage 4	30	Commercial	98,549.24	29,560.00
019-0031-C	Beach Cottage 5	36	Commercial	113,593.64	34,080.00
019-0032-C	Beach Cottage 6	36	Commercial	113,593.64	34,080.00
019-0033-C	Beach Cottage 7	36	Commercial	113,593.64	34,080.00
019-0034-C	Beach Cottage 8	36	Commercial	113,593.64	34,080.00
019-0035-C	Beach Cottage 9	36	Commercial	113,593.64	34,080.00
019-0036-C	Beach Cottage 10	36	Commercial	113,593.64	34,080.00
019-0037-C	Beach Cottage 11	36	Commercial	113,593.64	34,080.00
019-0038-C	Beach Cottage 12	36	Commercial	113,593.64	34,080.00
019-0039-C	Beach Cottage 13	36	Commercial	113,593.64	34,080.00
019-0040-C	Beach Cottage 14	36	Commercial	113,593.64	34,080.00
019-0041-C	Beach Cottage 15	36	Commercial	113,593.64	34,080.00
019-0042-C	Beach Cottage 16	36	Commercial	113,593.64	34,080.00
019-0043-C	Beach Cottage 17	36	Commercial	113,593.64	34,080.00
019-0044-C	Beach Cottage 18	36	Commercial	113,593.64	34,080.00
019-0045-C	Beach Cottage 19	36	Commercial	113,593.64	34,080.00
019-0046-C	Beach Cottage 20	36	Commercial	113,593.64	34,080.00
019-0006-C	Beach Cottage 21-22	84	Commercial	310,681.21	108,738.42
019-0007-C	Beach Cottage 23-24	84	Commercial	310,681.21	108,738.42
019-0008-C	Beach Cottage 25-26	84	Commercial	310,681.21	108,738.42
019-0009-C	Beach Cottage 27-28	84	Commercial	310,681.21	108,738.42
019-0010-C	Beach Cottage 29-30	84	Commercial	310,681.21	108,738.42
019-0011-C	Beach Cottage 31-32	84	Commercial	310,681.21	108,738.42
019-0012-C	Beach Cottage 33	80	Commercial	215,185.66	82,064.00
019-0013-C	Beach Cottage 34	80	Commercial	215,185.66	82,064.00
019-0014-C	Beach Cottage 35	80	Commercial	215,185.66	82,064.00
019-0015-C	Beach Cottage 36	80	Commercial	215,185.66	82,064.00
019-0016-C	2-Storey Hotel	692	Commercial	1,896,829.82	815,320.00

Amenities

Tax Declaration No.	Improvement Thereon	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
019-0047-C	Office/Bar	444	Commercial	962,463.60	288,740.00
019-0048-C	Sari-sari Store and Clinic	96	Commercial	203,817.60	61,150.00
019-0049-C	Restaurant	657	Commercial	1,498,240.97	449,500.00
019-0052-C	Swimming Pool	287.78	Commercial	1,400,238.79	691,330.00

Utilities

Tax Declaration No.	Improvement Thereon	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
019-0017-C	Engineering Shop	140.8	Commercial	189,630.00	66,370.00
019-0018-C	Guard House	48	Commercial	94,847.76	33,200.00
019-0024-C	Concrete Water Tank	3,936 liters	Commercial	43,296.00	12,990.00
019-0025-C	Electrical and Water Distribution Line System		Commercial	693,000.00	277,200.00
019-0050-C	Power Plant	96	Commercial	857,556.00	522,860.00
	Machineries			117,600.00	
019-0407-C	Power Plant	96	Commercial	826,560.00	829,280.00
	Machineries			520,000.00	

Staff Housing

Tax Declaration No.	Improvement Thereon	Area (sqm)	Classification	Market Value (₱0.00)	Assessed Value (₱0.00)
019-0019-C	Staff House	96	Residential	253,269.90	25,326.99
019-0020-C	Staff House	60	Residential	160,852.84	0
019-0021-R	Staff House	60	Residential	209,992.77	21,000.00
019-0022-R	Staff House	60	Residential	209,992.77	21,000.00
019-0023-R	Laborers Quarters	96	Residential	219,398.40	21,940.00
019-0051-C	Staff House	81	Residential	213,168.90	21,320.00
019-0406-C	Security Staff House	63.855	Residential	191,672.06	19,672.06
019-0408-C	Drivers' Staff House	133	Residential	3,191,013.38*	1,467,230.00*

*Amount includes assessment on commercial structures based on Assessor's Findings in addition to the Drivers' staff house (i.e. 2 Concrete Tanks and PVC Tank)

Euro-Pacific, likewise, consistently complies with applicable sanitary, health, and safety regulations imposed by the local government of Palawan in the operation, maintenance, and management of the building and improvements located in the premises of Club Paradise. On January 20, 2013, Euro-Pacific secured a Mayor's Permit issued by the Office of the Mayor of the Municipality of Coron, Province of Palawan in favor of Euro-Pacific.

Euro-Pacific likewise secured a Business Permit for its Manila office located in the FTI Administrative Building, FTI Avenue, FTI Complex, Taguig City on January 28, 2013.

Passenger Ships

The following passenger ships are registered with the MARINA under the name of the Company:

Name of Ship	Registration No.	Date and Place of Registration	Category of Operation	Place and Year Built
MB Discovery Shores 1	06-0000491	July 8, 2010 Iloilo	Bay and River	Calamba, Laguna 2007
MB Discovery Shores 2	06-0000493	September 14, 2010 Iloilo	Bay and River	Calamba, Laguna 2007
MB Discovery Shores 3	06-0000492	July 8, 2010 Iloilo	Bay and River	Pandan, Antique 2008

The Company is also in the process of causing the registration with the MARINA of a vessel covered by a Shipbuilding Certificate issued in favor of SVPHI by Metallica Marine Consultancy Fabrication and Services as shipbuilder of the vessel:

Name of Ship	Year Built	Make	Date Launched
Summer Wind	December 2012	Fiber Glass	December 2012

Motor Vehicles

The Company owns the following motor vehicles duly registered with the Land Transportation Office ("LTO"):

Make/Model	Chassis No.	Engine No.	Plate No.	Denomination
Suzuki APV	MHYDN71V6CJ300612	G16AID187886	TTI 259	Utility Vehicle
Suzuki APV	MHYDN71V9BJ306919	G16AID156701	TTI 269	Utility Vehicle
Suzuki APV	MHYDN716-7J100254	G16AID-112904	ZGN 887	Utility Vehicle
Suzuki Bravo	DA21T-144752	F10A-1090678	ZFN 293	Utility Vehicle
Suzuki Bravo	DA21T-145086	F10A-1092620	ZGN 922	Utility Vehicle
Toyota HiAce Grandia	JTFRS13P800003745	2KD-1518231	ZFZ-592	Utility Vehicle
Toyota HiAce Grandia	JTFRS13P100004520	2KD-1553031	ZGF 432	Utility Vehicle
Isuzu Jumbo Jeepney	PABNPR66PL6201676	4HF1-351629-P	NIP 525	Truck*

* Registered under the name of Euro-Pacific

The Company is not party to any lease contract involving its properties. The Company does not intend to acquire any property within the next twelve (12) months.

Legal Proceedings on Properties

There are no pending legal proceedings to which the Company or its subsidiary is a party or of which any of its properties is the subject up to the time of the preparation of this report.

Need for Government Approvals on Services

The DOT may issue an accreditation in favor of a hotel and resort, certifying that the establishment is recognized as having complied with the DOT's minimum standards of operation and that the establishment will ensure the safety, comfort and convenience of tourists.

The operation of yachts and other water vessels for the carriage of cargo, passengers or both, requires a certificate of public convenience issued by the MARINA, with a validity of not more than twenty-five years. Said certificate may only be granted in favor of a domestic ship operator. In case the domestic ship operator is a corporation, it must be duly authorized by the MARINA to engage in the business of domestic shipping, and at least sixty percent (60.00%) of its capital must be owned by Filipinos.

A domestic ship operator must obtain adequate insurance coverage from duly licensed insurance companies or international protection and indemnity associations. The MARINA may also require compulsory insurance coverage as it may deem fit.

A water vessel of twenty (20) gross tonnage and below engaged in providing water transport services, including sightseeing and other water-related tourism activities to foreign or domestic tourists for a fee may be granted an accreditation from the DOT as a motorized boat engaged in tourism activities and services. Said accreditation is for a period coterminous with the expiry date of the MARINA Certificate of Inspection, but in no case less than three (3) months or more than one (1) year.

The operation of a land motor vehicle for the transport of cargo, passengers or both, requires a certificate of franchise or authorization from the LTFRB. A land motor vehicle used for the transport of tourists or while conducting tours must also be registered with the DOT and operated by a tourist land transport operator duly accredited by the DOT. Said accreditation is valid for a period of one (1) year.

Effects of Existing or Probable Governmental Regulations on the Business

MARINA accreditation is a prerequisite for a qualified domestic ship operator to enjoy any permit, license, authority, VAT exemption, financial assistance, incentive or endorsement. Said accreditation is valid for a period of three (3) years, and is renewable for the same number of years.

To apply for accreditation or a renewal thereof, the required paid-up capital is Two Thousand Five Hundred Pesos (₱2,500.00) per gross tonnage of ships owned and/or operated, or (a) a minimum of Twenty-Five Thousand Pesos (₱25,000.00) per operator, (b) a minimum of Five Million Pesos (₱5,000,000.00) for operators of tankers and/or barges hauling oil or petroleum products, or (c) a minimum of Twelve Million Five Hundred Thousand (₱12,500,000.00) for operators of ships with a total gross tonnage of above four thousand nine hundred ninety-nine (4,999).

The accreditation issued by the DOT for the premises of the hotel and resort, as well as for the tourist transportation vehicles/vessels of the Company, requires periodical reports and standards of service that must consistently be complied with for its continued validity and for the Company to enjoy the associated incentives.

Environmental Laws

The operation of the resorts operated by the Company and any further development thereon require an Environmental Compliance Certificate (“ECC”) issued by the DENR, certifying that:

- (a) The proposed project will not cause significant negative environmental impact; and
- (b) The project proponent has complied with all the requirements of the Environmental Impact Statement (“EIS”) System and has committed to implement its approved Environmental Management Plan (“EMP”).

An ECC contains specific measures and conditions with which that the project proponent undertakes to comply before and during the operation of the project, and where applicable, during the project’s abandonment phase for the purpose of mitigating the project’s impact to the environment.

An EIS is a document prepared and submitted by the project proponent or an Environmental Impact Assessment Consultant that serves as an application for an ECC, which includes a comprehensive study of the significant environmental impact of the project and an EMP that the project proponent will fund and implement. An EMP details the prevention, mitigation, compensation, contingency and monitoring measures that the project proponent intends to undertake to enhance the positive impact and to minimize the negative effect of a proposed project.

To determine whether or not a project requires an ECC, the following factors are considered:

- (a) the nature of the project and its potential to cause significant negative environmental impacts, and
- (b) the sensitivity or the vulnerability of environmental resources in the project area.

Any project not covered by the EIS System may be covered by a Certificate of Non-Coverage from the EMB as proof that no ECC is required for its commencement.

An ECC of a project must be implemented within five (5) years from the date of issuance, reckoned from the date of ground breaking based on the project proponent’s work plan submitted to the EMB. An ECC not implemented within said period will be deemed expired. A

new ECC must be secured by the project proponent from the EMB should the project proponent intend to pursue the project.

In the event that the project proponent abandons a project covered by an ECC, the project proponent must inform the EMB of such abandonment; otherwise, the project proponent must continue to comply with the conditions of the ECC. Any abandonment of or decommissioning plan over a project covered by an ECC will be subject to the prior approval of the EMB, which plan must be submitted to the EMB at least six (6) months prior to the intended abandonment/decommissioning. The implementation of such abandonment/decommissioning will be verified by the EMB.

The Company is now preparing the EIS for its ECC application for the expansion of the Discovery Shores Boracay. The estimated cost complying with environmental laws is Three Hundred Ninety-Eight Thousand Pesos (₱398,000.00) broken down as follows:

Items/Description	Cost (in ₱0.00)
A. Technical Fees	₱200,000.00
B. Operating Expenses	
• Equipment and Laboratory Analysis	15,000.00
• Transportation , Per Diem, Field Supplies	123,000.00
• Report Reproduction, Photo Documentation, Mapping	10,000.00
C. Other Costs	15,000.00
D. ECC Application Fees & Site Inspection with EMB Region VI	25,000.00
E. Liaison Services	10,000.00
Total	₱398,000.00

Trademarks and Copyrights

The Company has a Trademark Licensing Agreement with Discovery World Ltd. that gives it the exclusive right to use in the Philippines some trademarks owned by Discovery World Ltd. until terminated by either party on 90 days prior written notice. Discovery World Ltd. is the exclusive registered owner with the absolute, exclusive, and unconditional right to exercise all rights related to several trademarks/trade names, including the right to license the related intellectual property rights of the following:

Trademark	Date Filed	Registration No.	Date of Registration	Valid Until
Discovery Boracay	September 25, 2003	4-2003-0008916	October 1, 2005	September 30, 2015
Discovery Shores	April 6, 2004	4-2004-0003255	February 26, 2007	February 25, 2017

Euro-Pacific has not applied for any trademarks for Club Paradise, however, it has registered the Club Paradise tradename with the Department of Trade and Industry in November 2006 and reserved the corporate name, “Euro-Pacific Resorts, Inc. doing business under the name and style of ‘Club Paradise’” with the SEC on June 28, 2013.

Accreditation and Accolades

Discovery Shores Boracay

Discovery Shores Boracay started operations in March 2007 and has since garnered several accreditations and received various local and international accolades.

Discovery Shores Boracay is accredited as a Triple A resort by the Department of Tourism, equivalent to an accreditation of a five-star hotel in resorts.

It was awarded by Travel + Leisure in its annual World’s Best Awards consistently from 2010 to 2012, as summarized below. These awards are bestowed annually by Travel + Leisure to resorts and hotels all around the globe based on the monthly publication’s questionnaire to its readers at TLWorldsBest.com. The readers were invited to participate through Travel + Leisure magazine’s January, February, and March issues, and online at travelandleisure.com.

Table 34: Travel + Leisure Awards		
Awards	Year	Rank
Top 100 Hotels Overall (Worldwide) ²¹	2012	#5
	2011	#55
Top Resorts in Asia ^{22 23}	2012	#2
	2011	#8
	2010	#14
Top Family Hotels in Asia ^{24 25}	2012	#1
	2011	#2
	2010	#2
Top Hotel Spas Overall (Worldwide) ^{26 27}	2012	#2
	2011	#7
Top Hotel Spas in Asia ^{28 29}	2012	#1
	2011	#1
Top Hotel Spas by Region ³⁰	2011	#5
World’s Best Spas ³¹	2011	#7
World’s Best Island Hotel ³²	2011	#16

²¹ <http://www.travelandleisure.com/worldsbest/2012/hotels>

²² <http://www.travelandleisure.com/worldsbest/2012/hotels/resorts-asia/340>

²³ <http://www.travelandleisure.com/worldsbest/2011/hotels/resorts-asia/300>

²⁴ <http://www.travelandleisure.com/worldsbest/2012/family-hotels/asia-family-hotels/404>

²⁵ <http://www.travelandleisure.com/worldsbest/2011/family-hotels/asia-family-hotels/278>

²⁶ <http://www.travelandleisure.com/worldsbest/2012/air-cruise-more/more-hotel-spas-overall/427>

²⁷ <http://www.travelandleisure.com/worldsbest/2011/spas/spas-top-10-hotels/312>

²⁸ <http://www.travelandleisure.com/worldsbest/2012/air-cruise-more/more-hotel-spas-asia/418>

²⁹ <http://www.travelandleisure.com/worldsbest/2011/spas/spas-asia/271>

³⁰ <http://www.travelandleisure.com/worldsbest/2011/spas/top-hotel-spas-by-region/313>

³¹ <http://www.travelandleisure.com/articles/worlds-best-spas/8>

³² <http://www.travelandleisure.com/articles/worlds-best-island-hotels/17>

The same travel magazine lists Discovery Shores Boracay under the T+L 500 World's Best Hotels consecutively in 2011, 2012, and 2013. It tops the list for hotels in the Philippines, on top of Edsa Shangri La, Makati Shangri La, and The Peninsula Manila in 2013.^{33 34 35}

The resort was also awarded as the Best Resort under the Triple A Category by DOT Western Visayas Region in 2009. The management of the resort also received an award from the DOT. In 2009, its then general manager, Mr. Jose C. Parreño, Jr., received the Western Visayas Tourism Excellence Awards 2009-Regional Director's Awardee.

The resort's Indigo Restaurant consistently rates in Philippine Tatler's Best Restaurants List and in Miele Guide's 2010/2011, 2011/2012 Best Restaurants in Asia list.

Club Paradise

Club Paradise currently enjoys "AA" resort accreditation rating from the DOT. It also received the Kalakbay "Resort of the Year (AA category)" awards in 2001 and 2003 from the DOT.

(This space was intentionally left blank)

³³ <http://www.travelandleisure.com/tl500/2013>

³⁴ <http://www.travelandleisure.com/tl500/2012>

³⁵ <http://www.travelandleisure.com/tl500/2011>

INDUSTRY OVERVIEW

The Philippine Travel and Tourism³⁶



It's more fun in the
Philippines

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts.

Direct Contribution³⁷

The direct contribution of Travel & Tourism to the Gross Domestic Product (“GDP”) is calculated to be consistent with the output, as expressed in National Accounting, of tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists. The direct contribution of Travel & Tourism to GDP is calculated from total internal spending by ‘netting out’ the purchases made by the different tourism sectors. This measure is consistent with the definition of Tourism GDP, specified in the 2008 Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF 2008).

Total Contribution³⁸

The total contribution of Travel & Tourism includes its ‘wider impacts’, which are basically the indirect and induced impacts on the economy.

The ‘indirect’ contribution includes the GDP and jobs supported by:

- Travel & Tourism investment spending – an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels;
- Government ‘collective’ spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the ‘community at large’ – e.g. tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc;

³⁶ www.tourism.gov.ph

³⁷ http://www.wttc.org/site_media/uploads/downloads/philippines2012.pdf

³⁸ http://www.wttc.org/site_media/uploads/downloads/philippines2012.pdf

- Domestic purchases of goods and services by the sectors dealing directly with tourists - including, for example, purchases of food and cleaning services by hotels, of fuel and catering services by airlines, and IT services by travel agents.

The 'induced' contribution measures the GDP and jobs supported by the spending of those who are employed directly or indirectly by the Travel & Tourism industry.

The direct contribution of Travel & Tourism to GDP in 2012 was ₱215.5 billion, approximately 2.00% of GDP.³⁹ During the Philippine Year-End Economic Briefing 2013 held in February 2013 at the Philippine International Convention Center, Secretary Ramon Jimenez, Jr. said that tourism accounts for 7.00% of GDP in 2012. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists.

Moving forward, the Philippine Government targets the percentage to GDP to be 8.70% by 2016. The following table shows the tourism targets of the Philippine Government:

	2013	2014	2015	2016
International Visitors (Million)	5.5	6.8	8.2	10.0
Inbound Receipts (Billion Pesos)	205.4	269.6	350.4	455.0
Domestic Travelers (Million)	44.1	47.7	51.7	56.1
Domestic Receipts (Billion Pesos)	1,298.6	1,409.2	1,607.1	1,852.1
Total Visitor Receipts (Billion Pesos)	1,504.0	1,679.1	1,957.5	2,307.1
Share to GDP	6.70%	7.00%	7.80%	8.70%

Travel & Tourism's total contribution to employment, including jobs indirectly supported by the industry, was 2.9 million jobs in 2012, approximately 7.70% of total employment⁴¹, and this is forecasted to grow to 18.80% of total national employment by 2016⁴². This includes employment by hotels, travel agents, airlines and other passenger transportation services, excluding commuter services, and activities of the restaurant and leisure industries directly supported by tourists.

	2013	2014	2015	2016
Tourism Employment (Million)	4.9	5.4	6.3	7.4
Share to National Employment	13.00%	14.20%	16.20%	18.80%

³⁹ http://www.wttc.org/site_media/uploads/downloads/philippines2013.pdf

⁴⁰ http://www.iro.ph/article_doc/72fb7fad_PEB%20Presentation.pdf

⁴¹ http://www.wttc.org/site_media/uploads/downloads/philippines2013.pdf

⁴² http://www.iro.ph/article_doc/72fb7fad_PEB%20Presentation.pdf

⁴³ http://www.iro.ph/article_doc/72fb7fad_PEB%20Presentation.pdf

Visitor Exports and Investment

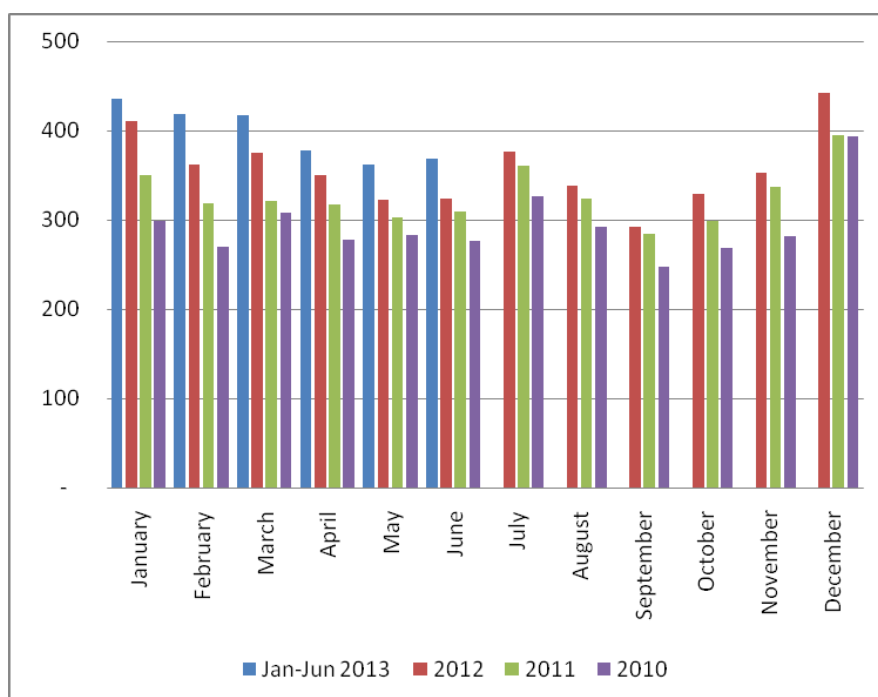
Visitor exports are a key component of the direct contribution of Travel & Tourism. In 2012, the Philippines generated ₱183.8 billion in visitor exports⁴⁴. In 2013, this is expected to grow by approximately 11.75%, and the country is expected to attract 3,850,000 international tourist arrivals.

By 2016, international tourist arrivals are forecasted to total 10.0 million, generating expenditure of ₱455.0 billion. (See Table 33: Tourism Targets)

Visitor Arrivals to the Philippines⁴⁵

In 2012, visitor arrivals to the Philippines reached a record-high 4.27 million, an increase of 9.07% from 3.92 million tourists who came in 2011. The following figure shows the comparison of visitor arrivals from January to December 2011 and 2012.

Figure 7: Visitor Arrivals to the Philippines: FY 2010 – 1H 2013 ^{46 47 48}



⁴⁴ http://www.wttc.org/site_media/uploads/downloads/philippines2013.pdf

⁴⁵ <http://www.visitmyphilippines.com/index.php?title=ArrivalsbyCountryofResidence%282012%29&func=all&pid=3193&tbl=1>

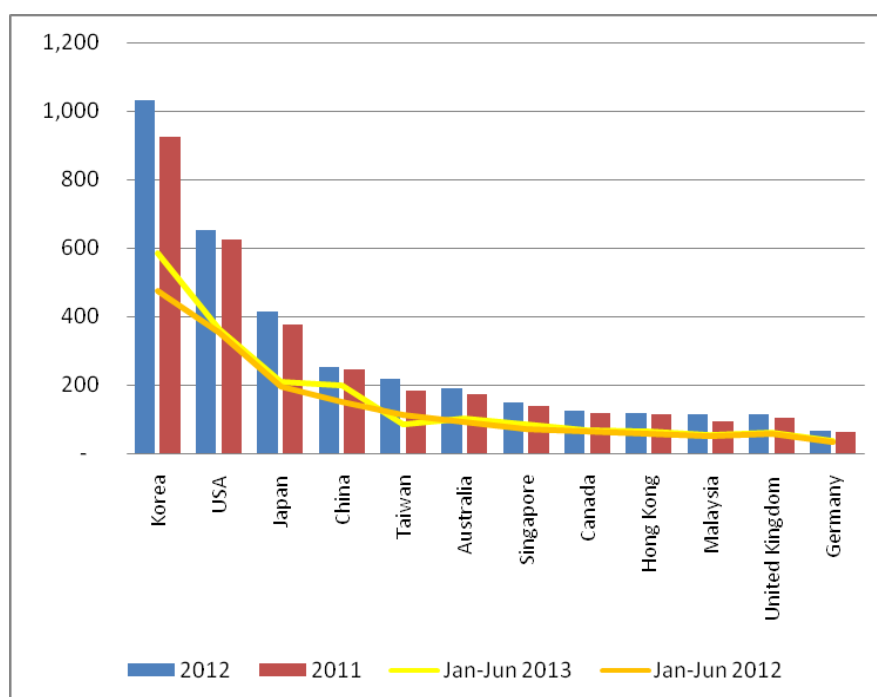
⁴⁶ <http://www.visitmyphilippines.com/images/ads/736f99929b0ec99aed0a2e600d59ca95.pdf>

⁴⁷ <http://www.visitmyphilippines.com/images/ads/213d01b36f178176144f4cf3abe93b34.pdf>

⁴⁸ Investment Grade Philippines: Seizing Opportunities to Achieve Inclusive Growth (September 2013)

The DOT records show that all major markets of the country registered growth in arrivals. South Korea continued to be the country's largest visitor with 1.03 million arrivals, accounting for 24.13% share of the total visitor volume. South Korea rose by 11.45% from its arrivals of 925,204 in 2011. Following is the US market, which constituted 15.27% of the total inbound traffic by producing 652,626 visitors to the Philippines. This increased by 4.50% from 624,527 in 2011. Markets that follow in 2012 are Japan, which provided 412,474 visitors with a market share of 9.65%, China, recording 250,883 visitors with a market share of 5.87%, and Taiwan, registering 216,511 arrivals with a market share of 5.07%. Collectively, these markets account for 60.00% of the total market in 2012.

**Figure 8: Visitor Arrivals to the Philippines by Country of Residence
FY 2011 - 1H 2013** ^{49 50}



The following table shows the reasons for the visits to the Philippines in 2011:

	2011
Holiday	40.63%
Business	9.43%
Visiting Family and Friends	9.31%
Others	40.63%
Total	100.00%

⁴⁹ <http://www.visitmyphilippines.com/images/ads/736f99929b0ec99aed0a2e600d59ca95.pdf>

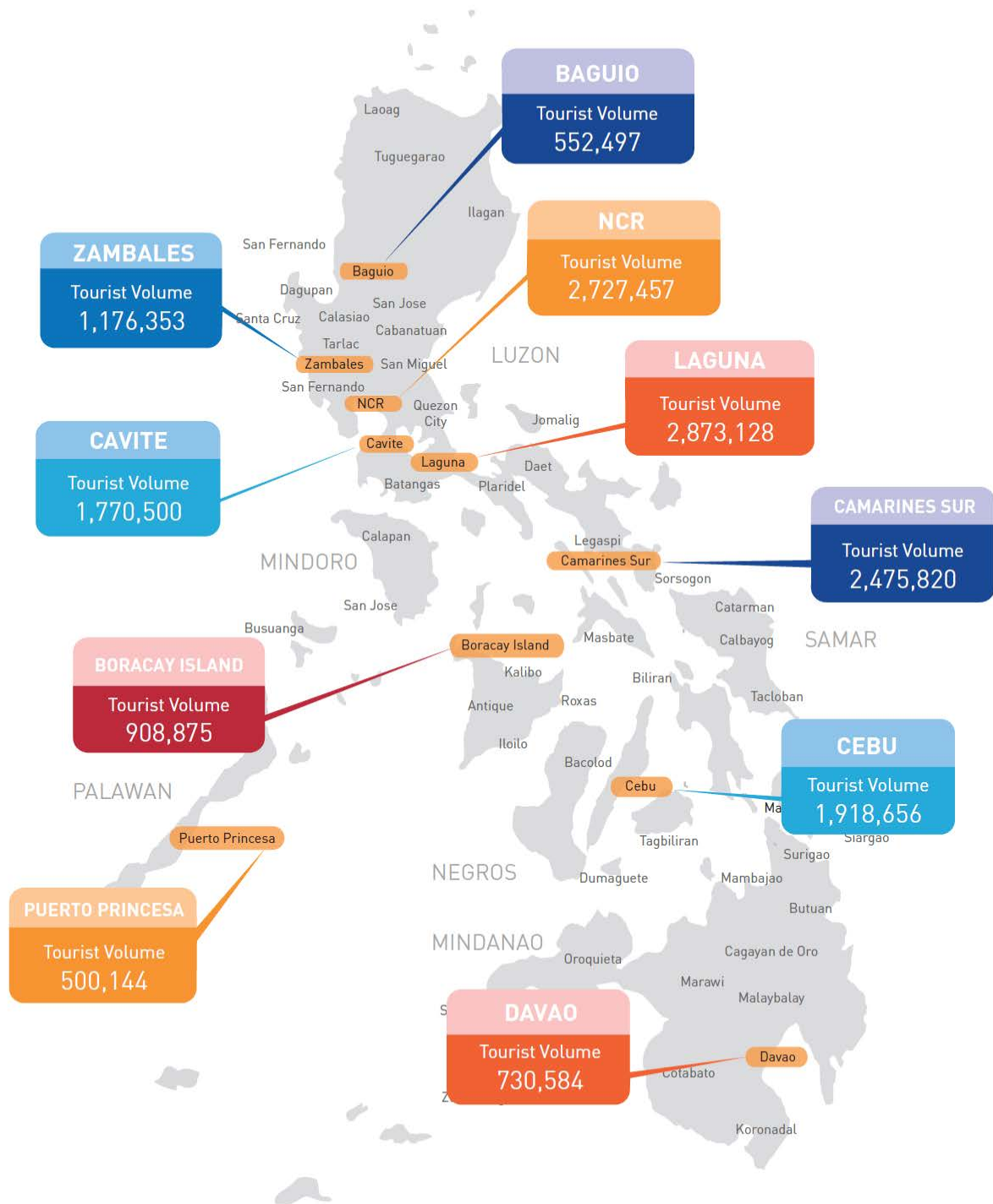
⁵⁰ Investment Grade Philippines: Seizing Opportunities to Achieve Inclusive Growth (September 2013)

⁵¹ <http://pcdsp.gov.ph/downloads/2012/07/Its-more-fun.pdf>

Other reasons include official missions, conventions, incentives, health & medical reasons, and education.

The following figure shows the major tourist destinations in the country in 2011:

Figure 9: Top 10 Tourist Destinations: 2011 ⁵²



⁵² <http://pcdsपो.gov.ph/downloads/2012/07/Its-more-fun.pdf>

Awards and Citations Received⁵³

The Philippines received several awards and citations in 2012 by various organizations, as follows:

Citations and Awards	Organization
Palawan – 2013 Top 1 Best Island in the World	Travel + Leisure
Boracay – 2013 Top 2 Best Island in the World	Travel + Leisure
PH – Top 12 Hottest Destinations in 2013	Conde Nast Traveller
PH – One of the 15 Hottest Travel Destinations of 2013	Travel + Leisure
PH – One of the 10 Best Regions to Travel in 2013	Lonely Planet
PH – One of the Travel Destinations in 2013	Buceadores (Spanish Magazine)
Boracay – Top Destination for Relaxation	Agoda.com
Boracay – 2012 Best Island in the World	Travel + Leisure
Boracay – Top Best Beach in Asia	Trip Advisor
Tubbataha – CNN Travel’s 50 Best Dive Sites	CNN World
Palawan – No. 4 Holiday Destination in Asia	Smart Travel Asia
PH – Best Diving Destination	Marine Diving Fair – Tokyo
Gold Award for Creative Theme Development	Expo 2012 – Yeosu, Korea
PH – Best Outbound Tourist Destinations in China	Oriental Morning Post (Consumer Poll)

Most Awarded Resorts in the Philippines⁵⁵

The Philippines has award-winning resorts that have gained global acclaim the following are the top seven (7) most awarded resorts in the Philippines:

- a. Boracay: Discovery Shores - Awards: 5th Best Hotel in the World, World’s Best Awards 2012, *Travel + Leisure*, Top Hotel Spa in Asia, World’s Best Awards 2012, *Travel + Leisure*
- b. Palawan: Amanpulo - Award: 2nd Best Leisure Resort Worldwide, The 2010 Gallivanter’s Awards for Excellence, Gallivanter’s Guide
- c. Palawan: El Nido Resorts - Awards: Community Benefit Award, World Travel and Tourism Council, 2013; Gold Award for Environmental Education Programme, PATA (Pacific Asia Travel Association) Gold Awards 2011; 20 Favorite Green Resorts, *Travel + Leisure*, 2007; 12th Annual Green List, Condé Nast Traveler, 2006
- d. Cebu: Shangri-La Mactan Resort and Spa - Awards: Top 10 Overseas Hotels, *Travel + Leisure China*; ASEAN Green Hotel Award 2010
- e. Cebu: Plantation Bay Resort and Spa - Award: One of the world’s top resorts, 2008 Readers’ Choice Awards, Condé Nast Traveler
- f. Cebu: Abacá Boutique Resort - Award: Hot List 2009, Condé Nast Traveler
- g. Batangas: The Farm at San Benito - Awards: Best Medical Wellness Resort worldwide, International Tourismus Borse, 2013; Best Medical Spa Worldwide, SENSES Awards 2012

⁵³ <http://itsmorefuninthephilippines.com/most-awarded-philippine-resorts/>

⁵⁴ <http://pcdspo.gov.ph/downloads/2012/07/Its-more-fun.pdf>

⁵⁵ <http://itsmorefuninthephilippines.com/most-awarded-philippine-resorts/>

Boracay Island: Beach Capital of the Philippines⁵⁶

Economy

The island of Boracay is considered as the world's leading tropical resort. This 4-kilometer stretch of Boracay is lined up with restaurants, disco houses, hotels, souvenir shops, and other service establishments. Nearby there is a communications company, complete with uniformed personnel at par with the multinational offices of Makati City.

Despite being only less than a thousand hectares and 6,000 residents, it is described as a Paradise. Founded in 1949, Boracay is an agricultural island that is complemented by the wealthy marine resources of the Sibuyan and Sulu Seas. Because of the tourism industry, Boracay is now a fourth class municipality.

Located at the heart of the Panay group of islands in the Visayas, Boracay's municipal hall is different from the others because it has several computers and cell phones and its employees have attractive uniforms.

Under the administration of Corazon Aquino, the economy of Boracay did not perform well. The level of tourism was fluctuating from stagnant to rapid increases, which is due to the instability of the political situation of the island as well as the volatility of its economy. From 1988 to 1992, the national average of tourist arrivals was 1.07 million.

With the coming of the Fidel Ramos administration, tourist arrivals increased to 1.15 million in just the first year that was translated to tourism receipts worth US\$1.67 billion. The economy of Boracay picked up in the next five years as tourism receipts amounted to US\$ 2.7 billion by the conclusion of 1996.

It is worth noting that the said amount came from the 2.05 million foreigners that visited the island. Local tourists, which were estimated at 11.87 million, generated an additional ₱40.1 billion.

According to the World Tourism Organization, this figure registered the highest rate of growth in annual tourist arrivals in Asia. Since then, over 1.1 million Filipinos were directly employed which comprised 6 percent of the country's gross national product.

The growth in the economy of Boracay was a result of the improving political stability and economic development brought in by the administration of Fidel Ramos.

The introduction of Boracay as a tourist destination to the outside world was attributed to Manuel Elizalde, who was a former Chief of Presidential Assistance for National Minorities of the late President Ferdinand Marcos. In the early part of the 1970s, Elizalde entertained his jet-setting friends at the Puka Shell Beach (now White Beach).

⁵⁶ <http://www.nscb.gov.ph/ru6/FS-Tourism-Boracay2011.htm>

Backpackers were next in line in the same decade as well as in the early part of the 1980s. By the conclusion of 1990, over 200,000 tourists had already visited Boracay.

Beaches⁵⁷

Boracay has more than ten distinctive beaches nestled in the coves surrounding the infamous island. All of them feature the same powdery white sand that has undoubtedly made the island prominent around the world. By far, the most popular beach is a four (4) –km. stretch, officially called the White Beach.

The following shows a map of Boracay.

Figure 10: Map of Boracay Island



The following discusses the different beaches of Boracay.

Table 39: Boracay Beaches	
<p>White Beach</p> <p>This is the most well known beach in Boracay. It is 4 kilometers long and up to 100 meters wide. The major attractions are sunbathing on the sparkling white sand or relaxing under the cool shelter of the bordering coconut trees. Wading and snorkeling are also popular, as the gentle slope of the sand produces shallows a long way out from the shore. Skimboarding, banana boat ride, glass bottom boat, and Sailing are also available.</p>	

⁵⁷ <http://www.boracaybeaches.info/boracay-beaches.html>

Table 39: Boracay Beaches

Diniwid Beach

This peaceful beach is only 200 meters long and a short walk from the north end of White Beach. Those who undertake the trek are rewarded with one of the best views of the island from a platform rock.



Puka Beach

This is the second longest beach in the island. It covers half of the northern tip of the island. It has mild surf because it is surrounded by fringing reefs. The beach is 800 meters long and has an abundance of small shells and tiny, white coral amulets, which are suitable for necklace pendants. Puka beach is named after the Puka shell, regarded by experts as the finest in the world. To appreciate the scenery fully, motorized banca trips are recommended. The beach ends abruptly at the Lapuz-Lapuz cliffs, on the extreme Northern point of the island. This is the most primitive and rugged part of Boracay.



Balinghai Beach

Balinghai Beach is enclosed by craggy walls of rock. It is a romantic hideaway for those who prefer quiet place and solitude. It is considered the best snorkeling site among Boracay beaches, with a coral garden not too far from shore.



Table 39: Boracay Beaches

Cagban Beach

Cagban Beach is a good place for treasure hunting: Cagban means 'cave' or 'chest' and it is said that several treasure chests are still laying buried in the sand or in surrounding caves. This beach offers quietness and relaxation compared to the bustling action on the White Beach.



Bulabog Beach

Bulabog Beach comes alive during the early months of each year when windsurfers skim through its waters, taking advantage of the strong winds. In addition to windsurfers, kiteboarders also enjoy the strong wind until about June and July, when the southwest monsoon begins.



Punta Bunga Beach & Banyugan Beach

Punta Bunga Beach is just a short distance north of Balinghai Beach. Many attractive shells may be seen when walking along the beach. On the hillside that forms the southern border of the Punta Bunga Beach are a growing number of establishments and private houses, located there for the beautiful view.

A very short uphill climb north of Punta Bunga is Banyugan Beach, another secluded strip of white sand. Beyond it stand widely spaced coconut trees and flatland, ideal for picnics.



Table 39: Boracay Beaches

Ilig Iligan Beach

Ilig Iligan Beach is on the east coast of the Boracay Island and offers several coves and caves. Inland on Boracay Island is an impressive jungle where giant fruit bats may be seen hanging in the trees. Bat caves are a 30-minute walk inland from the Ilig Iligan Beach. The beach is accessible by road via motorbike, bicycle or hiking. Like most Boracay Beaches on Boracay Island's east coast, access by boat depends on the Boracay weather and tide, with the sea sometimes rough during the northeast monsoon. During the southwest monsoon, however, the sea is normally calm and clear, perfect for snorkeling and offshore Boracay scuba diving trips.



Manoc Manoc Beach

Manoc Manoc Beach, in the Village of Barangay Manoc-Manoc, is on the southern-end of Boracay Island where you can see the Caticlan jetty. The beach is windy all-year round. Manoc Manoc Beach is a busy place with a steady stream of boats from Caticlan unloading needed supplies for Boracay hotels, resorts, and other businesses. From Manoc-Manoc Beach on Boracay Island, you will occasionally see experienced Boracay Windsurfers or Kitesurfers racing through the strong winds and currents of up to six (6) knots- in the channel.



Tulubhan Beach and Tambisaan Beach

Tulubhan Beach is located further south of Bulabog Beach. This beach is small and quiet and with many coves. Old trees provide welcome shade during the hot months of February and March.

Tambisaan Beach is a short walk away a rocky point. A small friendly village is nearby where the atmosphere is sleepy until the southwest monsoon begins.



Statistics generated by the DOT Regional Office 6 shows that visitor head count and tourist receipts in million pesos have been consistently increasing for the last 10 years since year 2001. The highest increase in visitor arrivals is in 2004 with approximately 26.30% (89,321) and in 2010 by approximately 20.00% (130,107). Correspondingly, receipts increased by ₱1.6 billion in 2004 and ₱2.4 billion in 2010.

Year	Visitor Arrivals				% Change	Receipts (in ₱millions)
	Foreign	Domestic	OFs	Total		
2001	76,475	188,332	-	264,807	15.21	4,868.1
2002	77,892	221,600	1,300	300,792	13.59	5,529.6
2003	84,747	251,704	2,983	339,434	12.85	6,240.0
2004	121,023	291,279	16,453	428,755	26.31	7,882.0
2005	155,744	321,893	21,820	499,457	16.49	9,181.7
2006	183,427	340,602	30,152	554,181	10.96	10,187.7
2007	208,870	359,433	28,404	596,707	7.67	10,969.5
2008	197,376	404,807	32,080	634,263	6.29	11,659.9
2009	192,873	432,271	24,415	649,559	2.41	11,941.1
2010	278,531	474,097	27,038	779,666	20.03	14,332.9
2011 ⁵⁹	325,498	440,465	96,158	862,121	10.58	15,848.7
Jan - Oct 2012 ⁶⁰	394,104	594,483	34,842	1,023,429	35.30 ⁶¹	18,814.1

DOT statistics further shows that in terms of tourist population, Boracay is largely dominated by domestic tourists. In absolute terms, of the total visitor arrivals of 1,023,429 in Boracay during the period of January to October 2012, 58.09% were domestic, 38.51% were foreign, and 3.40% were Overseas Filipinos (“OFs”). On the average, 3,367 visitors daily or 86,212 visitors monthly come to Boracay island to soil their feet with powdery-white sand and/or plunge into crystal clear waters and/or roam around the entire island not only for the scene but also to get a feel of being there.

Nowadays, OFs include Boracay in their shopping list of places to visit when they come home to the Philippines either for leisure or shopping for investment. OFs arrivals in Boracay were only 2,983 in 2003 versus 34,842 just for the 10 months of 2012, equivalent to a CAGR of 34.09% on an annualized basis.

For the first 10 months of 2012, Boracay visitors were highly dominated by Koreans, accounting for 31.99% of total foreign visitors, followed by Taiwanese at 20.91%, and China at 18.58%, with these top three accounting for 71.49% of total foreign visitors. Other foreign nationals who made Boracay their choice of leisure for the first 10 months of 2012 came from the USA at 3.83% and Australia at 2.92% of total foreign visitors.⁶²

⁵⁸ <http://www.nscb.gov.ph/ru6/FS-Tourism-Boracay2011.htm>

⁵⁹ <http://www.pia.gov.ph/news/index.php?article=961348134377>

⁶⁰ <http://newsinfo.inquirer.net/325951/boracay-tourist-arrivals-seen-to-reach-1-2m>

⁶¹ Estimate based on 200,000 target for November – December 2012

⁶² <http://newsinfo.inquirer.net/325951/boracay-tourist-arrivals-seen-to-reach-1-2m>

It is worth noting that China, even after it imposed a ban on travel groups to the Philippines amid the diplomatic row over the Scarborough Shoal, came third with 73,238 arrivals. The total number of tourists from China from January to October in 2012 was higher than the 68,824 in 2011. The Officer-in-Charge of the DOT-Boracay said that the travel ban to the Philippines affected Boracay tourism by a bit but the drive to target other markets worked. He said that tourists from Korea, Taiwan, and other countries boosted the arrivals. ⁶³

Palawan: The Philippines' Last Ecological Frontier

Palawan harbors vast tract of tropical rainforests and a huge expanse of marine wilderness. Proclaimed as Fish and Wildlife Sanctuary and Habitat of 232 endemic species. The province is named as World Heritage Site for its highly diverse collection of fishes & other marine life by the UNESCO.

Sprawled beneath the seas of Palawan are nearly 11,000 sq km of coral reefs, representing more than 35.00% of the Philippines coral reefs. Palawan is also noted for its growth forest, cathedral caves, white sand beaches, limestone cliffs, and unique flora and fauna. ⁶⁴

Geography

Palawan is an island province of the Philippines located in Region IV, otherwise called as the MIMAROPA region. The islands of Palawan stretch from Mindoro in the northeast to Borneo in the southwest. It lies between the South China Sea and the Sulu Sea. The province is named after its largest island, Palawan Island, measuring 450 kilometers long and 50 kilometers wide. It is approximately 240 kilometers or a 55-minute air travel southwest of Manila and approximately one (1) hour air travel Northeast of Cebu.



Palawan is composed of the long and narrow Palawan Island, plus a number of other smaller islands surrounding the main island. It covers the Cuyo Islands in the Sulu Sea. The disputed Spratly Islands, located a few hundred kilometers to the west is considered part of Palawan by the Philippines, and is locally called the Kalayaan Group of Islands.

Economy⁶⁵

Palawan's economy is primarily agricultural, with palay, corn and coconut as the major crops. Mineral resources include nickel, copper, manganese, and chromite. Logging is also a major industry. Palawan has one of the richest fishing grounds in the country,

⁶³ <http://newsinfo.inquirer.net/325951/boracay-tourist-arrivals-seen-to-reach-1-2m>

⁶⁴ <http://www.darfu4b.da.gov.ph/palawan.html>

⁶⁵ <http://depedmimaropa.ph/palawan.asp>

with about 45.00% of Metro Manila's supply of fish comes from Palawan. Palawan is also the only oil-producing province in the Philippines having natural gas reserves of approximately 30,000 trillion cubic feet. In addition, tourism is also a thriving sector. The economic and agricultural business growth of province is at 20.00% per annum.

Tourism in Palawan

Tourism in Palawan, like in the Philippines in general, is very significant due to its contribution to employment and revenue generation; employment for those directly engaged in the service industry in Palawan and revenue generation even to nearby provinces where those in the hotel business get their supply of some agricultural produce.

Major tourist attractions in Palawan can be divided into (a) historical, (b) cultural, (c) natural, (d) man-made, and (e) special interest. The following shows these tourist attractions:

Historical



Table 41: Palawan Historical Tourist Attractions	
<p>Sta. Isabel Fort in Taytay</p> <p>Built in 1667 under the Augustinian Recollect Fathers, this fort was used as a military station during that period. The chapel and cannon are still intact to this day.</p>	
<p><u>Cuyo Fort in Cuyo</u></p> <p>Built during the early Spanish period to protect the people from their enemies, this is considered as one of the most ancient and unique forts in the Philippines.</p>	

Table 41: Palawan Historical Tourist Attractions

Melville Lighthouse in Balabac

A century-old facility that used to guide ancient marine vessels landward is still glowing after a hundred years. The Lighthouse has become a familiar landmark to the local folks.



Cultural

Table 42: Palawan Cultural Tourist Attractions

Batac Tribal Community

One of Palawan’s indigenous groups, the Batacs are mountain people who dwell in the river valleys north of the provincial capital. They are Negrito stock and since, only less than 500 of them thrive today, they are considered as “disappearing people.”



Natural

Table 43: Palawan Natural Tourist Attractions

Calauit Island Wildlife Sanctuary in Busuanga

It is a 3,700-hectare area devoted to a wildlife preserve of African animals from Kenya such as giraffes and elands, zebra gazelles co-exist with endemic Philippine animals like the Palawan bearcat, mousedeer, and peacock pheasant.



Table 43: Palawan Natural Tourist Attractions

Coron Reefs in Busuanga

Seven (7) enchanting lakes surrounded by craggy limestone cliffs attract hundreds of nature lovers to the Coron Reefs. The place offers exciting wreck explorations from enthusiasts, novice divers and snorkelers, and recreational divers.



El Nido Marine Reserve in Miniloc Island

Occupying an area of 96,000 hectares, this popular nature boasts of diverse ecosystems such as rainforest, mangroves, white sand beaches, coral reefs, and limestone cliffs. It is now one of the country's premier destinations. El Nido is the sanctuary for various forms of wildlife.



Underground River in Bahile, Puerto Princesa City

A world heritage site, this natural wonder features an 8.2 km. navigable underground river, reputed to be the world's longest that winds through a spectacular cave before emptying out to the China Sea.



Table 43: Palawan Natural Tourist Attractions

Honda Bay

The bay consists of several islets with shallow reefs bordering fabulous beaches that have become the favorite swimming, snorkeling, and diving destinations of local residents and tourists. These islets are Cowrie Island, Bat Island, Lu-li (derived from lulubog-lilitaw, meaning floating and sinking island that is visible only during low tide), Meara Marina, Starfish Island known for its fine white sand clear water that teems with starfish, Snake Island- an island with long stretch of fine white sand shaped like a snake, Pandan Island and Señorita Island (the breeding site of Lapu-Lapu fish).



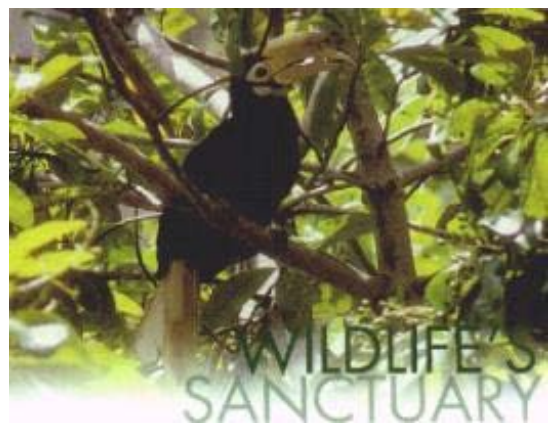
Tubbataha Reefs National Marine Park

Reputed as the country's best dive spot. The park was named a World Heritage Site because of its abundant marine life.





Ursula Island Game Refuge and Bird Sanctuary


This island is the heaven for birds that converge in the island two (2) hours before sunset to take their rest after a day's long flight.



Man-made

Table 44: Palawan Man-Made Tourist Attractions	
<p><u>Irawan Crocodile Farming Institute</u></p> <p>This institute aims to preserve and further research studies on endangered species of crocodiles.</p>	
<p><u>Iwahig Penal Farm</u></p> <p>The colony encompasses a 37-hectare scenic farm planted with coconut palm trees, rice and other crops cultivated by the prisoners and their families. Many of the inmates live with their families in so-called rehabilitation areas.</p>	

Special Interest

Table 45: Palawan Special Interest Attraction	
<p><u>Tabon Cave in Quezon</u></p> <p>Known as the “Cradle of Philippine Civilization”, Tabon Caves consist of a series of chambers where anthropologists discovered the remains of crude man and his tools. Anthropological significance came to the fore with the discovery of the 22,000-year old Tabon Man in its interior decades ago, along with other artifacts.</p>	

Data from the Palawan Council for Sustainable Development (PCSD) show that visitor head count have been increasing for the last 10 years since year 2002. The highest increase in visitor arrivals is in 2010 with 51.52% (178,134 increase) and in 2004 by 44.01% (62,596 increase).

Year	Foreign	Domestic	Total	% Change
2002	93,140	20,555	113,695	-3.25%
2003	108,218	34,020	142,238	25.10%
2004	163,119	41,715	204,834	44.01%
2005	130,531	69,865	200,396	-2.17%
2006	149,276	42,978	192,254	-4.06%
2007	181,043	43,953	224,996	17.03%
2008	224,318	35,915	260,233	15.66%
2009	293,114	52,624	345,738	32.86%
2010	397,078	126,794	523,872	51.52%
2011	498,970	142,398	641,368	22.43%

Data from the PCSD further show that in terms of tourist population, Palawan is largely dominated by domestic tourists. In absolute terms, of the total visitor arrivals of 641,368 in Palawan in 2011, 77.80% were domestic and 22.20% were foreign.

The following shows the places that the tourists visited in Palawan.

Source	2010		2011	
	Count	Percentage	Count	Percentage
Puerto Princesa	417,593	79.71%	5,002,778	97.47%
Coron	50,134	9.57%	67,306	1.31%
El Nido	36,935	7.05%	37,233	0.73%
San Vicente	9,625	1.84%	10,516	0.20%
Taytay	7,098	1.35%	8,640	0.17%
Araceli	37	0.01%	-	0.00%
Brooke's Point	2,450	0.47%	-	0.00%
Narra	-	0.00%	851	0.02%
Roxas	-	0.00%	5,203	0.10%
Total	523,872	100.00%	5,132,527	100.00%

Department of Tourism⁶⁸

The Philippine Tourist & Travel Association started as a private initiative and was organized in the 1950s. The Board of Travel & Tourist Industry was created by law in 1956. In 1973, the DOT, Philippine Tourism Authority (PTA), and Philippine Convention Bureau (PCB) were created by the Philippine Government. In 1986, Under Executive Order no. 120 and 120-A, DOT and PCB were reorganized structurally and functionally. PCB was renamed Philippine Convention & Visitors Corporation.

⁶⁶ http://www.pcsd.ph/news_updates/articles/NEWS%202012/Governance/7%20RESP%20AND%20SUSTAINABLE%20TOURISM-Buni.pdf

⁶⁷ http://www.pcsd.ph/news_updates/articles/NEWS%202012/Governance/7%20RESP%20AND%20SUSTAINABLE%20TOURISM-Buni.pdf

⁶⁸ <http://www.tourism.gov.ph/Downloadable%20Files/citizen%27scharter.pdf>

Tourism Policy⁶⁹

Objectives

Formulate an integrated sustainable tourism management plan for Central Philippines, identifying viable critical environmental, infrastructure and community-based projects to link and integrate the tourism development of the area. In particular, the Tourism Management Plan will:

- a. Provide a comprehensive planning framework for the development of tourism so that it can play a key role in the development of the regional economy;
- b. Elaborate a vision of the future direction and content of tourism development, which can help to focus and guide the actions of the various stakeholders towards a shared goal;
- c. Identify areas for tourism development, related tourism facilities and supporting infrastructure;
- d. Specify the major programs, roles and responsibilities of key players, institutional arrangements and resource requirements for achieving the vision.

Destination Strategy: Move to an Investment-driven Strategy⁷⁰

To achieve the projected growth in tourist numbers and expenditures over the next decade, the central Philippines will have to move to an investment-driven strategy.

Outside of Cebu and Boracay, little investment has taken place in recent years in the super region's tourism sector. The result is that the tourism industry is totally reliant on its natural attractions as the motivation for tourists to visit. However, the natural attractions, though unique in many ways, are not sufficiently strong in themselves to attract the numbers required to support a significant tourism sector. This is a primary factor driven strategy and characterized by infrastructure inadequacies, limited investment in product, insufficient accommodation, medium to low quality product and inadequate airlift.

The Central Philippines is not alone in this regard. All destinations, where the core products are nature and culture based but are not considered world class (such as the Galapagos, Egypt, Greece) face this problem. The strategy that many destinations which do not have 'world class' nature and cultural attractions have pursued, is to invest heavily in related products - golf, health and wellness, cruise, yachting, marinas, conference and incentives etc. These destinations have seen their tourism sectors prosper and grow.

To move on to the next stage of development require an investment driven strategy, with sustained investment in all aspects of tourism – infrastructures, utilities, new products, destination marketing, human resource development etc.

⁶⁹ <http://www.tourism.gov.ph/Pages/TourismNationalStrategy.aspx>

⁷⁰ <http://www.tourism.gov.ph/Pages/DestinationStrategy.aspx>

Product Development⁷¹

The Central Philippines possesses a wealth of ecological and cultural attractions including pristine white sandy beaches, diverse marine life, volcanoes, forests and wetlands and heritage sites. These natural resources support a range of tourism products and facilities to include national parks, ecotourism sites, beach resorts, scuba diving, golf courses, trekking and festivals.

- a. National Parks - Visits to national parks are an important element of the Central Philippines tourism product.
- b. Nature and Ecotourism Sites - Nature and ecotourism sites form a significant component of tourism in most of the destinations within the Central Philippines. There is a wide range of nature products, which include dolphin watching, bird watching and mangrove tours. In the development of nature products, ecotourism principles are being consciously applied. The National Ecotourism Strategy formulated by the DOT and DENR has given impetus to the development of various community-based ecotourism products. Nature and ecotourism sites assisted by LGUs, NGOs and the DOT/DENR include the Olango Bird watching tour in Cebu, the Cambuhat River Cruise and the Pamilakan Island Dolphin Watching (Marine Life) tour in Bohol.
- c. Scuba Diving - Scuba diving is a growth sector and is becoming a major market driver for many coastal and marine destinations. The scuba dive product is mainly promoted to the overseas markets.
- d. Festivals and Events - Major festivals include the Ati-atihan, Dinagyang and Sinulog festivals in Aklan, Iloilo and Cebu respectively. They are one/two-day events primarily for the domestic market - have international appeal.
- e. Beach Resorts - The Central Philippines has a large number of beach resorts, the best-known being in Mactan and Boracay.
- f. Golf Courses - Although golfing is a recognized driver of tourism demand, there are only 14 golf courses in the Central Philippines, of which less than a handful can be considered championship quality - i.e. the level necessary to attract the international golfer.
- g. Yachting & Marinas - Although the waters of the Central Philippines are ideal for yachting, the product is virtually non-existent. There are no established marinas, yachting guides etc.
- h. Cruise - Although well established in South East Asia, the cruise product has not been developed in the Central Philippines.

⁷¹ <http://www.tourism.gov.ph/Pages/ProductDevelopment.aspx>

- i. Hiking/Trekking - Hiking/trekking is a major tourist activity worldwide. Although the Central Philippines has the natural resource base to offer a unique hiking/trekking product, there are few designated trails, informed guides and supporting tourism facilities of hotels, inns etc.
- j. Urban Attractions - Urban attractions are mainly composed of buildings/streetscapes/ plazas of architectural significance, museums and art galleries, theatre and other forms entertainment (dance, music etc), historical sites (churches, forts, castles etc) retail (shopping centers, malls), bay or river promenades/waterfront areas, restaurants bars, etc. Whereas the Central Philippines has a number of churches and ancestral houses of historical interest, few are of international significance. However, shopping and dining out (mainly fast food or mid range) is well developed everywhere.

DOT Accreditations

Who may apply for DOT Accreditation?

Accommodation Establishments	<ul style="list-style-type: none"> ▪ Hotel Resort ▪ Tourist Inn ▪ Apartel ▪ Condotel 	<ul style="list-style-type: none"> ▪ Serviced ▪ Residences ▪ Pension House ▪ Motel ▪ Homestay site
Travel and Tour Services	<ul style="list-style-type: none"> ▪ Tour Operator ▪ A resident Filipino citizen registered as a single or sole proprietorship ▪ A partnership organized under the laws of the Philippines, at least 60.00% of its capital is owned by Filipino citizens ▪ Corporations organized under the laws of the Philippines at least 60.00% of the subscribed common or voting shares of stock is owned by Filipino citizens and the composition of its Board of Directors is being at least 60.00% Filipinos. 	<ul style="list-style-type: none"> ▪ Foreign individual/entity organized under Philippine laws with a minimum paid-in equity/capital of Two Hundred Thousand U.S. Dollars (US\$200,000) pursuant to the provisions of the Foreign Investments Act of 1991, otherwise known as Republic Act ("R. A.") No. 7042, as amended. ▪ Tourist Transport Operator ▪ Land Transport Tourist Car ▪ Transport Service Tourist Bus ▪ Transport Service Tourist Air ▪ Conditioned Jeepney Transport Service ▪ Air Transport ▪ Water Transport Motorized Boat/Banca engaged in Tourist Services

Tourism Frontliners	<ul style="list-style-type: none"> ▪ Tour Guide ▪ Mountain Guide ▪ Cave Guide 	<ul style="list-style-type: none"> ▪ Tourist Transport/Taxi/Jeepney Drivers ▪ Calesa Driver ▪ Trainor
Tourism Related Establishments	<ul style="list-style-type: none"> ▪ Restaurant ▪ Shops/Department Store ▪ Sports & Recreational Center ▪ Target Shooting Range ▪ Training Center ▪ Training Program 	<ul style="list-style-type: none"> ▪ Rest areas in Gasoline Station ▪ Museum ▪ Gallery ▪ Foreign Exchange Dealer ▪ Agri-Tourism Farm/Site ▪ Medical Concierge
Health and Wellness Services	<ul style="list-style-type: none"> ▪ Spa ▪ Ambulatory Clinic 	<ul style="list-style-type: none"> ▪ Tertiary Hospital
Ecotourism Products and Services	<ul style="list-style-type: none"> ▪ Ecolodge ▪ Ecotour 	<ul style="list-style-type: none"> ▪ Ecoguide ▪ Ecotour Facility

Procedures in Applying for a DOT Accreditation

Original Application Steps:

- a. Applicant shall request for inspection of the establishment being applied for at the DOT Accreditation Division in Manila or the Regional Office concerned.
- b. The DOT shall conduct inspection of the establishment.
- c. The DOT shall inform the applicant in writing of the result of Inspection whether favorable or unfavorable.
 - If the result is favorable, applicant may now file and submit all supporting documents.
 - If the result is unfavorable, applicant may request for re inspection once efficiencies are corrected.
- d. Applicant shall ensure that the application form is properly filled-up and the documents are complete and duly arranged based on the processing guide.
- e. Application shall be processed and evaluated by the DOT.
- f. Applicant shall be notified within three (3) working days if there are any deficiencies noted during final evaluation.
- g. Upon full compliance with all requirements, a certificate of accreditation shall be issued by the DOT duly signed by the Undersecretary of Tourism Services and Regional Offices if entity is located in Metro Manila or the Regional Director if it is located in the Region.
- h. The applicant shall pay accreditation and other related fees when certificate is ready for release.
- i. Applicant may request for IDs of its personnel upon payment of P30.00 ID fee for each employee.

Tour operator applicant may proceed with the above procedure after the following steps:

- a. Write a letter request for interview of its general manager (gm) and submit your qualification requirement.
- b. Shall have passed the interview conducted by the DOT.

Incentives to DOT Accredited Establishments

Non-Fiscal Incentives to DOT Accredited Establishments:

- a. Automatic qualification for regular membership to Philippine Convention and Visitors Corporation (PCVC) and inclusion in its marketing and promotional programs.
- b. Issuance of DOT ID cards to bonafide employees
- c. Technical/security/facilitation support or assistance
- d. Endorsement to embassies and travel trade associations for utilization of establishment's facilities and services.

Additional Incentives to DOT Accredited Accommodation Establishments:

- a. Endorsement to Ninoy Aquino International Airport (NAIA) and other international airports for issuance of access passes to qualified personnel
- b. Endorsement to Commission on Elections (COMELEC) for exemption from liquor ban during election and election related events.
- c. Endorsement to the Department of Agriculture (DA) for importation meat and meat products.

Additional Incentives to DOT Accredited Restaurants

- a. Endorsement to COMELEC for exemption from liquor ban during election and election related events.
- b. Endorsement to DA for importation of meat and meat products.

Additional Incentives to DOT Accredited Tour Operators

- a. Endorsement to NAIA and other international airports for issuance of access passes to qualified personnel.
- b. Endorsement of Letter of Guarantee to facilitate the issuance of visa of foreign tour group or foreign individual traveler.

Additional Incentives to DOT Accredited Tourist Transport Operator

- a. (MMDA) Unified Vehicular Volume Reduction Program (UVVRP) except in Makati and Pasay.
- b. Issuance of Certificate of Public Convenience (CPC) to tourist transport units.

General Requirements

- a. Business Name Certificate, if Single Proprietorship
- b. Partnership & By-Laws for Corporation/Partnership and Business Name Certificate if applicable
- c. List of officials and employees
- d. Valid visa and labor permit for foreign nationals authorizing the filing of the application and designating the person authorized to sign and act for and in its behalf and transact business with the Department. If single proprietorship/partnership, a letter of authority from the owner/partners.

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MARKET INFORMATION

Shareholder	Nationality	Shares owned Prior to the Offer		Shares owned After the Offer	
		Number of Shares	Percent to Total	Number of Shares	Percent to Total
JTKC Equities, Inc.	Filipino	302,599,998	66.07%	302,599,998	48.34%
The Discovery Leisure Company, Inc.	Filipino	155,399,995	33.93%	155,399,995	24.82%
Ruben C. Tiu	Filipino	1	-nil-	1	-nil-
John Y. Tiu, Jr.	Filipino	1	-nil-	1	-nil-
Romualdo C. Macasaet	Filipino	1	-nil-	1	-nil-
A. Bayani K. Tan	Filipino	1	-nil-	1	-nil-
Lamberto R. Villena	Filipino	1	-nil-	1	-nil-
Chun Bing G. Uy	Filipino	1	-nil-	1	-nil-
Elizabeth Ann C. Parpan	Filipino	1	-nil-	1	-nil-
Public	Filipino	0	0.00%	168,000,000	26.84%
Total		458,000,000	100.00%	626,000,000	100.00%

Dividends

As of the date of this Prospectus, the Company has not declared any kind of dividend to its shareholders since its incorporation. Discussion of the Company's dividends policy and history are discussed in section "Dividends and Dividend Policy".

Recent Sales of Exempt Securities and Unregistered Securities

On October 12, 2012, the Company's Directors and stockholders approved the increase in its authorized capital stock to One Billion Two Hundred Million Pesos (₱1,200,000,000) consisting of One Billion Two Hundred Million (1,200,000,000) common shares at a par value of One Peso (₱1.00) per share. Out of the increase in authorized capital stock, JTKC Equities, Inc. subscribed to Two Hundred Forty-Eight Million (248,000,000) common shares at an aggregate amount of Two Hundred Forty-Eight Million Pesos (₱248,000,000.00). The SEC approved the increase in authorized capital stock on January 25, 2013.

The Company paid the taxes involved in the issuance of the shares.

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INVESTOR RELATIONS PROGRAM

This program was introduced purposely to address and attend to investors' inquiries about the Company and its future plans for its stockholders. This program is comprised of Ms. Roxanne S. Bato as the Company's Chief Information Officer and Ms. Mary Jean D. Codiñera as the Company's Investor Relations Officer.

Ms. Roxanne S. Bato, as the Chief Information Officer, is in-charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE within a given period from the time of their occurrence. The reports required to be filed with the SEC include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Proxy Statement or Information Statement (SEC Form 20-IS) – at least 15 business days prior to the scheduled date of the annual stockholders' meeting; and
- Current Reports (SEC Form 17-C) – within five (5) days after the occurrence of the event required to be reported.

As a general rule, listed companies are required to furnish the PSE copies of all reports submitted to the SEC. The periodic reports required to be filed with the PSE, which are referred to as Structured Continuing Disclosures, include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Report on the Top 100 Stockholders – within 15 days after the end of each quarter; and
- Board Lot Report – within five (5) trading days after the end of each month.

Listed companies are required to update the investing public with any material fact that occurs which would reasonably be expected to affect investors' decision in relation to trading of its securities. Such reports, which are referred to as Unstructured Continuing Disclosures, are required to be disclosed to the PSE within 10 minutes from receipt of the information or occurrence of the event.

Ms. Mary Jean D. Codiñera is in charge of addressing the investors' concerns. She can be reached for inquiries through the telephone number (+632) 519-5626, telefax number (+632) 519-5625 and email address jean.codinera@discovery.com.ph.

MANAGEMENT

Board of Directors

The Company's Board of Directors is responsible for the over-all management and direction of the Company. The Board meets to review and monitor the Company's future plans. Each Board member serves for a term of one (1) year, subject to re-election. A director who was elected to fill any vacancy holds office only for the unexpired term of his/her predecessor.

As of the date of this Prospectus, the composition of the Company's Board of Directors is as follows, as elected during the Company's annual stockholders' meeting held on June 11, 2012, joint special meeting of stockholders and board of directors on December 6, 2012, and February 26, 2013:

Name	Age	Nationality	Present Position	Period of Service in the Company
Ruben C. Tiu	57	Filipino	Chairman of the Board	Since July 25, 2003
John Y. Tiu, Jr.	37	Filipino	Director and President	Since July 25, 2003
Romualdo C. Macasaet	78	Filipino	Director, Chief Financial Officer and Treasurer	Since March 1, 2013
A. Bayani K. Tan	58	Filipino	Director and Corporate Secretary	Since July 25, 2003
Lamberto R. Villena	66	Filipino	Director	Since March 1, 2013
Chun Bing G. Uy	60	Filipino	Independent Director	Since March 1, 2013
Elizabeth Ann C. Parpan	42	Filipino	Independent Director	Since March 1, 2013

To describe the business experience of the Company's directors for the past five (5) years, we have outlined hereunder their professional and business affiliations, as follows:

Ruben C. Tiu, 57, Filipino, Chairman of the Board

Mr. Ruben C. Tiu is concurrently the Chairman and President of Star Equities, Inc., President of JTKC Realty Corporation, Pan Asean Multi Resources Corp., Aldex Realty Corporation, Oakridge Properties, Inc., Hotel Systems Asia, Inc., JTKC Land, Inc., TDLCI, and Discovery Country Suites, Inc., Executive Vice President of JTKC Equities, Inc. and Union Pacific Ace Industries, Inc., and a Director of Palawan Cove Corporation, Cay Islands Corporation, Tera Investments, Inc., Sonoran Corporation, and I-Remit, Inc. He was previously a director of Southern Visayas Property Holdings, Inc. (2003 - 2009), International Exchange Bank (1995 - 2006), and I - Remit, Inc. (2002 - 2004). He holds a Bachelor of Science degree in Business Administration from the De La Salle University.

John Y. Tiu, Jr., 37, Filipino, Director and President

Mr. John Y. Tiu, Jr. is concurrently the Chairman and President of Tera Investments, Inc., Cay Islands Corporation, Palawan Cove Corporation, Sonoran Corporation, JT Perle Corporation, and One Cerrada Corporation. He is also a Director and President of Fidelity

Securities, Discovery Country Suites, Inc., and The Discovery Leisure Company, Inc. He is also a Director and First Vice President of JTKC Realty Corporation and Director and Treasurer of JTKC Equities, Inc., JTKC Land, Inc., Star Equities, Inc., and Touch Solutions, Inc. He is also a member of the Board of Directors of Enderun Colleges, Inc., I-Remit Inc., Oakridge Properties, Inc., Sagesoft Solutions, Inc., Sterling Bank of Asia, Inc. (A Savings Bank), and Tokyo Holdings, Inc. He was previously the Treasurer of Southern Visayas Property Holdings, Inc. (2003 - 2009). He holds a Bachelor of Science degree in Electrical Engineering Minor in Mathematics from the University of Washington in Seattle, Washington, USA.

Romualdo C. Macasaet, 78, Filipino, Director, Chief Financial Officer, and Treasurer

Mr. Romualdo C. Macasaet is concurrently the Managing Director and a stockholder of JTKC Land, Inc. He holds a Bachelor of Science degree in Commerce from the De La Salle University and a Bachelor of Science degree in Architecture from the University of Santo Tomas.

A. Bayani K. Tan, 58, Filipino, Director and Corporate Secretary

Mr. Tan is a Director (effective March 1, 2013) and has been the Corporate Secretary of the Company since July 2003. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), First Abacus Financial Holdings Corporation (May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), TKC Steel Corporation (February 2007-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Touch Solutions, Inc. (October 2007-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc. (December 2005-present), Monte Oro Resources & Energy, Inc. (March 2005-present) Palm Concepcion Power Corporation (January 2013-present) and Pharex HealthCorp. (March 2012-present), among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present) and Managing Director/President of Shamrock Development Corporation (May 1988-present). He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty. Tan passed the bar examinations in

1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Lamberto R. Villena, 66, Filipino, Director

Mr. Lamberto R. Villena is concurrently the President, Chief Executive Officer, and a Director of Sterling Bank of Asia Corporate Center. He was previously a Consultant to JTKC Equities, Inc. (2006 - 2009) and Executive Vice President (2004 - 2006) and Head of the Commercial Banking Group as Senior Vice President (1996 - 2004) of Rizal Commercial Banking Corporation. He was also past directors of Pacific Plans, Inc. (2005 - 2008) and Vitarich Philippines (2000 - 2002). He holds a Masters degree in Business Administration and Bachelor of Laws from the University of the Philippines, and a Bachelor of Arts degree from the Ateneo de Manila University.

Chun Bing G. Uy, 60, Filipino, Independent Director

Mr. Chun Bing G. Uy is concurrently a Consultant to the Rizal Commercial Banking Corporation. He is also a Director and Stockholder of FBIA Insurance Agency and Strategic Equities Corp. He was the Head of the Corporate Banking Group as Senior Executive Vice President (2012) and as Executive Vice President (1997 - 2012) of Rizal Commercial Banking Corporation. He holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.

Elizabeth Ann C. Parpan, 42, Filipino, Independent Director

Ms. Elizabeth Ann C. Parpan is concurrently the Treasurer of BISCOP, Inc. and Park Haven, Inc. She is also the Corporate Secretary of A. Chan Sugar Corporation. In addition, she also acts as a director in Morning Glow Development Corp., JEMFA Resources, Inc., and Partners Against Pests, Inc. She was previously the Corporate Secretary (2011 - 2012), Director (2010 - 2012), and Assistant Manager (2008 - 2012) of Central Azucarera de Bais, Inc. and Executive Vice President of Hotel Enterprises of the Philippines, Inc. (1995 - 2009). She was the valedictorian of the Hospitality Administration Program of the Centre International De Glion en Gruyere (Glion Hotel School) in 1994. She holds a Bachelor of Science degree in Management Honors, *cum laude*, from the Ateneo De Manila University.

Principal Officers

As of the date of this Prospectus, the following are the principal officers of the Company:

Name	Age	Nationality	Present Position	Year Position was Assumed
John Y. Tiu, Jr.	36	Filipino	President	2009
Romualdo C. Macasaet	78	Filipino	Chief Financial Officer and Treasurer	2013
Roxanne S. Bato	28	Filipino	Chief Information Officer and Comptroller	2012

Mary Jean D. Codiñera	51	Filipino	Investor Relations Officer	2012
A. Bayani K. Tan	57	Filipino	Corporate Secretary	2003
Anna Francesca C. Respicio	28	Filipino	Assistant Corporate Secretary	2013
Rupert Terence C. Sykat	40	Filipino	Assistant Vice President - Project Development	2013
Erwin Peter Z. Lopez	40	Filipino	Director of Operations	2012
Joy Anne C. Denoga	42	Filipino	Director of Sales and Marketing	2012

To describe the business experience of the Company's officers for the past 10 years, we have outlined hereunder their professional and business affiliations, as follows:

Roxanne S. Bato, 28, Filipino, Chief Information Officer and Comptroller

Ms. Roxanne S. Bato was previously a Senior Financial Analyst of Ayala Land, Inc. (2008-2012) and an Associate Auditor of Isla Lipana & Co. (PricewaterhouseCoopers) (2006-2008). She holds a Bachelor of Science degree in Accountancy from the Far Eastern University – Fern College.

Mary Jean D. Codiñera, 51, Filipino, Investor Relations Officer

Ms. Mary Jean D. Codiñera is concurrently the Vice President for Sales and Marketing of JTKC Land, Inc. She was previously the Vice President for Sales and Marketing for Tofino Corporation (2010-2011) and Membership Head of Filinvest Alabang, Inc. (2009-2010), Sales Manager of Filinvest Land, Inc. (2006-2007), and President of the Corporate Circuit, Inc. (2001-2006). She holds a double degree in Bachelor of Science in Commerce major in Accounting and Economics from the Assumption College.

Anna Francesca C. Respicio, 28, Filipino, Assistant Corporate Secretary

Atty. Anna Francesca C. Respicio is currently a Director and Corporate Secretary of Attenborough Holdings, Inc. (April 2013 – present). She is the Corporate Secretary of I-Remit, Inc. (August 2013 – present), and Luckyfortune Business Ventures Inc. (2012 – present). She is also the Assistant Corporate Secretary of A Brown Company (2012 – present), Donau Deli, Inc. (July 2013 – present), First Abacus Financial Holdings Corporation (September 2013 – present), Mandalore Manila Bay Development Corporation (2012 – present), Philippine Jesuit Aid Association (2012 – present), Raemulan Lands, Inc. (2012 – present), Red Dragon Culinary Concepts (July 2013 – present), Sterling Bank of Asia (August 2013 – present), Tagaytay Highlands International Gold Club, Inc. (June 2013 – present), The Spa and Lodge at Tagaytay Highlands (June 2013 – present), and Union Pacific Ace Industries, Inc (May 2013 – present).

Atty. Respicio was admitted to the Philippine Bar in April 2012. She obtained her *Juris Doctor* degree from the Ateneo de Manila University in 2011 and her Bachelor of Arts degree in Philosophy, from the same university in 2007.

Rupert Terence C. Sykat, 40, Filipino, Assistant Vice President - Project Development

Mr. Rupert Terence C. Sykat is concurrently an Assistant Vice President for Projects of JTKC Land, Inc. (2010 – present). He was a Project Architect of Greenfield Development Corporation (2007 – 2010) and a Design Architect of W.V. Coscolluela and Associates (1997 – 2006). He holds a Bachelor of Science degree in Architecture from the University of Santo Tomas.

Erwin Peter Z. Lopez, 40, Filipino, Director of Operations

Mr. Erwin Peter Z. Lopez was previously the Operations Manager and Senior Operations Manager of Discovery Shores Boracay (2006-2012) and the Operations Supervisor in Discovery Suites Ortigas (2000-2006). He holds a degree in Bachelor of Arts in Human Resources Management from the De La Salle University College of St. Benilde.

Joy Anne C. Denoga, 42, Filipino, Director of Sales and Marketing

Ms. Joy Anne C. Denoga is concurrently the owner of JAD Building Rental. She was previously the Director of Sales and Marketing of El Nido Resorts under Ten Knots Development Corporation (1996 – 2012). She holds a Bachelor of Science degree in Tourism from the University of the Philippines Diliman – Asian Institute of Tourism and a Masters degree in Business Administration from the Ateneo Graduate School of Business.

Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Family Relationships

Messrs. Ruben C. Tiu and John Y. Tiu, Jr. are brothers.

There are no other family relationships known to the Company other than the ones disclosed.

Involvement in Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan. The cases filed include a criminal case for Estafa (docketed as I.S. No. 08-K-19713) filed before the City Prosecutor of Manila. A Counter-Affidavit has already been filed before the City Prosecutor seeking to dismiss the Complaint for lack of

cause of action. Neither the Company nor the other directors and major shareholders of the Company are parties to the same legal suit aside from Atty. Tan.

Except as otherwise discussed above and to the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

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Executive Compensation

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2010, 2011, and 2012, and the estimates for 2013 and 2014. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Name and Position	Year	Salaries	Bonuses	Others	Total
CEO and the four (4) most highly compensated officers	John Y. Tiu, Jr. President Leeds A. Trompeta Director of Sales Bella Ching Senior Food and Beverage Manager Erwin Peter Z. Lopez Senior Operations Manager	2010	₱3,108,360.00	₱605,661.08	₱78,120.00	₱3,792,141.08
	John Y. Tiu, Jr. President Leeds A. Trompeta Director of Sales Bella Ching Director of Operations Erwin Peter Z. Lopez Senior Operations Manager Alvin Doctor Financial Controller	2011	₱3,539,641.20	₱721,550.09	₱78,120.00	₱4,339,311.29
	John Y. Tiu, Jr. President Leeds A. Trompeta Resident Manager Joy Anne C. Denoga Director of Sales and Marketing Rupert Terrence C. Sykat AVP – Project Development Erwin Peter Z. Lopez Director of Operations	2012	₱5,340,309.40	₱937,661.03	₱102,532.50	₱6,380,502.93
CEO and the four (4) most highly compensated officers named above		2013 <i>(est.)</i>	₱5,607,324.87	₱984,544.08	₱107,659.13	₱6,699,528.08
		2014 <i>(est.)</i>	₱5,887,691.11	₱1,033,771.28	₱113,042.09	₱7,034,504.48
Aggregate compensation paid to all officers and directors as a group unnamed		2010	₱3,357,028.80	₱648,057.35	₱61,519.50	₱4,087,112.15
		2011	₱3,822,812.50	₱772,058.59	₱82,026.00	₱4,676,897.09
		2012	₱5,767,534.15	₱1,003,297.30	₱107,659.13	₱6,878,490.58
		2013 <i>(est.)</i>	₱6,055,910.86	₱1,053,462.17	₱113,042.09	₱7,222,415.12
		2014 <i>(est.)</i>	₱8,338,706.40	₱1,464,124.91	₱142,694.19	₱9,945,525.50

Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10.00%) of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Standard Arrangements and Other Arrangements

As of the date of this Prospectus, the Company has no existing arrangements with members of the Board of Directors, executive officers and employees.

Employment Contracts, Termination of Employment, and Change in Control of Arrangements

There are no special employment contracts between the Company and its executive officers. Furthermore, there are no special retirement plans for executives.

There is also no arrangement for compensation to be received from the Company.

Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

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SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Security Ownership of Certain Record and Beneficial Owners

As of the date of this Prospectus, the following are the owners of record, directly or indirectly, of more than 5.00% of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them:

Table 52: Security Ownership of 5.00% or More					
Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	JTKC Equities, Inc. ⁷² Felix Avenue, Cainta, Rizal <i>Shareholder</i>	Same as record owner	Filipino	302,599,998	66.07%
Common	The Discovery Leisure Company, Inc. ⁷³ 2/F JTKC Center, 2155 Chino Roces Avenue, Makati City <i>Shareholder</i>	Same as record owner	Filipino	155,399,995	33.93%

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⁷² The majority shareholders of JTKC Equities, Inc. are (1) Ben C. Tiu, (2) Ruben C. Tiu, (3) Jerry C. Tiu, (4) Dexter Y. Tiu, (5) Alexander Y. Tiu, (6) John Y. Tiu, Jr. who each hold 12.15% or 283,076,916 common shares, (7) Grace Y. Tiu who owns 7.59% or 176,923,097 common shares, and (8) Rosalinda T. Yap, (9) Evelyn T. Lim, and (10)Manuela T. Lee who each own 6.07% or 141,538,469 common shares.

⁷³ The majority shareholders of The Discovery Leisure Company, Inc. are (1) JTKC Equities, Inc. who holds 100.00% or 19,046,000 preferred shares and (2) JTKC Realty Corporation who own 99.8% or 99,800,000 common shares.

Security Ownership of Directors and Management

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of the date of this Prospectus:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ruben C. Tiu <i>Chairman of the Board</i>	1 <i>Direct</i>	Filipino	-nil-
		9,910,500 <i>Indirect</i> JTKC Equities, Inc.		0.83%
Common	John Y. Tiu, Jr. <i>Director and President</i>	1 <i>Direct</i>	Filipino	-nil-
		9,910,500 <i>Indirect</i> JTKC Equities, Inc.		0.83%
Common	Romualdo C. Macasaet <i>Director, Chief Financial Officer, and Treasurer</i>	1 <i>Direct</i>	Filipino	-nil-
Common	A. Bayani K. Tan <i>Director and Corporate Secretary</i>	1 <i>Direct</i>	Filipino	-nil-
Common	Lamberto R. Villena <i>Director</i>	1 <i>Direct</i>	Filipino	-nil-
Common	Chun Bing G. Uy <i>Independent Director</i>	1 <i>Direct</i>	Filipino	-nil-
Common	Elizabeth Ann C. Parpan <i>Independent Director</i>	1 <i>Direct</i>	Filipino	-nil-
Total				1.65%

As of the date of this Prospectus, the aggregate direct and indirect ownership of all directors and officers of the Company as a group is 1.65% of the total issued and outstanding shares of the Company.

Selling Security Holders

None of the Offer Shares is to be offered for the account of security holders.

Voting Trust

The Company knows of no person holding more than 5.00% of shares under a voting trust of similar agreement

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

Transactions with and/or Dependence on Related Parties

The Company grants to and obtains noninterest-bearing unsecured advances from related parties under common ownership for working capital requirements.

As of March 31, 2012, the remaining balance of advances from related parties granted in favor of the Company amounts to Seventeen Million, Seven Hundred Seventy-Two Thousand, Two Hundred Sixty-Seven Pesos (₱17,772,267.00). As of the same date, the remaining balance of advances granted by the Company in favor of related parties amounts to One Hundred Thirty-Five Million, Six Hundred Seventy-Seven Thousand, Ninety-Two Pesos (₱135,677,092.00).

On March 21, 2012, the Board of Directors approved the subscription to future preferred shares of stock of Sterling Bank amounting to Two Hundred Fifty Million Pesos (₱250,000,000.00), Sixty-Two Million Five Hundred Thousand (₱62,500,000.00) of which has been paid in cash.

JTKC Realty Corporation is a third party guarantor of the existing credit facility of the Company with DBP through an unregistered mortgage of a parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City of Manila, with all the buildings and improvements existing thereon, and registered under the name of JTKC Realty Corporation.

The operation, management, and marketing activities of the Company's resort business are under a management agreement with HSAI-Raintree, Inc. for the period starting May 9, 2008 until December 31, 2013. TDLCI took over the operation, management and marketing activities of Discovery Shores Boracay on March 7, 2013 by virtue of a management agreement with the Company, effective until February 28, 2022.

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MANAGEMENT'S DISCUSSION

The table below presents the summary of operating and financial information of the Company for periods ending December 31, 2010, 2011, and 2012, and June 30, 2012 and 2013, and as of December 31, 2010, 2011, and 2012, and June 30, 2013. The summary financial information should be read in conjunction with the auditor's reports and the financial statements and notes thereto contained in this Prospectus. The summary financial data below are based on its audited financial statements prepared in accordance with PFRS.

The information below is not necessarily indicative of the results of future operations or financial condition of the Company.

Table 53: DWC Summary of Comprehensive Income					
<i>Amounts in ₱millions</i>	2010	2011	2012	June 30, 2012	June 30, 2013
Revenues	308.64	347.78	366.00	204.94	206.26
Costs of Sales and Services	152.68	161.96	188.92	98.52	99.32
Gross Income	155.95	185.82	177.08	106.42	106.94
Operating Expenses	93.28	113.85	140.07	81.88	57.89
Operating Income	62.68	71.97	37.01	24.54	49.06
Other Charges (Income)	23.08	8.98	8.18	3.60	5.45
Profit Before Tax	39.60	62.99	28.83	20.94	43.61
Net Profit	38.03	62.64	21.22	15.59	30.53

Differences in decimal numbers are due to rounding off.

Table 54: DWC Summary of Financial Position				
<i>Amounts in ₪millions</i>	2010	2011	2012	June 30, 2013
Assets				
Cash and cash equivalents	59.72	60.18	96.99	99.45
Trade and other receivables - net	115.82	114.64	20.38	16.60
Financial asset at fair value through profit or loss	-	-	62.50	62.50
Due from related parties	-	-	96.36	165.68
Inventories	13.54	14.84	15.15	16.91
Other current assets	37.92	51.63	30.82	32.79
Total Current Assets	227.01	241.30	322.19	393.92
Property and equipment - net	603.11	615.74	622.46	616.82
Investment property	10.94	12.42	12.72	12.72
Deferred tax asset	-	-	2.38	2.37
Other non-current assets	1.90	1.90	1.90	1.90
Total Non-current assets	615.95	630.06	639.46	633.82
Total Assets	842.96	871.36	961.65	1,027.74
Liabilities and Shareholder's Equity				
Interest- bearing loans and borrowings	114.50	117.50	147.50	197.50
Trade and other payables	94.25	113.57	128.96	128.32
Due to related parties	7.32	8.23	0.96	0.64
Income tax payable	-	-	1.44	6.52
Total Current Liabilities	216.07	239.30	278.86	332.98
Interest- bearing loans and borrowings - net of current	196.88	159.38	121.88	103.13
Due to a related party	5.08	5.08	5.08	5.08
Retirement benefit obligation	2.07	5.04	7.29	7.48
Total Non-Current Liabilities	204.03	169.50	134.24	115.68
Total Liabilities	420.10	408.80	413.10	448.66
Capital stock	155.40	155.40	155.40	458.00
Deposit for Future Subscription	258.00	237.00	302.60	-
Revaluation reserves	-	-1.96	-1.48	-1.48
Retained Earnings (Deficit)	9.47	72.12	92.03	122.56
Total Equity	422.87	462.56	548.55	579.08
Total Liabilities and Shareholder's Equity	842.96	871.36	961.65	1,027.74

Differences in decimal numbers are due to rounding off.

Six (6) months' ended June 30, 2013 vs. Six (6) months' ended June 30, 2012

Material Changes to the Statements of Comprehensive Income for the period ended June 30, 2013 compared to the Statement of Comprehensive Income for the period ended June 30, 2012 (increase/ decrease of 5.00% or more)

Revenues

For the period ended June 30, 2013, revenues grew marginally by 0.64% from ₱204.9 million in June 30, 2012 to ₱206.3 million. Revenues from room services increased by 4.79% but this were tempered with the decline in revenues from food, beverages, and others with a rate of 13.74%.

The breakdown of revenues is shown below:

	June 30		Breakdown		Growth
	2012	2013	2012	2013	
Room services	₱159,132,105	₱166,747,584	77.65%	80.84%	4.79%
Food, beverages and others	45,809,795	39,515,537	22.35%	19.16%	-13.74%
Revenues	₱204,941,900	₱206,263,121	100.00%	100.00%	0.64%

Cost of Sales and Services

For the first six (6) months of 2013, cost of sales and services increased marginally 0.81% from ₱98.5 million in the first half of 2012 to ₱99.3 million for the first half of 2013. As seen in the table below, the marginal increase in cost of sales and services was brought about by the 4.42% increase in cost of room services and the 8.26% decrease in cost of food, beverage, and others.

The cost of room services' increase of 4.42% came primarily from the 21.63% increase in management fees from ₱15.2 million to ₱18.5 million. The management fee represents the service fee related to the management agreement with HSAI-Raintree, Inc., whereby HSAI-Raintree, Inc. shall provide services in connection with the operations, management, and marketing activities in Discovery Shores Boracay. In 2012, the Company amended the management agreement to shorten the remaining period of the agreement and to fix the management fee related to the agreement. The increase in management fees was tapered by the decreases in supplies of ₱861,138 or 9.73% and salaries & employee benefits of ₱475,643 or 5.41%.

	June 30		Breakdown		Growth
	2012	2013	2012	2013	
Cost of Room Services	₱70,482,907	₱73,598,359	71.54%	74.10%	4.42%
Cost of Food, Beverage and Others	28,037,748	25,721,653	28.46%	25.90%	-8.26%
Costs of Sales and Services	₱98,520,655	₱99,320,012	100.00%	100.00%	0.81%

Gross Income and Gross Profit Margin

In the first half of 2013, gross income was practically the same at with a 0.49% growth rate from the first half of 2012. The gross profit margin was practically the same at 51.85% for June 30, 2013 and 51.93% for June 30, 2012.

Operating Expenses (Income)

For the first half of 2013, operating expenses (income) decreased by 29.30% from ₱81.9 million for June 2012 to ₱57.9 million for June 2013. This is broken down into administrative expenses, sales & marketing expenses, and other operating income, which included service charges and spa revenue.

Operating expenses not classified under costs of sales and services decreased by 26.28% from June 2012 primarily due to the 92.88% decrease in professional fees from ₱16.9 million to ₱1.19 million and the 68.08% decrease in outside services from ₱11.4 million to ₱3.6 million.

Operating Income and Operating Margin

Operating income increased by 99.89% from ₱24.5 million in the first half of 2012 to ₱49.1 million in the first half of 2013 due to the higher decreases in operating expenses versus the laggard increase in revenues. Operating margins improved from 11.98% in the first half of 2012 to 23.78% in the first half of 2013.

Other Charges (Income)

In the first half of 2013, other charges (income) increased by 51.26% from ₱3.6 million to ₱5.4 million. The increase was due to the increase in finance costs from ₱4.9 million in the first half of 2012 to ₱6.2 million in the first half of 2013.

Tax Expense

In the first half of 2013, tax expenses increased by 144.37% from ₱5.4 million to ₱13.1 million. This increase is primarily due to the expiration of the income tax holiday on January 31, 2012. This equates to the Company now being subjected to the regular corporate income tax (RCIT) on its taxable income or minimum corporate income tax (MCIT), which is computed at 2.00% of gross income as defined under tax regulations, whichever is higher.

Net Profit and Net Profit Margin

The Company ended its first half of 2013 with ₱30.5 million in net profits, which is a 95.85% increase from ₱15.6 million in the first half of 2012. Ultimately, the increase is due from the lower expenses incurred during the first six (6) months of 2013.

Net income margins improved from 7.61% to 14.80%.

Material Changes to the Statements of Financial Position as of June 30, 2013 compared to the Statements of Financial Position as of December 31, 2012 (Restated) (increase/ decrease of 5.00% or more)

Trade and Other Receivables - Net

Trade and other receivables – net decreased by 18.54% as of June 30, 2013 from ₱20.4 million as of year-end 2012 to ₱16.6 million. The decrease was primarily due to the ₱4.8 million decrease in trade receivables and ₱2.0 million receivable from a third party. The receivable from a third party represents cash advances given by the Company to a third party for capital expenditures and working capital requirements. These advances were non-interest bearing, unsecured, and payable on demand.

Due from Related Parties

Due from related parties increased by 71.94% from ₱96.4 million as of December 31, 2012 to ₱165.7 million as of June 30, 2013 primarily due to the ₱59.5 million increase in advances to Discovery Fleet Corporation and the ₱9.9 million increase in advances to Palawan Cove Corporation.

Inventories

Inventories increased by 11.61% from ₱15.1 million as of December 31, 2012 to ₱16.9 million as of June 30, 2013, primarily due to the 39.10% increase in general supplies inventory of Discovery Shores Boracay.

Other Current Assets

Other current assets increased by 6.40% from ₱30.8 million as of December 31, 2012 to ₱32.8 million as of June 30, 2013, tracking the increase in advances to contractors and suppliers of ₱2.6 million.

Interest Bearing Loans and Borrowings (current portion)

For the first half-ended, June 30, 2013, interest bearing loans and borrowings (current portion) accounted for 66.98% of total liabilities, higher than for the year-ended December 31, 2012 of 65.21%. The increase was due to the additional short-term loans from Eastwest of ₱50.0 million.

Current interest bearing loans and borrowings are composed of short and long-term loans. Short-term loans represent unsecured peso loans intended for working capital. On the other hand, long-term loans represent secured loans obtained in 2005, which were used for capital expenditures related to the development of Discovery Shores Boracay.

Due to Related Parties (current portion)

Due to related parties (current portion) decreased by 33.05% from ₱958,647 as of December 31, 2012 to ₱641,799 as of June 30, 2013. The decrease is mainly due to the decrease in advances from Oakridge Properties, Inc. by 50.41%.

This account includes advances from related parties for working capital purposes. The related parties pertain to companies who are under common ownership.

The following table shows the breakdown of due to related parties:

	December 31, 2012	June 30, 2013
Oakridge Properties, Inc.	₱958,647	₱475,379
Discovery Country Suites, Inc.	-	166,420
Total	₱958,647	₱641,799

Income Tax Payable

As of June 30, 2013, the income tax payable amounted to ₱6.5 million, higher by 351.69% against the ₱1.4 million as of December 31, 2012.

Interest Bearing Loans and Borrowings – Net of Current

In 2012, interest bearing loans and borrowing – net of current decreased by 15.38% from ₱121.9 million to ₱103.1 million. This loan represents a secured loan obtained by the Company in 2005 from DBP. The loan is payable through quarterly installments of ₱9.4 million plus interest and gross receipts tax and bears interest that is subject to quarterly repricing. The effective interest rate averaged 3.80% in 2013 versus 4.60% per annum in 2012.

For the first half ended June 30, 2013, interest bearing loans and borrowing – net of current accounted for 24.98% of total liabilities, lower than the 29.81% as of December 31, 2012.

Capital Stock

Capital stock increased by 194.72% from ₱155.4 million as of December 31, 2012 to ₱458.0 million as of June 30, 2013. The increase is due to the issuance of 302,599,998 shares to JEI. Capital Stock accounted for 79.12% of total capitalization of the Company as of June 30, 2013.

Deposit for Future Stock Subscription

Deposit for future stock subscription decreased by 100.00% from ₱302.6 million as of December 31, 2012. This is due to the application of the deposit for future stock subscription to JEI's actual subscription to the Company's shares.

Retained Earnings

As of end of June 2013, retained earnings increased to ₱122.6 million from ₱92.0 million as of December 31, 2013, equivalent to an increase of 33.17%. This is fully due to the increase in net profits amounting to ₱30.5 million.

Twelve months' ended December 31, 2012 vs. Twelve months' ended December 31, 2011

Material Changes to the Statements of Comprehensive Income for the period ended December 31, 2012 compared to the Statement of Comprehensive Income for the period ended December 31, 2011 (increase/ decrease of 5.00% or more)

Revenues

For the period ended December 31, 2012, revenues increased from ₱347.8 million in 2011 to ₱366.0 million, showing a year on year increase of 5.24%. The increase in revenues came from the 4.37% increase in room rent and the 8.39% increase in food, beverages, & others.

The breakdown of revenues is shown below:

	December 31		Breakdown		Growth
	2011	2012	2011	2012	
Room services	₱272,374,594	₱284,266,881	78.32%	77.67%	4.37%
Food, beverages and others	75,406,794	81,736,685	21.68%	22.33%	8.39%
Revenues	₱347,781,388	₱366,003,566	100.00%	100.00%	5.24%

Cost of Sales and Services

In 2012, cost of sales and services increased by 16.65% from ₱162.0 million in 2011 to ₱188.9 million. As seen in the table below, the increase in cost of sales and services stemmed primarily from cost of room service with a 21.51% year on year growth. This is mostly attributed by the increase in Management Fee from ₱11.3 million in 2011 to ₱29.9 million in 2012. The management fee represents the service fee related to the management agreement with HSAI-Raintree, Inc., whereby HSAI-Raintree, Inc. shall provide services in connection with the operations, management, and marketing activities in Discovery Shores Boracay. In 2012, the Company amended the management agreement to shorten the remaining period of the agreement and to fix the management fee related to the agreement.

The bulk of the cost of the Company is from the direct costs in room of services, which accounted for 77.27% of the total cost of sales and services in 2012. This includes mainly the management fee, depreciation, supplies, salaries and employee benefits, outside services, transportation & travel, and food & beverage.

	December 31		Breakdown		Growth
	2011	2012	2011	2012	
	Cost of Room Services	₱112,385,452	₱136,560,660	69.39%	
Cost of Food, Beverage and Others	49,574,775	52,359,681	30.61%	27.72%	5.62%
Costs of Sales and Services	₱161,960,227	₱188,920,341	100.00%	100.00%	16.65%

Gross Income and Gross Profit Margin

In 2012, gross income decreased by 4.70% from ₱185.8 million in 2011 to ₱177.1 million. This is mainly due to the faster growth in costs versus the slower growth in revenues. As a result, the gross profit margin deteriorated in 2012, from 53.43% in 2011 to 48.38%.

Operating Expenses (Income)

In 2012, operating expenses (income) increased by 23.03% from ₱113.8 million in 2011 to ₱140.1 million. This is broken down into administrative expenses, sales & marketing expenses, and other operating income, which included service charges and spa revenue.

Operating expenses increased by 18.49% from 2011 due to the 21.17% increase in salaries and benefits from ₱18.4 million to ₱22.3 million, 1,059.74% increase in professional fees from ₱1.5 million to ₱17.6 million, 12.03% increase in repairs and maintenance from ₱12.3 million to ₱13.8 million, and 9.53% increase in taxes & licenses from ₱4.1 million to ₱6.7 million.

Other operating income decreased by 10.33% primarily due to the 19.41% decrease in service charges, from ₱9.6 million to ₱7.7 million.

Operating Income and Operating Margin

Operating income decreased by 48.57% from ₱72.0 million in 2011 to ₱37.0 million due to the higher increases in costs and operating expenses versus revenues. Operating margins deteriorated from 20.70% in 2011 to 10.11% in 2012.

Other Charges (Income)

In 2012, other charges decreased by 8.91% from ₱9.0 million to ₱8.2 million. The decrease was due to the decrease in interest expenses from ₱17.2 million in 2011 to ₱10.2 million in 2012.

Net Profit and Net Profit Margin

The Company ended 2012 with ₱21.2 million in net income, a 66.12% decrease from ₱62.6 million in 2011. The decrease is due from the higher costs and expenses plus the tax expenses of ₱7.7 million. The Company's income tax holiday expired on January 31, 2012, thus since then, the Company was subject to the regular corporate income tax

(RCIT) on its taxable income or minimum corporate income tax (MCIT), which is computed at 2.00% of gross income as defined under tax regulations, whichever is higher.

Net income margins deteriorated from 18.01% to 5.80%.

Material Changes to the Statements of Financial Position as of December 31, 2012 compared to the Statements of Financial Position as of December 31, 2011 (increase/decrease of 5.00% or more)

Cash and Cash Equivalents

Cash and cash equivalents increased by 61.16% as of December 31, 2012 from ₱60.2 million as of year-end 2011 to ₱97.0 million. The increase was primarily due to the additional deposit for future stock subscription by JEI.

Trade and Other Receivables - Net

Trade and other receivables – net decreased by 82.22% as of December 31, 2012 from ₱114.6 million as of year-end 2011 to ₱20.4 million. The decrease was primarily due to the ₱100.5 million decrease in receivable from a third party, which represents cash advances granted by the Company to a third party for capital expenditures and working capital requirements. These advances were non-interest bearing, unsecured, and payable on demand.

Due from Related Parties

There were no due from related parties account by end of 2011. This account pertains to the advances made by the Company to related parties in 2012, whereby no collections were made during the year. These advances are non-interest bearing, unsecured, and repayable in cash upon demand and were used for working capital requirements.

Other Current Assets

Other current assets decreased by 40.31% from ₱51.6 million to ₱30.8 million in 2012. The decrease is basically due to the absence of input VAT and creditable withholding tax in 2012.

Deferred Tax Assets

There were no deferred tax assets by end of 2011 given that the Company management then expected further extension of its income tax holiday, thus it did not recognize deferred tax assets then. However, on January 31, 2012, the income tax holiday expired and the Company was not able to obtain further extension. Consequently, the Company recognized the previously unrecognized deferred tax assets amounting to ₱2.4 million in 2012.

Interest Bearing Loans and Borrowings

For the year ended, December 31, 2012, interest bearing loans and borrowings accounted for 36.08% of total liabilities, higher than the previous year's 28.74%. The increase was due to the short-term loan from BPI even when the Company already paid down its debt from other local banks.

Current interest bearing loans and borrowings are composed of short and long-term loans. Short-term loans represent unsecured peso loans on the other hand, long-term loans represent secured loans obtained in 2005, and both are intended for working capital.

Trade and Other Payables

Trade and other payables increased by 13.55% from ₱113.6 million to ₱129.0 million. The increase is primarily due to the increase of customer's deposits of 16.30% from ₱42.2 million to ₱49.1 million and the increase in accrued expenses of 7.13% from ₱18.5 million to ₱19.8 million.

Customers' deposit pertains to the advance payments made by customers as security for their reservations. Accrued expenses mainly include the Company's obligations to its current employees as well as unpaid liabilities to third parties that are expected to be settled within 12 months from the end of the reporting period.

For the year ended, December 31, 2012, trade and other payables accounted for 31.55% of total liabilities, a higher percentage as compared to last year's 27.78%.

Due to Related Parties

Due to related parties decreased by 120.39% from ₱13.3 million to ₱6.0 million in 2012. This account includes advances from related parties for working capital purposes. The related parties pertain to companies who are under common ownership. The decrease is due to the pay down of advances from HSAI-Raintree, Inc., Oakridge Properties, Inc., and Discovery Country Suites, Inc.

The following table shows the breakdown of due to related parties:

	2011	2012
JEI	₱0	₱5,081,024
Oakridge Properties, Inc.	3,015,048	958,647
TDLCI	5,081,024	0
Discovery Country Suites, Inc.	3,251	0
HSAI-Raintree, Inc.	5,211,360	0
Total	₱13,310,683	₱6,039,671

Interest Bearing Loans and Borrowings – Net of Current

In 2012, interest bearing loans and borrowing – net of current decreased by 23.53% from ₱159.4 million to ₱121.9 million. This loan represents a secured loan obtained by the Company in 2005 from DBP. The loan is payable through quarterly installments of ₱9.4 million plus interest and gross receipts tax and bears interest that is subject to quarterly repricing. The effective interest rate averaged 4.6% in 2012.

For the year ended December 31, 2012, interest bearing loans and borrowing – net of current accounted for 30.33% of total liabilities, slightly lower than 39.67% in 2011.

Retirement Benefit Obligation

Retirement benefit obligation increased by 44.45% from ₱5.0 million to ₱7.3 million. The Company maintains a tax-qualified, unfunded, non-contributory post-employment plan covering all regular full-time employees. The actuarial valuations are made annually to update the post-employment benefit cost.

Deposit for Future Stock Subscription

Deposit for future stock subscription increased by 27.68% from ₱237.0 million in 2011 to ₱302.6 million in 2012. In 2012, the Company and JEI executed a subscription agreement wherein JEI will subscribe to 248.0 million common shares of the Company at a par value of ₱1.00 per share upon the approval by the SEC of the application for increase in authorized capital stock. As part of this subscription agreement, JEI made a deposit of ₱82.6 million

Retained Earnings

In 2012, retained earnings increased to ₱92.0 million from ₱72.1 million in 2011, equivalent to an increase of 27.61% increase. This is primarily due to the increase in net profits amounting to ₱19.9 million.

Twelve months' ended December 31, 2011 vs. Twelve months' ended December 31, 2010

Material Changes to the Statements of Comprehensive Income for the period ended December 31, 2011 compared to the Statement of Comprehensive Income for the period ended December 31, 2010 (increase/ decrease of 5.00% or more)

Revenues

For the period ended December 31, 2011, revenues increased from ₱308.6 million in 2010 to ₱347.8 million, showing a year on year increase of 12.68%. The increase in revenues came from the increase in food and beverages of 16.53%, from ₱64.7 million to ₱75.4 million.

The breakdown of revenues is shown below:

	December 31		Breakdown		Growth
	2010	2011	2010	2011	2010-2011
Room services	243,923,853	272,374,594	79.03%	78.32%	11.66%
Food, beverages and others	64,711,763	75,406,794	20.97%	21.68%	16.53%
Revenues	308,635,616	347,781,388	100.00%	100.00%	12.68%

Cost of Sales and Services

In 2011, cost of sales and services increased by 6.08% from ₱152.7 million in 2010 to ₱162.0 million. As seen in the table below, the increase in total cost of sales and services stemmed primarily from cost of food, beverage and others with an 11.21% year on year growth. This increase is further sourced from the 50.34% increase in the costs of food and beverages, 16.54% in outside services and 10.34% increase in other costs.

The bulk of the cost of the Company is from the direct costs in room of services, which accounts for 69.39% of the total cost of sales and services in 2011. This includes mainly the supplies, salaries and employee benefits, and depreciation.

	December 31		Breakdown		Growth
	2010	2011	2010	2011	2010-2011
Cost of Room Services	108,105,263	112,385,452	70.80%	69.39%	3.96%
Cost of Food, Beverage and Others	44,576,292	49,574,775	29.20%	30.61%	11.21%
Costs of Sales and Services	152,681,555	161,960,227	100.00%	100.00%	6.08%

Gross Income and Gross Profit Margin

In 2011, gross income increased by 19.15% from ₱156.0 million in 2010 to ₱186.0 million. This is mainly due to the faster growth in revenues versus the slower growth in costs. As a result, the gross profit margin improved in 2011, from 50.53% in 2010 to 53.43%.

Operating Expenses (Income)

In 2011, operating expenses increased by 22.05% from ₱93.3 million in 2010 to ₱113.8 million. This is broken down in administrative expenses and sales & marketing expenses.

Administrative expenses increased significantly by 23.38% due to the increase in representation and entertainment and professional fees.

Other Operating Income

In 2011, other operating income increased from ₱16.5 million to ₱18.0 million, a year on year increase of 9.11%. Other Operating Income is composed of (a) service charge, (b) massage and (c) others. Among the three (3) contributors, the biggest contributor in 2011 is the revenues from service charges, which grew by 46.43% from ₱6.5 million to ₱10.0 million.

	December 31		Breakdown		Growth
	2010	2011	2010	2011	2010-2011
Service Charge	6,530,462	9,562,317	39.66%	53.22%	46.43%
Massage	7,365,661	6,639,663	44.73%	36.96%	-9.86%
Others	2,570,789	1,764,610	15.61%	9.82%	-31.36%
Other Operating Income	16,466,912	17,966,590	100.00 %	100.00%	9.11%

Operating Income and Operating Margin

Operating income increased by 14.84% from ₱62.7 million in 2010 to ₱72.0 million. Although, costs increased by 20.11% in 2011, the Company was able to still increase its operating income and improve its operating margin from 20.31% to 20.70%.

Other Charges (Income)

In 2011, other charges decreased significantly by 61.08% from ₱23.1 million to ₱9.0 million. The said decreased primarily stemmed from the increase in finance income by 14.85% and other income by 202.21%. Other income account consists of gain on reversal of non-financial assets written-off amounting to ₱6.3 million.

Net Income and Net Income Margin

For the year ended December 31, 2011, the Company accounted for ₱62.6 million in net income, a 64.72% increase from ₱38.0 million in 2010. The continuous effort of the company led to higher revenues and was able to improve net income margin from 50.53% to 53.43%.

Material Changes to the Statements of Financial Position as of December 31, 2011 compared to the Statements of Financial Position as of December 31, 2010 (increase/decrease of 5.00% or more)

Inventories

In 2011, inventories increased by 9.63% from ₱13.5 million to ₱14.8 million. The increase is primarily from the increase in food supplies of 47.19% and other supplies of 20.30%, which offsets the decrease in beverage supplies of 19.23%. Other supplies include engineering supplies used for minor repairs and maintenance of the hotel

building and furniture, fittings and equipment, kitchen fuel supplies and other supplies inventories.

Other Current Assets

Other current assets increased from ₱37.9 million to ₱51.6 million in 2011, a year on year increase of 6.29%. The increase is stemmed mainly from the increase in input VAT by 1,088.54% from ₱1.1 million to ₱13.5 million, creditable withholding tax by 39.32% from ₱4.0 million to ₱5.5 million and advances to contractors and suppliers by 35.37% from ₱5.1 million to ₱7.0 million. Advances to contractors and suppliers represent advances made for the construction of the Company's transportation and delivery equipment and advances made to the Company's suppliers.

For the year ended, December 31, 2011, other current assets accounted for 5.93% of total assets as compared to the 4.50% in 2010.

Property, Plant and Equipment

For the year ended December 31, 2011, property, plant and equipment accounted for 70.66% of total assets as compared to the 71.55% in 2010.

Investment Property

In 2011, investment property increased by 13.52% from ₱10.9 million to ₱12.4 million. The increase is attributable to the additional parcels of land bought by the Company amounting to ₱1.5 million.

Interest Bearing Loans and Borrowings

For the year ended, December 31, 2011, interest bearing loans and borrowings accounted for 29.25% of total liabilities, higher as compared to the 27.59% accounted last year. Current interest bearing loans and borrowings are composed of short and long-term loans. Short-term loans represent unsecured peso loans on the other hand, long-term loans represent secured loans obtained in 2005, and both are intended for working capital.

Trade and Other Payables

Trade and other payables increased by 20.49% from ₱94.3 million to ₱113.6 million. The increase is primarily due to the increase of customer's deposits of 65.17% from ₱25.6 million to ₱42.2 million. Customers' deposit pertains to the advance payments made by customers as security for their reservations.

For the year ended, December 31, 2011, trade and other payables accounted for 28.27% of total liabilities a higher percentage as compared to last year's 22.71%.

Due to Related Parties

Due to related parties increased by 7.38% from ₱12.4 million to ₱13.3 million in 2011. This account includes advances from related parties for working capital purposes. The related parties pertain to companies who are under common ownership.

The following table shows the breakdown of due to related parties:

	2010	2011
TDLCI	₱5,081,024	₱5,081,024
HSAI-Raintree, Inc.	4,564,569	5,211,360
Oakridge Properties, Inc.	2,747,396	3,015,048
Discovery Country Suites, Inc.	3,251	3,251
Total	₱12,396,240	₱13,310,683

Interest Bearing Loans and Borrowings – Net of Current

In 2011, interest bearing loans and borrowing – net of current decreased by 19.05% from ₱196.9 million to ₱159.4 million. This loan represent secured loans obtained by the Company in 2005 from a bank that is payable thru quarterly installments of ₱9.4 million plus interest and gross receipts tax and bears interest that is subject to quarterly pricing.

For the year ended December 31, 2011, interest bearing loans and borrowing – net of current accounted for 39.67% of total liabilities, slightly lower as compared to 47.44% in 2010.

Retirement Benefit Obligation

Retirement benefit obligation increased significantly by 49.57% from ₱2.1 million to ₱3.1 million. The retirement benefit obligation is determined by the actuary on its report dated March 12, 2012 based on the interest cost, benefits paid and actuarial loss or gain.

Deposit for Future Stock Subscription

Deposit for future stock subscription decreased by 8.14% from ₱258.0 in 2010 million to ₱237.0 million the following year. In 2011, the Company returned to TDLCI a portion of the deposit for future stock subscription amounting to ₱21.0 million.

Retained Earnings

In 2011, retained earnings increased significantly to ₱72.1 million from ₱9.5 million in 2010, highlighting a 661.70% increase that is primarily stemmed to the increase in net profit of the year, which doubled to ₱62.6 million.

Other Financial Information

As of December 31, 2011 and 2012 and June 30, 2013, the Company is a lessee under non-cancellable operating lease agreements covering certain staff house and offices. The leases have terms for a period of 12 months or less, with renewal options, and with different monthly rental rate. The future minimum lease payments are limited to those not exceeding 12 months. As of the end of these reporting periods, these leases were not yet renewed.

For periods ending December 31, 2011 and 2012 and June 30, 2013, the Company's Other Expenses under the Administrative and Selling & Marketing Expenses consist significantly of housekeeping costs, costs of decorations, gifts to VIPs, among others.

Furthermore, as of and for the periods ended December 31, 2010, 2011, and 2012 and June 30, 2013:

- There are no other material changes in the Company's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- The Company is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- The Company is not aware of any significant elements of income and loss that did not arise from the Company's continuing operations.

Plan of Operation of Discovery Fleet Corporation

Discovery Fleet Corporation was incorporated on August 30, 2012 to engage in transportation services. It is specifically a cruise business that offers full diving and non-diving programs to its clients. The exclusive program for diving, which offers divers with days of scuba diving in the Philippines' renowned dive sites that feature reefs, wrecks, and marine life, is bound for the Tubbataha Reef, with Cagayancillo and Calusa as add-on options. The diving season starts in late March and ends by mid-June. Discovery Fleet made its maiden voyage in April 2013. The non-exclusive program for non-divers is bound for Pandan Island, Coron, and Apo Reef with the season starting mid-October and ends mid-March.

Discovery Fleet currently has two (2) boats. The first boat is named "Discovery Palawan", while the second boat is named "Discovery Adventures". Discovery Palawan's maiden voyage was last April 2013 while Discovery Adventures is planned to make its maiden voyage on the second half of 2014.

In the next 12 months, Discovery Fleet will continue its voyages to the Tubbataha and Northern routes through Discovery Palawan. It will also continue processing the registration with MARINA of the second boat and do refurbishment and upgrading works on the same boat. The funding of all these activities will come from the net proceeds of DWC's IPO, its

operations, its existing credit lines with both Eastwest and BPI, and advances from shareholders and related parties, in order of priority.

Due to the nature of its business, Discovery Fleet does not have any pending product research and development, and does not plan to have the same in the next 12 months.

Discovery Fleet does not plan to purchase or sell any plant and significant equipment in the next 12 months.

Discovery Fleet does not expect to have significant changes in the number of employees in the next 12 months.

Key Performance Indicators

The Company uses the following measures to assess its performance from period to period.

Table 65: Key Performance Indicators					
	2010	2011	2012	June 2012	June 2013
Revenue Growth	13.29%	12.68%	5.24%	-n.a.-	0.64%
Gross Profit Margin	50.53%	53.43%	48.38%	51.93%	51.85%
Net Income Margin	12.32%	18.01%	5.80%	7.61%	14.72%
Return on Asset	4.51%	7.19%	2.21%	-n.a.-	11.81%
Return on Equity	8.99%	13.54%	3.87%	-n.a.-	20.97%

The following defines the above ratios:

Revenue Growth

The revenue growth is the company's increase in revenues for a given period. This growth rate is computed from the current Revenues less Revenues of the comparative period, divided by the Revenues of the comparative period. This result is expressed in percentage.

Gross Profit Margin and Net Income Margin

The gross margin reflects the profitability of the company's core business. This is computed by dividing gross income (total Revenues less Cost of Sales) by total Revenues and is expressed in percentage.

Net income margin is the ratio of the company's net income after tax versus its Revenues for a given period. This is computed by dividing net income after tax by total Revenues. The result is likewise expressed in percentages.

Gross margin and net income margins measure the company's profitability and shows that the Company can keep its costs under control. It is also used by the Company as a measure that revenues are increasing faster than its costs, thus, placing the Company in a liquid position and vice versa.

Return on Assets and Return on Equity

The return on asset ratio is the ratio of the Company's net income to total assets. This measures the Company's ability to generate returns on its assets. This is computed by dividing net income after tax by the total assets. The result is expressed in percentage.

The return of assets shows the Company's underlying operational performance without considering its funding decisions. It measures how much profit is generated for each peso of assets used. The Company considers how effectively assets are utilized to generate income and how well costs are managed to maintain profitability.

Return on equity is the ratio of the Company's net income to stockholders' equity. This likewise measures the Company's ability to generate returns on investments made by the stockholders. This is computed by dividing net income after tax by the total stockholders' equity. The result is expressed in percentage.

The return of equity shows the amount of profit achieved for each peso invested by the Company's shareholders.

Changes in Auditors and/or Accounting Procedure/s

The Company contracted the independent auditing services of Punongbayan & Araullo for the calendar years 2010, 2011, and 2012 and for periods ending June 30, 2013 and 2012.

There are no plans to change independent auditors for the succeeding years.

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INDEPENDENT AUDITORS' REPORTS

The Financial Information as of and for years ended December 31, 2012, 2011, and 2010, and for periods ending June 30, 2013 and 2012, including the notes thereto that are incorporated by reference in this Prospectus, have been audited without qualification by Punongbayan & Araullo, auditors as stated in their reports appearing herein. The Company has not had any disagreements on accounting and financial disclosures with P&A, for the same periods or any subsequent interim period.

P&A has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities in the Company. The independent public auditors will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Committee.

Audit and Audit Related Fees

P&A billed the Company ₱940,000.00 for the examination of the financial statements as of and for years ended December 31, 2012, 2011, and 2010, and for periods ending June 30, 2013 and 2012, exclusive of out of pocket expenses and VAT.

The external auditors submitted invoices for services provided and expenses incurred on an interim basis as the work progressed. Invoices were payable upon presentation.

Tax Fees

P&A did not render professional services to the Company for tax accounting, compliance, advice, planning, and any other form of tax services.

All Other Fees

P&A did not provide products and services other than the services reported under Audit and Audit-Related Fees and Tax Fees subsections.

Audit Committee Approval Policies

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Company's Board of Directors for approval.

REGULATORY FRAMEWORK

Philippine Constitution

Lands of the public domain are classified as follows: (a) agricultural, (b) forest or timber, (c) mineral lands, and (d) national parks. Agricultural lands may be further classified by law according to the uses for which they may be devoted. Of the classes of public lands, only agricultural lands may be alienated.

Ownership of agricultural land is limited to natural persons who are Filipino citizens. A private corporation or association may only lease an agricultural land for a period not exceeding twenty-five (25) years, renewable for a period not exceeding twenty-five (25) years, and not to exceed one thousand (1,000) hectares in area.

A natural person who is a Filipino citizen may lease an agricultural land of an area not exceeding five hundred (500) hectares or acquire an area not exceeding twelve (12) hectares by purchase, homestead or grant.

On the other hand, except in cases of hereditary succession, private lands may only be transferred or conveyed to individuals, corporations or associations subject to qualifications and limitations provided by law.

Corporation Code

For an enterprise organized for holding property to be incorporated and duly registered under Philippine law, it must register with the SEC and comply with the ownership requirements provided under applicable laws.

National Internal Revenue Code

Rental payment for lease of property located in the Philippines, whether personal or real, is subject to creditable withholding income tax at source based on income payable to the lessor and credited against the income tax liability of the taxpayer for the taxable year.

Rental payment is also subject to VAT at the rate of twelve percent (12.00%) based on *gross receipts*, regardless of the place of execution of the contract of lease. 'Gross receipts' pertains to the total amount of money or its equivalent representing the contract price or rent, including the amount charged for materials supplied with the lease and deposits and advanced payments actually or constructively received during the taxable quarter, excluding VAT.

Revenue Regulations No. 02-98, as amended

Gross rental for the continued use or possession of real property used in business, which the obligor has not taken or is not taking title or in which the obligor has no equity, is subject to creditable withholding income tax at the rate of five percent (5.00%).

The obligation to deduct and withhold said tax arises at the time rent is paid or becomes due, demandable or legally enforceable.

Income payments made to any person enjoying exemption from payment of income taxes pursuant to the provisions of any law, such as the Omnibus Investments Code, are exempted from creditable withholding income tax.

Consolidated VAT Regulations of 2005 (Revenue Regulations No. 16-05)

In a lease contract, an advance payment made by the lessee may be: (a) a loan to the lessor from the lessee, (b) an option money for the property, (c) a security deposit to insure the faithful performance of certain obligations of the lessee to the lessor, or (d) a pre-paid rental.

If the advance payment falls under any of items (a), (b) or (c), then said payment is not subject to VAT. However, an advance payment that falls under item (c) but is applied to rental is subject to VAT.

If the advance payment falls under item (d), then said payment is subject to VAT in the month or quarter received by the lessor.

Omnibus Investment Code

The BOI regulates and promotes investments in the Philippines.

To qualify for incentives under E.O. 226, the proposed investment must fall within the preferred areas of investments declared by the BOI through the IPP, which may be either pioneer or non-pioneer.

The project proponent must comply with the following requirements for registration under the IPP:

- (a) Must be a Filipino citizen, or a corporation, partnership, cooperative or association organized under the laws of the Philippines and at least 60.00% of capital owned and controlled by Filipino citizens. If it does not possess the required degree of ownership, the project proponent must establish:
 - (i) That it proposes to engage in a pioneer project, which considering the nature and extent of capital requirements, processes, technical skills and relative business risks involved, is in the opinion of the BOI of such nature that the available measured capacity thereof cannot be readily and adequately filled by Filipino citizens; or if the project proponent is exporting at least 70.00% of its total

production, the export requirement may be reduced as may be determined by the BOI;

- (ii) That it obligates itself to attain the status of a Philippine national within 30 years from the date of registration or within such longer period as the BOI may require given the export potential of the proposed project, provided that a BOI-registered enterprise which exports 100.00% of its total production need not comply with this requirement;

That the pioneer area in which it will engage is one that is not within the activities reserved to Filipino citizens or to corporations owned and controlled by Filipino citizens;

- (b) Must propose to engage in a preferred project listed or authorized in the current IPP within a reasonable time to be fixed by the BOI. If not listed in the IPP, at least 50.00% of its total production is for export or it is an existing producer which will export part of its production under such conditions and/or limited incentives as the BOI may determine; or that the project proponent is engaged or proposing to engage in the sale abroad of export products bought by it from one or more export producers; or the enterprise is engaged or proposing to engage in rendering technical, professional or other services or in exporting television and motion pictures and musical recordings made or produced in the Philippines, either directly or through a registered trader;
- (c) Must be capable of operating on a sound and efficient basis and of contributing to the national development of the preferred area in particular and of the national economy in general; and
- (d) If the project proponent is engaged or proposes to engage in undertakings or activities other than preferred projects, must have installed or undertakes to install an accounting system adequate to identify the investments, revenues, costs, profits and losses of each preferred project undertaken separately from the aggregate investment, revenues, costs and profits or losses of the whole enterprise or to establish a separate corporation for each preferred project, if the BOI should so require.

E.O. 226 provides basic rights to registered enterprises.

All BOI-registered enterprises are granted incentives to the extent engaged in a preferred area of investment, which incentives relevant to the Company are:

- (a) Income Tax Holiday;
- (b) Tax Credit on Domestic Capital Equipment;
- (c) Exemption from Contractor's Tax;
- (d) Simplification of Customs Procedures;
- (e) Unrestricted Use of Consigned Equipment;

- (f) Employment of Foreign Nationals;
- (g) Exemption from Taxes and Duties on Imported Spare Parts; and
- (h) Exemption from Wharfage Dues and any Export Tax, Duty, Impost and Fee.

Additional incentives are granted to BOI-registered enterprises located in less developed areas identified by the BOI with the National Economic and Development Authority.

The Tourism Act of 2009

Tourism enterprises refer to facilities, services and attractions primarily engaged in whole or in part in tourism and for the purpose of attracting visitors to and within the Philippines, such as but not limited to travel and tour services, tourist transport services, tour guides, adventure sports services, convention organizers, accommodation establishments, tourism estate management services, restaurants, shops, department stores, sports and recreational centers, spas, facilities offering health and wellness services, museums and galleries, theme parks, convention centers and zoos.

Any person, firm, association, partnership, corporation or any other form of business organization may apply for registration as a tourism enterprise within a tourism enterprise zone, subject to the nationality, control and/or ownership requirements of the working capital provided in the Philippine Constitution, the Foreign Investments Act of 1991 and other laws.

The Tourism Infrastructure and Enterprise Zone Authority (TIEZA) has the sole and exclusive jurisdiction in the grant and the administration of incentives in favor of registered tourism enterprises. Local government units are encouraged to provide incentives to registered tourism enterprises, which incentives must be reported to the DOT.

A Greenfield Tourism Zone refers to new or pioneer development, while a Brownfield Tourism Zone refers to an area with existing infrastructure or development, as determined by the TIEZA.

The following fiscal incentives are granted to registered tourism enterprises within tourism enterprise zones:

Income Tax Holiday

A new tourism enterprise is exempt from income tax for a period of six (6) years from the start of its business operations, which period may be extended if the enterprise undertakes substantial expansion or upgrade of its facilities prior to the expiration of the first six (6) years.

An existing tourism enterprise in a Brownfield Tourism Zone may avail of a non-extendable income tax holiday if it undertakes extensive expansion or upgrade of facilities.

A registered tourism enterprise may carry-over as a deduction from gross income for the next six (6) consecutive years immediately following the year of the loss its net operating losses for any taxable year immediately preceding the current taxable year, which net operating losses have not previously been offset as deduction from gross income.

Gross Income Taxation

Except real property taxes and such other fees as may be imposed by the TIEZA, a new tourism enterprise is exempt from payment of all national and local taxes and license fees, imposts and assessments. Instead, said enterprise will be subject to a five percent (5.00%) tax on its gross income.

Capital Investment and Equipment

A registered tourism enterprise is exempt from all taxes and customs duties on importation of capital investment and equipment directly and actually needed and used exclusively in the said enterprise's registered activity.

Transportation and Spare Parts

A new or expanding registered tourism enterprise is exempt from customs duties and national taxes on the importation of transportation and accompanying spare parts, provided that the imported equipment (1) are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices, (2) are reasonably needed and (3) will be used exclusively by an accredited tourism enterprise.

Goods and Services

Importation of goods actually consumed in the course of services actually rendered by or through a registered tourism enterprise within a tourism enterprise zone is exempt from all taxes and customs duties. However, said goods must not be imported for the purpose of operating a wholesale or a retail establishment in competition with the Duty Free Philippines Corporation.

A tax credit will also be granted to a registered tourism enterprise equivalent to all national internal revenue taxes paid to all locally sourced goods and services directly or indirectly used by the said enterprise for services actually rendered within the tourism enterprise zone.

Social Responsibility Incentive

A registered tourism enterprise is entitled to a tax deduction equivalent to a reasonable percentage not exceeding fifty percent (50.00%) of the cost of environmental protection or cultural heritage preservation activities, sustainable livelihood programs for local communities, and other similar activities.

The following non-fiscal incentives are granted to registered tourism enterprises within tourism enterprise zones:

Employment of Foreign Nationals

A registered tourism enterprise may employ foreign nationals in executive, supervisory, technical or advisory positions, subject to terms provided by the TIEZA.

Special Investor's Resident Visa

A foreign national who invests at least Two Hundred Thousand Dollars (\$200,000.00) in a registered tourism enterprise will be entitled to a special investor's resident visa, which will enable him to reside in the Philippines while his investment subsists.

Subject to regulations issued by the Bureau of Immigration, the TIEZA may issue working visas renewable every two (2) years to foreign personnel and to other foreign nationals possessing highly technical skills not possessed by any Filipino within the tourism enterprise zone, provided that such foreign nationals secure from the Department of Labor and Employment the required Alien Employment Permits.

Foreign Currency Transactions

For foreign investments, the entire proceeds of the liquidation of the investment and/or the earnings therefrom may be repatriated in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation.

Sums necessary to meet payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts may be remitted at the exchange rate prevailing at the time of remittance.

Requisition of Investment

Except in the event of war or national emergency and only for the duration thereof, the property of a registered tourism enterprise will not be subject of requisition. Should property be subject to requisition, the said enterprise will be entitled to just compensation, which the enterprise may repatriate in the same manner as foreign investments.

Lease and Ownership of Land

Subject to the Investor's Lease Act, lands and buildings in each tourism enterprise zone may be leased to foreign investors for a period not exceeding fifty (50) years, renewable once for a period of not more than twenty-five (25) years. The leasehold right acquired under a long-term contract may be sold, transferred or assigned.

Only existing accommodation establishments not located within tourism enterprise zones that thereafter register as tourism enterprises are entitled to the following incentives:

- (a) Income tax holiday for up to six (6) years for any significant expansion, renovation or upgrade in its facilities in relation to the amount of the original investment; and
- (b) Import capital equipment free of taxes and duties when necessary for such expansion, renovation or upgrade.

Other tourism enterprises not located within a tourism enterprise zone may register as tourism enterprises and avail of incentives under the Omnibus Investments Code, subject to the following conditions:

- (a) Tourism activities are included in the IPP;
- (b) The BOI and the DOT jointly formulate rules and regulations regarding the grant of incentives to tourism enterprises;
- (c) The income tax holiday incentive will be applicable to existing accommodation enterprises undergoing substantial upgrade of facilities; and
- (d) Accredited tourism enterprises will be entitled to import transportation and accompanying spare parts to be used exclusively for the said enterprises' operations and provided that such equipment are not manufactured domestically in sufficient quantity and in comparable quality and prices.

Rules and Regulations to Govern the Accreditation of Hotels, Tourist Inns, Motels, Apartels, Resorts, Pension Houses and Other Accommodation Establishments

Hotels are classified by the DOT into the following categories: (a) De Luxe Class, (b) First Class, (c) Standard Class and (d) Economy Class.

Resorts, on the other hand, are classified as (a) beach resort, if located along the seashore, (b) inland resort, if located within the town proper or city, (c) island resort, if located in natural or man-made island within the internal waters of the Philippines, (d) lakeside or riverside resort, if located along or near the bank of a lake or river, (e) mountain resort, if located at or near a mountain or hill, or (f) theme park. For purposes of accreditation, resorts are classified as (a) Class "AAA", (b) Class "AA", (c) Class "A", and (d) Special Interest Resort.

The DOT prescribes general rules on the operation and management of resorts:

- a) Maintenance and housekeeping – Maintenance of all sections of the resort must be of acceptable standard, and must be on a continuing basis, taking into consideration the quality of materials used as well as its upkeep. Housekeeping must be of such standard ensuring well-kept, clean and pollution-free premises. A vermin control program must be regularly maintained in all areas of the resort. Regular and hygienic garbage

disposal system must be maintained. Sanitation measures must be adopted in accordance with applicable sanitation laws;

- b) Lifeguard and security – All resorts must provide the services of a sufficient number of accredited well-trained lifeguards;
- c) Medical services – All resorts must provide the services of a physician, either on-call or on full-time basis, depending on volume of operation and accessibility to hospital or medical centers. Resorts must also employ adequate first-aiders and maintain first-aid medicines and necessary life-saving equipment within the premises;
- d) Fire-fighting facilities – Fire-fighting facilities must be provided in accordance with applicable fire laws;
- e) Signboards – Appropriate signboards must conspicuously be displayed outside the establishment clearly showing the name and the classification of the resort, as determined by the DOT;
- f) Beach and lakeside resort – There shall be placed on a beach or lakeside resort an adequate number of buoys, which must be spread within the area to be determined by the resort owner or keeper as safe for swimming purposes, and in compliance with applicable government regulations and/or local ordinances;
- g) Designated area – The distance fronting the area of the resort with adequate number of buoys must be designated as the area for swimming purposes, and no boat or other crafts must be allowed to enter said area;
- h) Precautionary measures and prohibited acts and practices – The resort management must institute such precautionary measures and rules consistent with those prescribed by the DOT.

After an application for accreditation has been filed with the DOT, the DOT will create an inspection team that will conduct ocular inspection of the establishment to determine compliance with standards set by the DOT for accreditation.

The Certificate of Accreditation issued by the DOT is valid for a period of one (1) year from date of issue.

The following acts or omissions are sufficient grounds for cancellation of accreditation:

- a) Making any false declaration or statement or making use of any such declaration or statement or any document containing the same or committing fraud or any act of misrepresentation for the purpose of obtaining the issuance of accreditation;
- b) Failure to comply with or contravene any of the conditions set forth in the certificate of accreditation;
- c) Failure to meet the standards and requirements for the operation of the establishment;

- d) Allowing or permitting the establishment or its facilities to be used for illegal, immoral or illicit activities; or
- e) Violation of or non-compliance with any of the provisions of the rules, promulgated orders, decisions or circulars issued by the DOT or other concerned government agencies.

The Certificate of Accreditation must be displayed in a conspicuous place of the establishment. The rights over the accreditation are non-transferrable.

The DOT may, from time to time, send an inspection team to determine continued compliance with the standards set by the DOT for the accreditation. Any defect or deficiency found in the course of the inspection may be rectified by the manager/operator within a reasonable period of time; otherwise, the Certificate of Accreditation issued by the DOT may be revoked.

Implementing Rules and Regulations for the Philippine Environmental Impact Statement System (DENR Administrative Order No. 30-03)

An ECC is a document issued by the DENR/EMB after a positive review of an ECC application, certifying that:

- (a) The proposed project will not cause significant negative environmental impact; and
- (b) The project proponent has complied with all the requirements of the EIS System and has committed to implement its approved EMP.

An ECC contains specific measures and conditions with which that the project proponent undertakes to comply before and during the operation of the project, and where applicable, during the project's abandonment phase for the purpose of mitigating the project's impact to the environment.

An EIS is a document prepared and submitted by the project proponent or an Environmental Impact Assessment Consultant that serves as an application for an ECC, which includes a comprehensive study of the significant environmental impact of the project and an EMP that the project proponent will fund and implement. An EMP details the prevention, mitigation, compensation, contingency and monitoring measures that the project proponent intends to undertake to enhance the positive impact and to minimize the negative effect of a proposed project.

A project that poses potential significant impact to the environment is required to secure an ECC. To determine whether or not a project requires an ECC, the following factors are considered: (a) the nature of the project and its potential to cause significant negative environmental impacts, and (b) the sensitivity or the vulnerability of environmental resources in the project area.

Any project not covered by the EIS System may be covered by a Certificate of Non-Coverage from the EMB as proof that no ECC is required for its commencement.

An ECC of a project must be implemented within five (5) years from the date of issuance, reckoned from the date of ground breaking based on the project proponent's work plan submitted to the EMB. An ECC not implemented within said period will be deemed expired. A new ECC must be secured by the project proponent from the EMB should the project proponent intend to pursue the project.

In the event that the project proponent abandons a project covered by an ECC, the project proponent must inform the EMB of such abandonment; otherwise, the project proponent must continue to comply with the conditions of the ECC. Any abandonment of or decommissioning plan over a project covered by an ECC will be subject to the prior approval of the EMB, which plan must be submitted to the EMB at least six (6) months prior to the intended abandonment/decommissioning. The implementation of such abandonment/decommissioning will be verified by the EMB.

The EIS on the project must be conducted simultaneously with the project planning or feasibility on the study. The EMB may require documentary proof to confirm that the EIS was integrated by the project proponent in project planning.

An ECC may be amended, which documentary requirements thereof will depend upon the nature of the amendment, the information required to assess the environmental impact of such change and the following requirements:

- (a) For minor changes to an ECC, such as extension of deadlines for submission of post-ECC requirements – Requirements for processing as determined by the endorsing authority;
- (b) For major changes to an ECC – Requirements for processing as determined by the deciding authority.

For any change to an ECC issued pursuant to an Initial Environmental Examination Report or an Initial Environmental Examination Checklist Report, the period for processing the application for amendment will not exceed thirty (30) working days. For any change to an ECC issued pursuant to an EIS, the period for processing will not exceed sixty (60) working days.

Philippine Environmental Policy (Presidential Decree No. 1151)

All government agencies and instrumentalities, government-owned or controlled corporations and private entities are required to prepare an EIS for any project or activity that affects the quality of the environment detailing:

- (a) The environmental impact of the proposed project;
- (b) Any adverse environmental effect that cannot be avoided in the implementation of such proposed project;
- (c) Any alternative to the proposed project;

- (d) A determination that the short-term uses of the resources of the environment are consistent with the maintenance and the enhancement of the long-term productivity of such resources; and
- (e) In the event that the proposal involves the use of non-renewable resources, a finding must be made that such use and commitment are warranted.

Environmental Impact Statement System (Presidential Decree No. 1586)

The President of the Philippines may, on his own initiative or upon the recommendation of the EMB, by declare certain projects, undertakings or areas in the country as environmentally critical. An ECC must be secured from the EMB prior to the commencement of any undertaking or operation on such declared environmental critical project or area.

Land Ownership in Boracay Island

Proclamation No. 1064 (May 22, 2006)

Presidential Decree No. 705 (May 19, 1975) classified Boracay Island as a public forest. Under the said law, a public forest is a mass of land of the public domain that has not been subject to the system of classification for determination of lands needed for forest purposes, and is consequently not considered as an alienable and disposable land.

Proclamation No. 1801 (November 10, 1978) declared Boracay Island as a tourist zone and a marine reserve under the Philippine Tourism Authority.

Proclamation No. 1064 reclassified Boracay Island as forestland (protection) and agricultural land (alienable and disposable). Project No. 13-A describes the areas classified as agricultural land, which may be sold, leased or otherwise disposed of by the government for private use and titled by private claimants. Project 13-A Blocks B to Q describe the area classified as forestlands, which cannot be alienated and disposed of by the government. Proclamation No. 1064 also states that all existing roads, trails and pathways and a fifteen (15)-meter buffer zone on each side of the centerline of roads and trails reserved for right-of-way will form part of the area reserved for forestland protection purposes.

In *Secretary of the DENR, et al. vs. Mayor Jose S. Yap, et al.*, G.R. No. 173775 (October 8, 2008), the Supreme Court upheld the validity of Proclamation No. 1064 and recognized that only Proclamation No. 1064 reclassified specific portions of Boracay Island into alienable and disposable public land.

The Public Land Act (Commonwealth Act No. 141)

Alienable and disposable lands of the public domain may be acquired, leased or used by the government. The following lands of the public domain are alienable and disposable: (a) agricultural, (b) residential, commercial, industrial, or for similar productive purposes,

(c) educational, charitable, or other similar purposes, and (d) reservations for town sites and for public and quasi-public uses.

Upon recommendation of the Department of Agrarian Reform (DAR), the President of the Philippines may make classifications of and alienable and disposable lands of the public domain and transfer lands from one class to another.

Agricultural public lands may be disposed of only through the following modes: (a) for homestead settlement, (b) by sale, (c) by lease, or (d) by confirmation of imperfect or incomplete title either through judicial or administrative legalization.

In the case of Boracay Island, holders of lands therein may invoke judicial confirmation of imperfect or incomplete title in order to secure the appropriate certificates of title.

Judicial confirmation of imperfect or incomplete title may be granted to Filipino citizens occupying public lands or claiming to own public lands or interest therein and who, by themselves or through their predecessors-in-interest, have been in open, continuous, exclusive and notorious possession and occupation of agricultural lands of the public domain, under a bona fide claim of acquisition or ownership since time immemorial or since June 12, 1945.

In *Secretary of the DENR, et al. vs. Mayor Jose S. Yap, et al., supra*, the Supreme Court said that there are two (2) requisites for judicial confirmation of imperfect or incomplete title: (a) open, continuous, exclusive, and notorious possession or occupation of the subject land by himself or through his predecessors-in-interest under a bona fide claim of ownership since time immemorial or from June 12, 1945, and (b) the classification of the land as alienable and disposable land of the public domain. The Supreme Court stressed that there must be a positive act of government, such as an official proclamation, declassifying inalienable public land into disposable land before said land may be subject of land registration. To prove that the land subject of an application for registration is alienable, the applicant must (a) establish the existence of a positive act of government classifying the land as alienable, and (b) must secure a certification from the government that the land claimed to have been possessed for the required number of years is alienable and disposable.

Property Registration Decree (Presidential Decree No. 1529)

The following persons may file with the proper regional trial courts an application for registration of title to land:

- (a) Those who, by themselves or through their predecessors-in-interest, have been in open, continuous, exclusive and notorious possession and occupation of alienable and disposable lands of the public domain under a bona fide claim of ownership since June 12, 1945 or earlier;
- (b) Those who have acquired ownership of land in any other manner provided by law;
- (c) Those who have acquired ownership of private lands or abandoned river beds by right of accession or accretion under existing laws; or

(d) Those who have acquired ownership of land in any other manner provided by law.

The court will determine all conflicting claims of ownership and interest in the land subject of the application. Should the court find that the applicant or such other party opposing the application has sufficient title proper for registration, judgment will be rendered confirming the title of the applicant or such opposing party. Said judgment becomes final upon the expiration of thirty (30) days from date of receipt of notice of judgment. After the judgment becomes final and executory, the court will issue an order for the issuance of the decree of registration and corresponding certificate of title in favor of the person adjudged entitled to registration. The decree of registration will bind the land and quiet title thereto, subject only to such exceptions or liens, as may be provided by law. It will be conclusive upon and against all persons, including the government. Upon the expiration of one (1) year from date of entry of the decree of registration, the decree of registration and the certificate of title issued will become incontrovertible. Any person aggrieved by such decree may pursue his remedy by action for damages against the applicant or any other person responsible for the fraud.

2002 Comprehensive Rules on Land Use Conversion (DAR Administrative Order No. 1, Series of 2002)

In order to use a private agricultural land for a non-agricultural purpose, said property must accordingly be converted by the DAR through an application by any of the following persons:

- (a) Owner of the private agricultural land;
- (b) Qualified beneficiary of the agrarian reform program after the lapse of five (5) years from award and who has fully paid his obligations; or
- (c) Government agency, including any government-owned or controlled corporation or local government unit that owns an agricultural land as patrimonial property.

Upon approval of the application for land use conversion, the DAR will issue a Conversion Order, which will be subject to the following conditions:

- (a) The applicant must not undertake any development until all the applicable permits and clearances from other concerned government agencies have been granted.
- (b) Within fifteen (15) days from receipt of the Conversion Order, the landowner must post a performance bond.
- (c) Within thirty (30) days from receipt of the Conversion Order, the landowner must request the Register of Deeds to annotate on the property's title the land use allowed under the Conversion Order.
- (d) Within sixty (60) days from receipt of the Conversion Order, the landowner must return to the DAR Regional CLUPPI or the DAR Central Office CLUPPI a certified true

copy of the title bearing the annotation indicating the land use allowed under the Conversion Order.

- (e) Within sixty (60) days from receipt of the Conversion Order, the landowner solidarily with his co-owner/s and developer/s must pay disturbance compensation to the affected farmers, agricultural lessees, share tenants, farm workers, actual tillers, or occupants, in such amounts or kinds as the parties may mutually agree upon, subject to the approval of the DAR.
- (f) Within one (1) year from issuance of the Conversion Order, the landowner and/or developer must commence development on the property approved for conversion, and must complete development not later than the deadline/s set forth in its site development plan schedule, but in no case will development extend five (5) years from issuance of the Conversion Order.
- (g) The landowner and his representatives must allow DAR officials free and unhampered access into the property for the purpose of monitoring compliance with the terms and conditions thereof.
- (h) The landowner and future landowner/s of the property must not change its use to another use not authorized under the Conversion Order without prior consent from the DAR.
- (i) The landowner and/or developer must submit quarterly reports on the status of the development of the property.
- (j) The grant of a Conversion Order alone will not be a ground for eviction.
- (k) The DAR reserves the right to revoke the Conversion Order on valid grounds and after proper investigation.

The development of the property covered by the Conversion Order will follow the schedule provided in the detailed site development, work and financial plans submitted to the DAR, which period of development will not extend beyond five (5) years from issuance of the Conversion Order unless otherwise authorized by the DAR. If development cannot be completed within said five (5)-year period, the grantee of the Conversion Order must submit a written request for extension six (6) months before the lapse of the five (5)-year period, provided that the extended development period will be one (1) year for every five (5) hectares but in no case will the extension exceed five (5) years.

A Conversion Order may be withdrawn or revoked on the following grounds:

- (a) Lack of jurisdiction of the approving authority;
- (b) Misrepresentation or concealment of facts material to the grant of conversion;
- (c) Non-compliance with the conditions of the Conversion Order;
- (d) Non-compliance with the agreement on disturbance compensation payment;

- (e) Conversion to a use other than that authorized in the Conversion Order; or
- (f) Any other serious violation of agrarian laws.

Public Service Act

Public service includes any person that owns, operates, manages or controls in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, any common carrier, railroad, street railway, traction railway, sub-way motor vehicle, for freight, passenger or both, with or without fixed route and whether may be its classification, freight or carrier service of any class, express service, steamboat or steamship line, pontine, ferry and water craft, engaged in the transportation of passengers, freight or both, shipyard, marine railways, marine repair shop, wharf or dock, ice plant, ice refrigeration plant, canal, irrigation system, gas, electric light, heat and power water supply and power, petroleum, sewerage system, wire or wireless communications system, wire or wireless broadcasting stations and other similar services. However, a person engaged in agriculture, not otherwise a public service, who owns a motor vehicle and is offered for hire or compensation to a third party engaged in agriculture, not itself or themselves a public service, for operation by the latter for a limited time and for a specific purpose directly connected with the cultivation of his farm, the transportation, processing and marketing of agricultural products of such third party will not be considered as operating a public service.

All public services are under the supervision of the relevant government agencies regulating specific industries and are required to secure therefrom a certificate of public convenience or a certificate of public convenience and necessity, except for holders of legislative franchises expressly exempting the grantees from said requirement.

Only the following public services are exempted from the requirement of a certificate of public convenience/public convenience and necessity: (a) warehouses, (b) vehicles drawn by animals and bancas moved by oar or sail, and tugboats and lighters, (c) airships within the Philippines, except as regards the fixing of maximum rates on freight and passengers, (d) radio companies, except with respect to the fixing of rates, and (e) public services owned or operated by any instrumentality of the Government or by any government-owned or controlled corporation, except with respect to the fixing of rates.

All public services are prohibited from engaging in the following acts:

- (a) To provide or maintain any service that is unsafe, improper or inadequate or withhold or refuse any service which can reasonably be demanded and furnished;
- (b) To make or give, directly or indirectly, by itself or through its agents, attorneys or brokers, or any of them, discounts or rebates on authorized rates, or grant credit for the payment of freight charges, or any undue or unreasonable preference or advantage to any person of corporation or to any locality or to any particular description of traffic or service, or subject any particular person or corporation or locality or any particular description of traffic to any prejudice or disadvantage in any respect whatsoever; to

adopt, maintain, or enforce any regulation, practice or measurement which shall be found or determined by the duly mandated government agency to be unjust, unreasonable, unduly preferential or unjustly discriminatory in a final order which shall be conclusive and shall take effect in accordance with the provisions of this law;

- (c) To refuse or neglect, when requested by the Philippine Postal Corporation to carry public mail on regular trips of any public land transportation service maintained or operated by any such public service upon such terms and conditions and for a consideration in such amount as may be agreed or fixed by the duly mandated government agency.

Among the acts that require the prior approval and authorization of the duly mandated government agency regulating specific industries with regard to any public service are:

- (a) To adopt, establish, fix, impose, maintain, collect or carry into effect any individual or joint rates, commutation, mileage or other special rate, toll, fare, charge, classification or itinerary;
- (b) To establish, construct, maintain or operate new units or extend existing facilities or make any other addition to or general extension of the service;
- (c) To issue any stock or stock certificates representing an increase of capital; or issue any share of stock without par value; or issue any bonds or other evidence of indebtedness payable in more than one (1) year from issuance thereof;
- (d) To capitalize any franchise in excess of the amount, inclusive of any tax or annual charge, actually paid to the Government as consideration for said franchise; capitalize any contract for consolidation, merger or lease, or issue any bonds or other evidence of indebtedness against or as a lien upon any contract for consolidation, merger or lease;
- (e) To sell, alienate, mortgage, encumber or lease its property, franchises, certificates, privileges or rights or any part thereof; or merge or consolidate its property, franchises, privileges or rights, or any part thereof, with those of any other public service;
- (f) To sell or register in its books the transfer or sale of shares of its capital stock, if the result of that sale in itself or in connection with another previous sale, will be to vest in the transferee more than forty percent (40.00%) of the subscribed capital of said public service;
- (g) To sell, alienate or in any manner transfer shares of its capital stock to any alien if the result of that sale, alienation or transfer in itself or in connection with another previous sale will be the reduction to less than sixty percent (60.00%) of the capital stock belonging to Filipino citizens;
- (h) To issue, give or tender, directly or indirectly, any free ticket, free pass or free or reduced rate of transportation for passengers, except to (i) officers, agents, employees, attorneys, physicians and surgeons of said public service and members of their

families, (ii) inmates of hospitals or charity institutions and persons engaged in charitable work, (iii) indigent, destitute and homeless persons when transported by charitable societies or hospitals and the necessary agents employed in such transportation, (iv) the necessary caretakers, going and returning, of livestock, poultry, fruit and other freight under uniform and non-discriminatory regulation, (v) employees of sleeping car corporations, express corporations and telegraph and telephone corporations, railway and marine mail service employees, when traveling in the course of their official duty, (vi) post office inspectors when engaged in inspection, (vii) witnesses attending any legal investigation in which the public service is an interest party, (viii) persons injured in accidents or wrecks and physicians and nurses attending such persons, or (ix) peace officers and men of regularly constituted fire departments; or

- (i) Adopt, maintain or apply practices or measures, rules or regulations to which the public will be subject in its relations with the public service.

Ownership and Operation of Water Vessels

Domestic Shipping Development Act of 2004

Domestic shipping is defined as the transport of passenger, cargo or both by ships duly registered and licensed under Philippine law to engage in trade and commerce between Philippine ports and within Philippine territorial or internal waters, for hire or compensation, with general or limited clientele, whether permanent, occasional or incidental, with or without fixed routes, and done for contractual or commercial purposes.

A ship or a vessel covered by this law pertains to any kind, class or type of craft or artificial contrivance capable of floating in water, designed to be used, or capable of being used as a means of water transport in the domestic trade for the carriage of passengers, cargo or both, utilizing its own motive power or that of another.

No license, certificate or any other form of authorization for the carriage of cargo, passenger or both in the domestic trade will be granted by the MARINA, except to domestic ship owners or operators. A certificate of public convenience issued by the MARINA is valid for a period not more than twenty-five (25) years.

Owners and/or operators of ships engaged in other types of operations, for hire or compensation, such as tug and barge operations or ferry operations/services offered by resort/hotel owners and/or catering to tourism and leisure/sports-related activities, as well as companies, associations or individuals who operate ships for their own use but offering their ships for hire or compensation whether permanent, occasional or incidental with general or limited clientele, are required to secure a certificate of public convenience from the MARINA.

A domestic ship operator is a Filipino citizen, a commercial partnership wholly-owned by Filipinos or a corporation at least sixty percent (60.00%) of capital of which is owned by Filipinos, and which is duly authorized by the MARINA to engage in the business of domestic shipping.

Foreign ships may only transport passengers or cargo between ports or places within Philippine territorial waters upon grant of special permit by the MARINA based on the following conditions: (a) that there is no available or suitable Philippine-registered ship to provide the needed shipping service, and (b) that public interest warrants the same. The special permit will be issued by the MARINA on a month-to-month basis or on a bi-monthly basis, and will have a validity of not more than three (3) months per issuance. The extension of a special permit will only be up to a maximum aggregate period of one (1) year from issuance thereof.

A certificate of public convenience will be issued by the MARINA to a MARINA-accredited corporation subject to the following requirements:

- (a) Financial capability to sustain operations and meet claims arising from maritime accidents;
- (b) Proof that service has economic and beneficial effect on the port, province or region it proposes to serve;
- (c) Publication of the application in a newspaper of general circulation;
- (d) Posting of the application in the MARINA website;
- (e) Proof of service of the application to affected authorized operators, shipping associations and other concerned parties determined by the MARINA;
- (f) Notarized Secretary's Certificate and Board Resolution designating the authorized representative of the corporation;
- (g) Proof of payment of applicable processing fees;
- (h) Charter contracts;
- (i) Certificate of Vessel Registry, Certificate of Ownership and Coastwise License/Bay and River License/Pleasure Yacht License of each ship;
- (j) Ship Safety Certificates;
- (k) Class Certificate;
- (l) Radio/Ship Station License;
- (m) Document of Compliance;
- (n) Safety Management Certificate;
- (o) Certificate of Berthing Window or Availability of Berthing Space;
- (p) Insurance Coverage;

- (q) Oil Pollution Coverage;
- (r) Certificate of Compliance of pertinent MARINA Circulars; and
- (s) Pictures of each ship, showing name, port side, starboard side and astern view.

A change in the legal personality of the grantee of the certificate of public convenience requires the filing of a new application for said authority.

Domestic ship operators may establish their own domestic shipping rates. However, the MARINA is mandated to monitor all shipping operations and to exercise regulatory intervention to protect and to safeguard public interest. The MARINA has the authority to set rules and regulations necessary for service in monopolized routes in order to determine the fairness of passenger and cargo rates needed to sustain service.

All vessels operated by domestic ship operators must at all times be in seaworthy condition, properly equipped with adequate life-saving, communication, safety and other equipment, operated and maintained in accordance with the standards set by the MARINA, and manned by duly licensed and competent vessel crew. The MARINA may inspect vessels and all equipment on board vessels to ensure compliance with safety standards.

All domestic ship operators are required to submit the following annually:

- (a) Adequate insurance coverage for each passenger in an amount to be computed in accordance with existing laws, rules and regulations, and the total amount of such coverage will be equivalent to the total number of passenger accommodations being offered by the vessel;
- (b) Adequate insurance coverage for cargo in an amount to be computed in accordance with existing laws, rules and regulations, and the total amount of such coverage must be equivalent to the total cargo capacity being offered by the vessel; and
- (c) Should both passenger and cargo service be provided, the total insurance coverage must be in the total sum equivalent to items (b) and (c) above.

In the event that a domestic ship operator operates more than one (1) vessel, the amount of insurance coverage required for purposes of proving financial capacity must be the amount equivalent to the total number of passenger accommodations, total cargo capacity or both of the largest operating vessel that the domestic ship operator may have, and the total insurance coverage that may be required of said domestic ship operator must not exceed the value of such largest operating vessel.

All domestic ship operators must obtain adequate insurance coverage from duly licensed insurance companies or international protection and indemnity associations.

The MARINA may require domestic ship operators to obtain other compulsory insurance coverage.

The following investment incentives are granted to qualified domestic ship operators:

- (a) Exemption from VAT on the importation and local purchase of passenger and/or cargo vessels of one hundred fifty (150) tons and above, including engine and spare parts of said vessels, on the condition that such vessels to be imported will comply with the age limit requirement at the time of acquisition counted from the date of the vessels' original commissioning: (i) for passenger and/or cargo vessels, the age limit is fifteen (15) years old, (ii) for tankers, the age limit is ten (10) years old, and (iii) for high-speed passenger crafts, the age limit is five (5) years old;
- (b) Exemption from VAT on the importation of life-saving equipment, safety and rescue equipment and communication and navigational safety equipment, steel plates and other metal plates, including marine-grade aluminum plates, used for transport operations;
- (c) Net operating loss carry over on the net operating loss for any taxable year immediately preceding the current taxable year, which has not previously been offset as a deduction from gross income, which may be carried over for the next three (3) consecutive taxable years immediately following the year of such loss;
- (d) Accelerated depreciation on fixed assets in the following manner: (i) to the extent of not more than twice as fast as the normal rate of depreciation or depreciated at normal rate of depreciation if the expected life is ten (10) years or less, or (ii) depreciation over any number of years between five (5) years and the expected life if the latter is more than ten (10) years, and the depreciation thereon allowed as deduction from taxable income. The domestic shipping operator must notify the BIR in the beginning of the depreciation period the depreciation rate it will use.

The investment incentive related to exemption from VAT is subject to the following conditions:

- (a) That said articles are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;
- (b) That said articles are directly imported by a MARINA-registered domestic shipping operator;
- (c) That said articles are reasonably needed and will be used exclusively by the registered domestic shipping operator in its transport operations;
- (d) That the approval of the MARINA was obtained prior to the importation of said articles; and
- (e) That exemption from VAT on the importation of said articles is granted to all domestic shipping operators within a period of ten (10) years from the effective date of this law.

Any sale, transfer or disposition of articles covered by the exemption from VAT within ten (10) years from the effective date of this law to another registered shipping operator enjoying similar incentive requires prior approval of the MARINA. Otherwise, both the vendor and the transferee or the assignee will be liable to pay twice the amount of the VAT exemption granted. Moreover, if the sale, transfer or disposition was made to a non-exempt entity or to a party other than a registered domestic ship operator within ten (10) years from the effective date of this law, both the vendor and the transferee or the assignee will be solidarily liable to pay twice the amount of the VAT waived.

Any sale, transfer or disposition of articles covered by the exemption from VAT made after ten (10) years from the effective date of this law must be made by informing the MARINA in writing. The purchaser, transferee or recipient thereof will be considered the importer of said articles, and will be liable for any internal revenue tax on the importation. The tax due on the importation will constitute a lien on the articles themselves, and such lien will be superior to all charges or liens on the goods, regardless of possessor thereof.

All domestic ship operators are prohibited from engaging in the following acts:

- (a) Operate without a valid certificate of public convenience, accreditation or other form of authority from the MARINA;
- (b) Refuse to accept or to carry any passenger or cargo without just cause;
- (c) Fail to maintain its vessels in safe and serviceable condition, or violate safety rules and regulations;
- (d) Fail to obtain or maintain adequate insurance coverage;
- (e) Fail to meet or to maintain safe manning requirements; and
- (f) Such other acts that the MARINA may determine, after due notice and hearing, to be detrimental or prejudicial to the safety, stability and integrity of domestic shipping.

It must be noted that in times of national emergency, when public interest requires, the government may, during emergencies and under reasonable terms, temporarily take over or direct the operations of any vessel engaged in domestic trade and commerce, or prescribe its rates or routes of operation.

All MARINA-registered domestic ship owners and/or operators that have availed of the exemption from VAT must submit (a) a Quarterly Report on the utilization, sale, transfer or disposition of articles imported or sold, transferred or disposed under this law on or before the fifteenth of the month after the end of each quarter, and (b) a Summarized Report on the utilization, sale, transfer or disposition of articles imported or sold, transferred or disposed under this law on or before the fifteenth of January of each year.

Revised Guidelines on the Accreditation of Domestic Shipping Enterprises or Entities (MARINA Circular No. 03, Series of 2006)

All persons authorized by law to engage in the use of ships for the carriage of passengers and/or cargos between various ports and places in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or incidental, with or without fixed routes, for contractual or commercial purposes are covered by the guidelines promulgated by the MARINA.

Accreditation by the MARINA is a prerequisite to the grant of any permit, license, authority, VAT exemption, financial assistance, incentive or endorsement. Accreditation by the MARINA is valid for a period of three (3) years and may be renewed for the same number of years.

The MARINA must be informed of any change in incorporators, directors or officers in the corporation granted accreditation.

The MARINA requires that a corporation, partnership or cooperative engaged in domestic shipping must have at least two (2) principal officers possessing at least two (2) years of experience in ship management, shipping operations and/or chartering. In case of a corporation, the Chief Executive Officer and the Chief Operating Officer or their equivalents must be citizens and permanent residents of the Philippines.

To apply for accreditation or a renewal thereof, the required paid-up capital is Two Thousand Five Hundred Pesos (₱2,500.00) per gross tonnage of ships owned and/or operated, or (a) a minimum of Twenty-Five Thousand Pesos (₱25,000.00) per operator, (b) a minimum of Five Million Pesos (₱5,000,000.00) for operators of tankers and/or barges hauling oil or petroleum products, or (c) a minimum of Twelve Million Five Hundred Thousand (₱12,500,000.00) for operators of ships with a total gross tonnage of above four thousand nine hundred ninety-nine (4,999).

The table below summarizes the required paid-up capital per operator based on total gross tonnage of owned and/or operated ships not hauling oil or petroleum products:

Total Gross Tonnage of Ships	Required Paid-up Capitalization (₱0.00)
10 and below	25,000.00
Above 10 to 11	27,500.00
Above 11 to 12	30,000.00
Above 4,998 to 4,999	12,497,500.00
Above 4,999	12,500,000.00

A corporation intending to apply for accreditation must file the following requirements with the MARINA:

- (a) Letter of intent addressed to the MARINA;
- (b) List of ships owned/chartered, indicating each ship's specifications and supported by corresponding certificates of ownership and routing schedules;
- (c) Latest audited financial statements;
- (d) List of incorporators, directors and principal officers, with their respective bio-data and emphasizing on shipping-related experience or expertise duly supported by documents;
- (e) Latest Articles of Incorporation and By-Laws duly approved by and registered with the SEC, showing the purpose of the corporation to include engaging in domestic shipping business/operations;
- (f) Proof of capitalization, either through the Articles of Incorporation (if new corporation) or through a Certification issued by the SEC Company Registration and Monitoring Department supported by the latest audited financial statements; and
- (g) Proof of payment of the prescribed fee.

An accredited corporation must submit the following reportorial requirements with the MARINA:

Report	Deadline
Amendment of the corporation's Articles of Incorporation or By-Laws	Within thirty (30) calendar days from date of approval of the amendment by the SEC
Notice of replacement of any director or principal officer; bio-data of new director or officer	Within thirty (30) calendar days from replacement
Audited financial statements	On or before 30 June after the year covered
Notice of change in the total gross tonnage of ships owned/operated; Certification issued by the SEC Company Registration and Monitoring Department reflecting recent amendments in paid-up capital	None specified

An accredited corporation intending to withdraw from business or suspend operations must submit a written notice thereof to the MARINA two (2) months prior to the withdrawal of business operation. Unauthorized withdrawal from business or suspension of operations will cause the cancellation/revocation by the MARINA of the Certificate of Accreditation, after due notice and hearing.

Rules and Regulations to Govern the Accreditation of Motorized Boat/Banca Engaged in Tourism Activities and Services

A motorized boat/banca engaged in tourist services is a vessel of twenty (20) gross tonnage and below engaged in providing water transport services, including sightseeing

and other water-related tourism activities to foreign or domestic tourists for a fee or any form of compensation.

The following are the minimum requirements for a vessel to be accredited by the DOT as a motorized boat/banca engaged in tourism activities and services:

- (a) Type of Vessel – Any motorized boat/banca engaged in providing water transport services, including sightseeing and other water-related tourism activities to foreign or domestic tourists;
- (b) Physical Appearance – The boat/banca must (i) be made of good quality materials and in accordance with the standards set by the MARINA, (ii) be painted with a color prescribed by the DOT, (iii) be clean and well-maintained, (iv) have a non-skid gangplank of good quality materials and with a minimum width of two (2) feet, and (v) have the company's name, number of the certificate issued by the MARINA and approved seating capacity/weight restrictions clearly imprinted on both sides of the boat;
- (c) Equipment/Accessories – The boat/banca must have the following provisions: (i) life-saving and firefighting equipment and facilities, (ii) lighting signals, and (iii) radio equipment;
- (d) Waste Bin/Waste Disposal System – Passengers must be given a short briefing on boat rules on safe travel, proper waste disposal and other concerns before boarding. Passengers may also be given adequate notice thereof through prominent displays or brochures;
- (e) Service and Staff – The boat/banca must be manned by at least two (2) boatmen who are well trained, efficient, courteous and have proper work permit/license from the MARINA. The boatmen must also wear identification cards and clean uniform prescribed by the DOT, and provide optimum service geared towards passenger safety, comfort and convenience.

A corporation desiring to apply for accreditation as an operator of motorized boat/banca engaged in tourism activities and services must be a domestic corporation at least sixty percent (60.00%) of subscribed common or voting shares of stock owned by Filipino citizens and the composition of its Board of Directors being at least sixty percent (60.00%) Filipinos. The corporation must submit the following documents to the DOT:

- (a) Certified copy of its Articles of Incorporation and By-Laws;
- (b) Mayor's Permit and/or Municipal License;
- (c) Resolution of the Board of Directors authorizing the filing of the application and designating the person authorized to sign and act for and in its behalf and transact business with the DOT;
- (d) Complete list of officers and employees, indicating therein the nationality, home address and position, certified correct under oath by the general manager/president;

- (e) MARINA documents: (i) copy of MARINA certificate of inspection, which validity must not be less than three (3) months from the date of filing of application with the DOT, and (ii) valid certificate of public convenience/provisional authority/special permit containing schedule of trips and authorized rates and/or certification that an application for a certificate of public convenience has been filed with the MARINA and is under process, in which case the case number and the date of application must be indicated;
- (f) Valid copy of the compulsory passenger insurance, with appropriate coverage for each passenger;
- (g) Copy of rates and routes to be served and schedules; and
- (h) Other documents that the DOT may require from time to time.

The validity of the Certificate of Accreditation issued by the DOT is coterminous with the expiry date of the MARINA Certificate of Inspection but in no case less than three (3) months or more than one (1) year.

The DOT Certificate of Accreditation must be displayed in a conspicuous place of the boat/banca, together with a certified true copy of the certificate of public convenience/provisional authority/special permit issued by the MARINA; otherwise, the boat/banca must have the following readily available: (i) MARINA Certificate of Inspection, (ii) Certificate of Ownership, (iii) Bay and River License, and (iv) Passenger Insurance.

The following are grounds for the cancellation of the accreditation and will warrant the DOT to report the same to the MARINA for appropriate action:

- (a) Making any false declaration or statement or making use of any such declaration or statement or any document containing the same or committing fraud or any act of misrepresentation for the purpose of obtaining the grant of accreditation, without prejudice to any action that may be initiated against the violator;
- (b) Failure to maintain the standards and requirements for accreditation prescribed by the DOT;
- (c) Violation of or non-compliance with any of the provisions of the rules and regulations for accreditation by the DOT or any other promulgated order, decision or circular issued by the DOT or concerned government agencies;
- (d) Promoting, facilitating or conducting activities constituting prostitution or other illegal undertakings, particularly those involving children and the disadvantaged as part of a tour for both foreign and domestic tourists;
- (e) Gross and evident bad faith in dealing with passengers or fraudulent solicitation of business; or

(f) Any other act or omission inimical to the interest of the tourism industry.

Ownership and Operation of Land Vehicles

Land Transportation and Traffic Code

A motor vehicle is any vehicle propelled by any power other than muscular power using the public highways, excluding road rollers, trolley cars, street-sweepers, sprinklers, lawn mowers, bulldozers, graders, forklifts, amphibian trucks and cranes not used on public highways, vehicles that run only on rails or tracks, and tractors, trailers and traction engines of all kinds used exclusively for agricultural purposes.

A passenger automobile is a pneumatic-tire vehicle of a type similar to those usually known as touring car, command car, speedster, sports car, roadster, jeep, cycle car (except motor wheel and similar small outfits classified with motorcycles), coupe, landaulet, closed car, limousine, cabriolet and sedan. A motor vehicle with change or rebuilt body such as jeepney, jitney or station wagon, using a chassis of the usual pneumatic-tire passenger automobile type is classified as a passenger automobile if its net allowable carrying capacity does not exceed nine (9) passengers and it is not used primarily for carrying freight or merchandise.

All motor vehicles used or operated on or upon any highway of the Philippines must be registered with the LTO for the current year under any of the following classes: (a) private, (b) for hire, (c) government or (d) diplomatic. Any registration of motor vehicles not renewed will become delinquent and invalid.

A motor vehicle classified as for hire must secure a certificate of public convenience or a special permit from the Land Transportation Franchising & Regulatory Board.

Any mortgage, attachment or other encumbrance or voluntary transaction of motor vehicles must be recorded with the LTO in order to be valid against third persons.

A motor vehicle may only transport passengers, freight or cargo in accordance with its registered carrying capacity. A passenger is prohibited from riding on the cover or on the top of motor vehicles. However, baggage or freight may be carried on top of a truck, subject to conditions contained in the permit issued by the LTO for said vehicle. A passenger is also prohibited from riding on the running board, step board or mudguard of the motor vehicle while said vehicle is in motion.

Any conductor employed by a public service operator must secure a permit or license from the LTO. Said license or permit is valid for three (3) years, renewable on or before the last working day prior to or on the conductor's birthday.

Road User's Tax Law

A motor vehicle user's charge will be collected by the LTO from road users as part of the annual vehicle registration in accordance with the schedule of fees issued by the DPWH and the DOTC. No other charge of similar nature will be collected by any government unit or agency.

Rules and Regulations to Govern the Accreditation of Travel and Tour Services

A tourist land transport operator is a person or entity that may either be a single proprietorship, partnership or corporation, regularly engaged in providing, for a fee or lawful consideration, tourist transport services, either on charter or regular run. Accreditation as a tourist land transport operator is granted by the DOT subject to the following requirements:

- a) Registered Capacity – A tourist land transport operator must apply for accreditation only for the number of units covered by its franchise from the Land Transportation Franchising and Regulatory Board;
- b) Roadworthiness – As found upon inspection by a team from the DOT, a bus or coaster must not be more than ten (10) years old from year of manufacture, while in the case of a tourist car must not be more than five (5) years old;
- c) Left-Hand Drive – Every tourist transport must be provided with a left-hand drive;
- d) Ventilation – Every tourist transport must be properly equipped with adequate air-conditioning units;
- e) Fire-fighting Facilities – A tourist transport must be provided or installed with at least one (1) portable fire extinguisher for the protection of its passengers;
- f) Imprint of Company's Name and Logo – The Company's name and logo must be imprinted at the rear and sides, respectively, of the tourist transport unit;
- g) Public Address System – For tourist buses or coasters, a public address system must be installed;
- h) First-Aid Kit – Every tourist transport unit must be provided with a first-aid kit and an adequate supply of emergency medicines;
- i) Seats – Every tourist transport must have clean and comfortable seats;
- j) Storage Space – A tourist transport must have enough leg room and sufficient storage space; and
- k) Garage – Every tourist transport operator must provide adequate garage and repair shop for the maintenance of its equipment, as well as a parking space sufficient to accommodate all its registered units.

In case of original registration and/or transfer of ownership of tourist transport, the necessary clearance from the appropriate unit of the Philippine National Police must be secured prior to registration with the DOT.

After registration and issuance of accreditation by the DOT, the tourist transport operator must place the DOT stickers on the front and back windshields of its vehicles for proper identification.

Accreditation as tourist transport operator is subject to the following annual fees:

Transportation	Fees (in ₱0.00)
Bus	₱275.00
Coaster	165.00
Mini-Van	110.00
Car	82.50

The said accreditation is valid for one (1) year from date of issuance.

The following acts or omissions are sufficient grounds for cancellation of accreditation:

- a) Making any false declaration or statement or making use of any such declaration or statement or any document containing the same or committing fraud or any act of misrepresentation for the purpose of obtaining the grant of accreditation;
- b) Failure to maintain the standards and requirements for accreditation;
- c) Violation of or non-compliance with any of the provisions of the rules, promulgated orders, decisions or circulars issued by the DOT or other concerned government agencies; or
- d) Any other act or omission inimical to the interest of the tourism industry.

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MATERIAL CONTRACTS AND AGREEMENTS

Service Agreement with Eslabon Manpower Services

On May 23, 2013, the Company entered into a Service Agreement with Eslabon Manpower Services as contractor for Housekeeping and Front Office Services and other allied services. The agreement is effective from January 1, 2013 until January 1, 2014. Thereafter, the agreement may be continued by the parties on a month-to-month basis subject to termination upon a thirty (30)-day prior written notice.

Under the agreement, Eslabon Manpower Services will provide personnel that will render service seven (7) days a week, eight (8) hours per day, inclusive of Sundays and holidays. In case of overtime work, the extra time in excess of eight (8) hours will be subject of additional billing.

Eslabon Manpower Services cannot assign its rights under the agreement or hire a sub-contractor for the performance of its duties this agreement without the prior written consent of the Company.

The agreement was notarized on May 23, 2013.

Service Agreement with Primepower Manpower Services – Boracay Branch

The Company entered into an undated Service Agreement with Primepower Manpower Services-Boracay Branch as independent contractor for services including waitering, bartending, cashiering, cooking, butchering, kitchen assistance, stewarding and other allied services.

The agreement is effective from January 1, 2013 to December 31, 2013. Any renewal of the agreement must be contained in a new contract between the parties.

Under the agreement, Primepower Manpower Services will provide personnel that will render service seven (7) days a week, eight (8) hours per day, exclusive of rest days and holidays. In case of overtime work, the extra time in excess of eight (8) hours will be subject of additional billing.

Primepower Manpower Services cannot assign its rights under the agreement or hire a sub-contractor for the performance of its duties this agreement without the prior written consent of the Company.

Omnibus Loan and Security Agreement with DBP

On August 18, 2005, the Company as borrower, DBP as lender and Kent Industrial Corporation (“KIC”) as accommodation mortgagor entered into an Omnibus Loan and Security Agreement (“OLSA”) for the partial financing of the construction of a resort hotel in Boracay, Aklan.

Principal Amount	Three Hundred Million Pesos (₱300,000,000.00)
Repayment	<p>The Company must repay the loan within ten (10) years from initial date of drawdown, inclusive of two (2) years grace period on the principal repayment.</p> <p>The principal is payable in thirty-two (32) equal quarterly installments, to commence at the end of the ninth quarterly installment from initial drawdown date until fully paid.</p>
Basic Interest Rate	<p>For Official Development Assistance Funds, the interest rate will be at pass-on rate plus a spread of two and one-half percent (2.50%), payable quarterly in arrears commencing at the end of the first quarter from initial drawdown, reviewable quarterly if the interest rate is variable.</p> <p>For DBP's Funds, the interest rate will be based on three (3) months MART1 plus a spread of two and one-half percent (2.50%), payable quarterly in arrears commencing at the end of the first quarter from initial drawdown, reviewable quarterly.</p> <p>DBP may adjust the interest rate every quarter until maturity of the loan, payable on or before the interest payment date of the next interest period. The adjusted interest rate will be communicated in writing by DBP. If the adjusted interest rate is not acceptable to the Company, the Company will communicate such fact to DBP in writing. The Company must then pay the principal and the interest due without premium or penalty at the rate existing as of the last interest period if payment is made prior to the effective date of the adjusted interest rate, or if payment is made on or after the effective date of the adjusted interest rate then the interest will be at a composite rate equivalent to the prevailing ninety-one (91)-days Treasury Bills Rate plus six percent (6.00%) or the prevailing PHIBOR plus six percent (6.00%), whichever is higher, within thirty (30) days from receipt by of the written notice of the adjusted interest rate.</p> <p>If the Company fails or refuses to notify DBP and to make the prepayment, then DBP will have the right to declare the loan due and demandable.</p>

Default Charge	Twenty-four percent (24.00%) per annum based on the amount due and outstanding, in addition to the basic interest rate, applicable to any unpaid portion of the principal or interest or any sum payable by the Company under the loan agreement
Prepayment	The Company may prepay the loan in part or in full if it is not in default in payment of any sum due under the loan agreement, and subject to the following conditions: (a) each prepayment must be made on an interest payment date, (b) the Company must give DBP written irrevocable notice not less than thirty (30) days prior to the proposed prepayment, (c) each partial prepayment will be applied against the repayment installments of the loan in the inverse order of maturity, and (d) any amount prepaid may not be re-borrowed.
Prepayment Penalty	Three percent (3.00%) of the amount prepaid. In case of partial prepayment, the prepayment penalty will be based on the portion of the outstanding principal prepaid.
Payment	<p>In immediately available funds at the office of DBP not later than eleven o'clock in the morning (11:00 a.m.) on the due date.</p> <p>Any payment made by the Company will be applied in the following order: (a) against costs, expenses and indemnities due hereunder; (b) against default charge on advances; (c) against advances; (d) against default charge on past due interest and/or past due principal; (e) against past due interest; (f) against current interest; (g) against past due principal; and (h) against current principal.</p> <p>DBP may apply any payment received from the Company or for its account to the payment of any existing account of The Company in the order of priority as DBP may prescribe from time to time.</p>
Fees	The Company must pay DBP the following fees: (a) front-end fee, which is a one (1)-time fee equivalent to one percent (1.00%) of the advanced loan amount, fifty percent (50.00%) of which will be credited to the DBP Forest Fund, payable in full upon first drawdown; and (b) commitment fee, which is equivalent to three-fourths percent (0.75%) per annum of the undisbursed portion of the loan amount, to be computed from the date DBP verified the hotel building as fifty percent (50.00%) complete.

Cancellation Fee	One (1)-time fee equivalent to three-fourths percent (0.75%) per annum of the loan amount that is cancelled or that was not availed of at the end of the commitment period defined in the OLSA.
Commitment Period	Period from date of the OLSA up to the earliest of (a) the date the loan amount is fully availed of by the Company, or (b) the date the loan amount is terminated or cancelled, or (c) within two (2) years from the date of the OLSA.
Expenses	The Company must pay all costs and expenses in connection with the preparation, negotiation, execution, delivery and administration of the OLSA or any document executed in relation thereto. The Company must also reimburse DBP all expenses incurred in connection with the enforcement of the OLSA, the promissory note or the security document due to the occurrence of an event of default, or with respect to any action instituted arising out of a violation of law.
Advances by DBP	Any advances or out-of-pocket expenses made by DBP, which are not covered by inspection and processing fees, are subject to the following: (a) one-time service charge of two percent (2.00%) added to the amount advanced subject to interest and default charges; (b) interest on the advance at the prevailing rate charged from the date of advance up to the date of payment; and (c) default charge of twenty-four percent (24.00%) per annum on the advance from the date of advance up to the date of payment.
Taxes	All taxes, including gross receipts taxes, are for the account of the Company.
Change in Circumstances	The Company must compensate DBP for any additional cost or reduction of payment arising out of a change in law resulting in (a) an increase in the rate of gross receipts tax or any similar tax applicable to any payment made by the Company; (b) an increase in the cost of maintaining any reserve or special deposit against the loan; or (c) an increase in any other cost of complying with any law in relation to the loan.
Losses	The Company must indemnify DBP against any cost or loss resulting from (a) any term loan not being drawn due to the Company's failure to satisfy the applicable conditions specified in the OLSA on the proposed date of borrowing; (b) default by the Company in the payment of the principal amount of the loan or any part thereof or interest accrued

	<p>thereon after the occurrence of an event of default; or (c) any prepayment of the loan on a date other than an interest payment date.</p>
<p>Collateral</p>	<p>SVPHI and KIC will provide DBP the following as security: (a) a registered third party real estate mortgage on two (2) parcels of land covered by TCT Nos. 12000 and 10660 of the land records of Pasig City and registered under the name of KIC, including all buildings and improvements thereon, subject to the annotation of the easement of right of way; (b) a registered first party mortgage of the parcel of land covered by Tax Declaration No. 0352 of the land records of Aklan in the name of the Company, including all buildings and improvements thereon; (c) corporate suretyship of JTKC Equities, Inc.; and (d) endorsement in favor of DBP of the insurance policy/ies covering the insurance on the mortgaged assets placed by DBP through its accredited broker for the account of the Company.</p> <p>Upon the completion of the project contemplated in the OLSA or until such time as the value of the property covered by Tax Declaration No. 0352 and mortgaged by the Company under the OLSA is sufficient to secure the obligations of the Company in this contract, the third party real estate mortgage previously mentioned will be released upon the request of the Company but subject to the approval of DBP.</p>
<p>Representations/Covenants</p>	<p>The Company represented that it has applied with the EMB of the DENR the issuance of an ECC for the project contemplated in the OLSA. The Company also undertakes to comply with all the conditions of the ECC.</p> <p>The Company will promptly give DBP written notice (a) of any dispute, action or unresolved cease and desist order filed against it, its affiliated borrowers or KIC involving the violation of any law that may materially and adversely affect the operations or the financial condition of the Company; (b) any labor controversy, unfair labor practice resulting in or threatening to result in a strike against the Company; (c) any proposal by any public authority to acquire the assets or the business of the Company; (d) any event of default or any event which, upon a lapse of time or giving notice or both, would become an event of default; (e) any other matter that has resulted or might result in a material adverse change in the financial condition or operations of the Company, and (f) any dispute affecting the Company the resolution of which, if adverse, will materially affect the financial condition and operations of</p>

the Company, in the reasonable opinion of DBP.

DBP must be the major depository bank of the Company, and the Company will maintain therein savings and current accounts, placements and time deposit with an average daily balance of at least three percent (3.00%) of outstanding advances or availments, which DBP is fully authorized to debit in the payment of the promissory note under the OLSA unpaid at maturity. Should the Company fail to maintain the required average daily balance, the Company must make incremental deposits to meet such balance and pay an additional service fee of one percent (1.00%) per annum based on the outstanding loan.

The Company will submit duly certified quarterly environmental statements within thirty (30) days after the end of each quarter commencing from date of loan release. The Company will also conduct self-monitoring and maintain adequate records of pollution parameters as required by the DENR and will permit the representatives of DBP and environmental consultants, upon three (3)-days' notice, to conduct on-site visits and inspection of records and reports.

The Company will not permit any material change in ownership or control of its business or of its capital stock or in the composition of its top level management.

The Company will not declare or pay dividends, other than dividends payable solely in shares of its capital stock, or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital or asset distribution to its stockholders or partners, except as provided under law and subject to a thirty (30)-day prior written notice to DBP.

The Company will not sell, lease, transfer or dispose of all or substantially all of its properties and assets, divest any of its existing investments therein or consolidate or merge with any other person or acquire all or substantially all of the properties or assets of any other person.

The Company will not extend any loans or advances to any of its directors, officers, stockholders or partners and will not incur any long-term debt or increase its borrowings or re-avail of existing facilities with other banks or financial institutions save for short-term loans. The Company will also not act as guarantor or surety or otherwise be directly and indirectly contingently liable for any obligation of any

	<p>person.</p> <p>The Company will not permit the ratio of its total debt to total equity to exceed 70:30 at any time. It will also not permit the ratio of its current assets to current liability to be less than 1:1 at any time.</p> <p>The Company will not create any lien or any other type of preferential arrangement upon or with respect to any of the properties that are collaterals under the OLSA, or assign any right to receive income for the purpose of securing any other debt.</p>
Events of Default	<p>The following events constitute an event of default, which results in the termination of the OLSA and in the unpaid principal loan amount becoming due need of demand:</p> <ul style="list-style-type: none"> (a) The Company defaults in the payment when due of any amount payable under the OLSA; (b) Any material representation or warranty made by the Company under or in connection with the OLSA is proven to have been incorrect or misleading at the time it was made; (c) The Company fails to perform any other material term, obligation or covenant under the OLSA, including environmental covenants with the DENR, and such failure is not remediable in the opinion of DBP or not remedied within thirty (30) days after written notice of such failure given by DBP to the Company; (d) The Company fails to pay any installment of the principal or the interest, or fails to comply with or commits a breach or violation of any term, condition or stipulation of any other agreement, contract or document with DBP or any third party to which the Company is a party or privy, or under which the Company acts as guarantor or surety, including any agreement similar or analogous thereto, if the effect of the failure to comply is to cause such obligation to become due prior to its stated maturity; (e) Any license, authorization, registration or approval necessary for the Company to comply with the terms of the OLSA is modified in a manner that, in the reasonable opinion of DBP, would adversely affect the ability of the Company to comply with such

	<p>obligations, or is withdrawn or withheld, unless the Company advises DBP within thirty (30) days of occurrence that such modification, withdrawal or withholding will not adversely affect the ability of the Company to perform its obligations under the OLSA;</p> <p>(f) The Company admits in writing its inability to pay its debts generally as they come due, or commits an act of bankruptcy or insolvency, or files any petition for suspension of payments or any action for relief under any bankruptcy, reorganization, insolvency or moratorium law;</p> <p>(g) An involuntary petition is filed under any bankruptcy law against the Company or a receiver or trustee is appointed to take possession of the properties of the Company or KIC, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within thirty (30) days from date of said filing or appointment;</p> <p>(h) Any act, deed or judicial or administrative proceedings in the nature of an expropriation, confiscation, nationalization, intervention, acquisition, seizure, sequestration, or condemnation of or with respect to the business of the Company or all or a substantial portion of its property, is undertaken or instituted by any governmental authority or any agency or instrumentality purporting to exercise governmental authority, and such proceeding continues for a period of more than thirty (30) days;</p> <p>(i) Any event or condition that gives DBP reasonable grounds to believe that the Company may not or will not be able to perform or observe in the normal course its obligations under the OLSA, and such event or condition is not remedied for thirty (30) days from written notice thereof;</p> <p>(j) The security ceases to be in full force and effect or the applicability thereof to the loan is disaffirmed by or on behalf of the Company, unless such other sufficient security acceptable to DBP is delivered by the Company within thirty (30) days from occurrence thereof;</p> <p>(k) It becomes unlawful for the Company to perform any of its obligations under the OLSA; or</p>
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	<p>(l) The Company fails to obtain a TCT over the project site registered in its name on or before the commercial operations of the resort hotel or one (1) year from the date of the OLSA, whichever comes first, except when the failure to obtain said TCT is due to circumstances beyond the Company's control.</p>
Appointment of Attorney-in-Fact	<p>The Company and KIC as mortgagors appoint DBP as attorney-in-fact, with the right of substitution, with the following powers: (a) to execute and deliver the mortgage supplements and to cause the mortgage to be constituted and duly registered; and (b) upon the occurrence and during the continuance of a declaration and in the preservation or the enforcement of rights under Part C of the OLSA, so long as such declaration has not been waived by DBP. DBP is also authorized to effect the sale of the mortgaged collaterals to the extent permitted by law, and to make any repairs, additions to and improvements on the mortgaged collaterals at the expense of the mortgagors as DBP deems proper or necessary.</p> <p>The special power of attorney in favor of DBP is coupled with interest and cannot be revoked by the mortgagors until payment in full of all loans under the OLSA.</p>
Assignment	<p>The Company or KIC cannot transfer its rights or obligations under the OLSA without the prior written consent of DBP.</p> <p>An assignment of or sub-participation by DBP of all or a part of its rights and obligations under the OLSA is permitted to the extent allowed by law.</p>
Set-Off	<p>DBP is authorized by the Company to withhold as additional security all moneys, properties or securities of the Company that may come into the possession or the control of DBP, including those left with DBP for safekeeping.</p>

First Amendment to the OLSA with DBP

On January 19, 2007, DBP as lender, KIC as accommodation mortgagor and the Company as borrower entered into an agreement amending the OLSA dated August 18, 2005. The amendment mentioned that DBP agreed to allow the Company to cause the titling of the resort hotel site within six (6) months from the date of the final and executory ruling of the Supreme Court allowing land registration in Boracay Island despite Proclamation No. 1064 dated May 22, 2006. During the period that the Company cannot apply for the issuance of a

Torrens certificate of title in its name for the resort hotel site, an unregistered mortgage over a parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City Manila registered under the name of JTKC Realty Corporation, including all buildings and improvements thereon, has been offered by the Company to DBP. DBP accepted the said unregistered mortgage over the property of JTKC Realty Corporation, and also required, as part of the mortgage collateral of the loan, the annotation of an easement of right of way of the servient estates exterior to the parcels of land covered by TCT Nos. 1200 and 10660 of the Registry of Deeds of the City of Pasig within three (3) months from date of the agreement.

The other amendments introduced by the agreement include:

Commitment Fee	Rate of three-fourths percent (0.75%) per annum of the undisbursed portion of the commitment to be computed from the date of the notice of borrowing.
Collateral	The Company will provide additional collateral in the form of an unregistered third party mortgage on the parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City of Manila, and all buildings and improvements thereon, subject to appraisal by an external appraiser acceptable to DBP and the Company and accredited by DBP's Credit and Appraisal Management Department.
Conditions Precedent	Due to the additional collateral, DBP requires a Secretary's Certificate from JTKC Realty Corporation attesting to the passage and the continuing validity of the third party mortgage in favor of DBP and authorizing the officers of the corporation to execute and deliver the necessary mortgage document.

Second Amendment to the OLSA with DBP

In March 2012, DBP as lender and the Company as borrower entered into an agreement, signed in parts, amending the OLSA dated August 18, 2005. The agreement mentions that in January 2007, DBP and SVPHI entered into an agreement amending the OLSA to include among the collateral security an unregistered mortgage on the parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City of Manila and registered under the name of JTKC Realty Corporation. The current agreement, which is the second amendment to the OLSA, was executed to replace the Mortgage under the OLSA and the corporate suretyship of JEI with the registration of the mortgage on the parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City of Manila, with all the buildings and improvements existing thereon. KIC is not party to the second amendment to the OLSA.

The other amendments introduced by the agreement include:

Basic Interest Rate	<p>Rate equivalent to the higher of the sum of (a) three (3)-month PDST-F plus a spread of two percent (2.00%) per annum, or (b) the BSP Overnight Rate plus a spread of one-fourth of one percent (0.25%) per annum.</p> <p>During the remaining term of the loan, the Company will have a one (1)-time option to shift the interest rate payable from floating to fixed at a rate to be mutually agreed upon by the parties.</p> <p>In the event that the fixed rate quoted by DBP is unacceptable to the Company, then the Company will notify DBP in writing of such fact and pay the entire sum of principal and interest due without premium or penalty on the succeeding interest payment date at the rate existing as of the last interest period.</p>
Collateral	<p>The Company will provide DBP the following as security: (a) a registered third party real estate mortgage on a parcel of land covered by TCT No. 133675 of the land records of Manila registered under the name of JTKC Realty Corporation, with all buildings and improvements thereon, and (b) an endorsement in favor of DBP of the insurance policies covering the insurance on the mortgaged assets, the insurance to be placed by DBP through its accredited broker for the account of the Company.</p> <p>The Continuing Suretyship Agreement dated August 18, 2005 executed by JEI in favor of DBP is canceled.</p> <p>Part C of the OLSA (as previously amended) is deleted.</p>
Prepayment Penalty	<p>Three percent (3.00%) of the amount prepaid. In case of partial prepayment, the prepayment penalty will be based on the portion of the outstanding principal prepaid. If prepayment is made anytime within two (2) years from loan maturity date, no prepayment penalty will be due.</p>
Representations/Covenants	<p>The following paragraphs of Section 6.02 of Part B of the OLSA (as previously amended) are amended as follows:</p> <p>(f) The Company will not extend any loans, advances or subsidies of more than One Billion Two Hundred Fifty Million Pesos (₱1,250,000,000.00) to any corporation.</p> <p>(h) (h) It will not incur any long-term debt or increase its borrowings or reavail of existing facilities in excess of One Billion Fifty Million Pesos (P1,050,000,000.00)</p>

	<p>with other banks or financial institutions, except short-term loans.</p> <p>(j) It will not permit the ratio of its total debt to total stockholders' equity to exceed seventy-five to twenty-five (75:25) beginning January 2012 until December 2015. By 2016, the ratio of its total debt to total stockholders' equity must revert to a maximum of seventy by thirty (70:30).</p>
<p>Effective Date</p>	<p>The amendments will take effect only upon the fulfillment of the following conditions:</p> <p>(a) DBP receives at least one (1) banking day prior to the effective date the following documents: (i) mortgage instrument duly executed by JEI and registered with the appropriate government entity, together with official receipt of registration, latest tax declaration, tax clearance, realty tax receipt for the current year, and insurance policies duly endorsed in favor of DBP, (ii) copies certified by the Corporate Secretary of JEI of the SEC Certificate of Registration, Articles of Incorporation and By-Laws of JEI, (iii) duly sworn certificate of the Corporate Secretary of JEI certifying the authorization duly granted JEI to act as accommodation mortgagor, (iv) original owner's duplicate of the title documents evidencing ownership by JEI of the mortgaged property, with the mortgage annotated thereon, and</p> <p>(b) The Company is in compliance with all the terms and conditions set forth in the OLSA (as previously amended) and no event of default or any event, which upon lapse of time or giving of notice or both would become an event of default, has occurred and be continuing.</p>

Credit Facility with East West Banking Corporation

On December 4, 2012, the Company as borrower, together with Palawan Cove Corporation, Cay Islands Corporation, and Discovery Fleet Corporation, renewed its credit facility with Eastwest, with a total revolving promissory line in the amount of Six Hundred Million Pesos (₱600,000,000.00) and a domestic bills purchase line in the amount of Five Million Pesos (₱5,000,000.00).

The revolving promissory line has no sub-limit, and is available as Peso promissory notes for a maximum term of one hundred eighty (180) days, not to exceed ninety (90) days from line expiry. The interest rate thereon will be based on prevailing market rates, repriceable and payable monthly in arrears.

The domestic bills purchase line is available for outright purchase of local and regional customers' checks. The interest rate thereon will be computed at prevailing market rates, and may be waived for good funds.

As security, the Company, together with the other borrower corporations, executed joint and several signatures (JSS) on the following:

- (a) Real estate mortgage for Three Hundred Million Pesos (₱300,000,000.00) over the properties covered by Tax Declaration Nos. 05-003-0501, 05-003-0503 and 05-003-0508, located at Discovery Shores Resort, Balabag, Malay, Aklan;
- (b) Corporate suretyship executed by JEI; and
- (c) Continuing suretyship of Mr. Ruben C. Tiu and Mr. Ben C. Tiu (marital consent waived).

Eastwest may modify or cancel the approved credit facilities within thirty (30) days from date of the agreement in view of the changing market conditions.

Outstanding and unpaid drawings of the Company on the credit facility amounts to Three Hundred Sixty-Five Million Pesos (₱365,000,000.00) as of October 15, 2013.

Revolving Credit Line with BPI

On March 21, 2012, the Board of Directors approved the proposal for the Company to obtain an unsecured revolving credit line from BPI with a maximum principal amount of One Hundred Million Pesos (₱100,000,000.00). Each drawing from the credit line will be made through a promissory note, which provides that an interest rate of four and one-fourth percent (4.25%) per annum due every thirty (30) days from value date. Interest not paid on due date becomes part of the principal and will bear interest at the same rate as that charged on the principal. In the event that the promissory note matures beyond one (1) year from date of issuance, a prepayment penalty of three percent (3%) of the amount liquidated or prepaid will be charged.

As of June 30, 2013, the promissory notes held by the Company carry maturities of ninety (90) days.

Management Agreement with HSAI-Raintree, Inc.

On May 9, 2008, the Company and HSAI-Raintree, Inc. executed a Management Agreement for the operation and management of Discovery Shores Boracay. However, this was amended on August 22, 2012.

Under the amended Management Agreement, the operating term of the Management Agreement shall terminate on December 31, 2013. However, the operating term may be extended upon mutual agreement of the parties, for periods of two (2) years in each instance and subject to terms and conditions as may further be agreed upon by the parties.

The amendment also provided that the management fee shall be Thirty-Seven Million Two Hundred Ninety Thousand Pesos (₱37,290,000.00) for 2012 and Twenty-Nine Million Nine Hundred Sixty Thousand Pesos (₱29,960,000.00) for 2013, exclusive of VAT and subject to withholding tax. The management fee for 2012 and 2013 shall be paid on July 16, 2012 and July 16, 2013 respectively.

Management Agreement with TDLCI

On March 7, 2013, the Company and TDLCI executed a Management Agreement for the operation and management of Discovery Shores Boracay, effective from March 1, 2013 to February 28, 2022, extendible twice for a period of ten years for every extension through written agreement by the parties. By virtue of the Management Agreement, TDLCI took over the operation and management of Discovery Shores Boracay from HSAI-Raintree, Inc.

Under the Management Agreement, TDLCI shall supervise and direct the management and operation of Discovery Shores Boracay, subject to an Operating Plan and Budget approved by the Company. TDLCI shall also hire and supervise Discovery Shores Staff, which shall be considered employees of the Company except for the General Manager, who shall be considered an employee of TDLCI.

TDLCI may also enter into contracts with concessionaires, licensees, tenants, or other persons for the lawful use of the premises or the facilities of Discovery Shores Boracay, with the condition that such contracts shall be for a duration coterminous with the Management Agreement. TDLCI is also prohibited from entering into any long term lease for any facility of Discovery Shores Boracay.

For the services of TDLCI under the Management Agreement, the Company shall pay TDLCI a management fee broken down as follows: (a) Base Fee, which is equivalent to three percent (3.00%) of gross operating revenue and payable monthly; and (b) Incentive Fee, which is equivalent to eight percent (8.00%) of gross operating profit and payable quarterly.

Management Agreement between Euro-Pacific Resorts, Inc. and TDLCI

On September 27, 2013, the Company and TDLCI executed a Management Agreement for the operation and management of Club Paradise, effective from October 1, 2013 until September 30, 2023, extendible twice for a period of ten (10) years for every extension. Euro-Pacific shall pay TDLCI a management fee broken down as follows: (a) Base Fee, which is equivalent to three percent (3.00%) of gross operating revenue and payable monthly; and (b) Incentive Fee, which is equivalent to eight percent (8.00%) of gross operating profit and payable quarterly.

TDLCI shall supervise and direct the management and operation of Club Paradise subject to an Operating Plan and Budget approved by Euro-Pacific. TDLCI shall also hire and supervise Club Paradise Staff, who shall be considered employees Euro-Pacific except for the General Manager, who shall be considered an employee of TDLCI.

TDLCI may also enter into contracts with concessionaires, licensees, tenants, or other persons for the lawful use of the premises or the facilities of Club Paradise, with the condition that such contracts shall be for a duration coterminous with the Management Agreement. TDLCI is also prohibited from entering into any long term lease for any facility of Club Paradise.

Subscription Agreement with Sterling Bank of Asia

On March 22, 2012, the Company entered into a Subscription Agreement with Sterling Bank, effective upon approval of the SEC of the increase in authorized capital stock of Sterling Bank. The Company subscribed to twenty-five million (25,000,000) of the preferred shares to be created, with a par value of Ten Pesos (₱10.00) per share, for a total consideration of Two Hundred Fifty Million Pesos (₱250,000,000.00). Sixty-Two Million Five Hundred Thousand Pesos (₱62,500,000.00) of the total subscription price have been paid in cash. The SEC approved the increase in authorized capital stock of Sterling Bank on December 27, 2012.

Memorandum of Agreement for Purchase of Discovery Fleet Corporation Shares

The Company entered into a Memorandum of Agreement and a Supplemental Memorandum of Agreement on April 10, 2013 and June 4, 2013, respectively, with TDLCI to purchase all the rights and interests to two hundred forty thousand (240,000) shares of Discovery Fleet, equivalent to one hundred per cent (100.00%) which shall be paid through the net proceeds of the offer.

Memorandum of Agreement for Purchase of Palawan Cove Corporation Shares

In view of the Company's proposed hotel/resort project in Palawan, it entered into a Memorandum of Agreement on May 3, 2013 with TDLCI to purchase all the rights and interests to fifty million (50,000,000) shares, equivalent to one hundred per cent (100.00%) of Palawan Cove, which shall be paid through the net proceeds of the offer.

Deed of Assignment of Euro-Pacific Resorts, Inc. Shares

On September 27, 2013, Heinz-Jeurgen Warnke, Lutagrda Bulacan, Delilah J. Iglesia and Susan G. Acal (collectively referred to as the "Assignors") absolutely assigned, sold, transferred and conveyed 33,500 shares of Euro-Pacific Resorts, Inc., to the Company for a total consideration of One Hundred Seventy Five Million Seventy One Thousand Pesos (₱175,071,000.00).

The Company shall exercise all the powers of a stockholder of Euro-Pacific for which purpose irrevocable proxies were granted by the Assignors in favor of the Company and its duly authorized representatives, John Y. Tiu, Jr. , Dexter Y. Tiu, Leslie Ann Yapkianwee, Dianne

Katrine L. Tiu and Herman G. Son, until the issuance of the certificates authorizing registration (CAR) by the Bureau of Internal Revenue on the assignment of shares.

Escrow Agreement in Relation to Purchase of Euro-Pacific Shares

In view of the Company's purchase of Euro-Pacific shares, the Company and the shareholders of Euro Pacific (the "Sellers") appointed Sterling Bank of Asia – Trust Group as their Escrow Agent in an Agreement executed on 27 September 2013. The Company deposited in escrow with the Escrow Agent Five Hundred Thousand US Dollars (\$500,000.00) which it shall release to the Sellers only upon issuance of the Certificate Authorizing Registration (CAR) by the BIR on the sale and transfer of Euro-Pacific shares. The fees for this transaction shall be borne by both the Company and the Sellers as follows: by the Company - Twenty Five Thousand Pesos (₱25,000.00) for the first three (3) and by the Sellers – Five Thousand Pesos (₱5,000.00) every month thereafter.

This escrow agreement is not a trust agreement, rather an agreement of agency, and the established trust account does not guaranty yield, return or income on the investments or reinvestments made by the Escrow Agent.

Memorandum of Rescission of the Memorandum of Agreement for the Purchase of Enderun Shares

The Company and HSAI, on September 25, 2013, executed a Memorandum of Rescission to render the Memorandum of Agreement dated February 26, 2013, for the proposed purchase of Enderun shares of no further force or effect. The parties waive and release each other, its directors, officers, stockholders, representatives or assigns from any and all rights, claims and causes of action of whatever nature that they may have not or in the future arising from the said Memorandum of Agreement.

Insurance Policy issued by Prudential Guarantee and Assurance

On July 23, 2012, Prudential Guarantee issued a Property, Fire and Lightning Insurance Policy in favor of the Company for buildings (excluding foundation), land improvements, machinery and equipment located in the premises of Discovery Shores Boracay. Said properties are insured in the amount of Two Hundred Fifty-Three Million Pesos (₱253,000,000.00). The term of the insurance policy is from July 1, 2012 to July 1, 2013.

Under the insurance policy, the following perils are covered: (a) fire/lightning, (b) earthquake fire/shock, (c) typhoon, (d) flood, (e) extended coverage, (f) riot, strike and malicious damage, (f) broad water damage with accidental bursting and/or overflowing of water tanks, apparatus and fires, (g) sprinkler leakage, (h) robbery and/or burglary, and (i) tidal wave and tsunami. The insurance policy also includes (a) Plate Glass Insurance, in the amount of Five Thousand Pesos (₱5,000.00) on each and every loss, and (b) Electronic Equipment Insurance, in the amount of ten percent (10%) of net redeemable value minimum of Ten Thousand Pesos (₱10,000.00).

Malayan Insurance is the co-insurer of Prudential Guarantee for the same properties for the amount of Two Hundred Ninety-Seven Million Pesos (₱297,000,000.00).

Insurance Policy issued by Malayan Insurance

On July 29, 2012, Malayan Insurance issued a Fire Insurance Policy in favor of the Company for buildings (excluding foundation), land improvements, machinery and equipment, kitchen equipment, and furniture, fixtures and equipment in the premises of Discovery Shores Boracay. Said properties are insured in the amount of Two Hundred Ninety-Seven Million Pesos (₱297,000,000.00). The term of the insurance policy is from July 1, 2012 to July 1, 2013.

The insurance policy includes the following endorsements: (a) earthquake fire and earthquake shock, (b) extended coverage to include explosion, aircraft, vehicle and smoke, (c) flood, (d) reinstatement/replacement value, (e) typhoon, (f) removal of debris, (g) sprinkler leakage, (h) riot and strike/malicious damage, (i) broad water damage, (j) burglary and housebreaking, (k) bursting and/or overflowing of water tanks, and (l) tsunami/tidal wave. The insurance policy also includes (a) Plate Glass Insurance and (b) Electronic Equipment Insurance.

Deed of Absolute Sale with Agreement on Right of Way

The Company has acquired a perpetual right of way over Lot No. 615-A-4 located in Pinaungon, Balabag, Malay, Aklan, covered by Tax Declaration No. 05-003-00513 issued by the Provincial Assessor of the Province of Aklan in favor of Mr. Cleotilde Calizo, through a Deed of Absolute Sale with Agreement on Right of Way dated December 23, 1993, executed by the Company as buyer and the sole surviving heirs of Mr. Clotilde Calizo as sellers:

Name	Citizenship	Attorney-in-Fact
Lydia C. Claud	Canadian	N/A
Alejandro C. Claud	Filipino	Lydia C. Claud
Prima C. Bandiola	Filipino	Lydia C. Claud
Genoveva C. Rufon	Filipino	N/A
Serina C. Cawaling	Filipino	N/A
Restituta C. Quinto	Filipino	Serina C. Cawaling
Genaro C. Claud	Filipino	Lydia C. Claud
Irineo Arcibal	Filipino	Dolia A. Saluna
Catalino Arcibal	Filipino	Dolia A. Saluna
Dolia A. Saluna	Filipino	N/A
Anecita A. Raymundo	Filipino	Dolia A. Saluna
Amada A. Gelito	Filipino	Dolia A. Saluna
Clarita Claud	Filipino	Felmenito Claud
Louie Claud	Filipino	Felmenito Claud
Felmenito Claud	Filipino	N/A
Eva C. Paraoan	Filipino	N/A
Wilfredo Trinidad	Filipino	Lydia C. Claud
Bermeo Trinidad	Filipino	Lydia C. Claud
Fe Trinidad-Tamayo	Filipino	Lydia C. Claud
Gary Diocson	Filipino	Lydia C. Claud

Name	Citizenship	Attorney-in-Fact
Gerry Diocson	Filipino	Lydia C. Claud
Grace Guei	Filipino	Lydia C. Claud
Glen Diocson	Filipino	Lydia C. Claud

In the agreement, the parties recognized that the sellers are co-owners of a one thousand nine hundred and eight (1,908) square meter parcel of unregistered land, with improvements existing thereon, situated in Balabag, Malay, Aklan, which is a portion of Lot No. 615 that is nearest the seashore. Said portion of Lot No. 615 is subdivided into Lot Nos. 615-A-1 (Port.), 615-A-2 (Port.), 615-A-3 (Port.) and 615-A-4 (Port.).

The parties also recognized that the Company owns a parcel of land depicted as Lot No. 615-Portion, which is located further from the seashore, and is negotiating the purchase of Lot No. 614. However, access to either lot owned by the Company requires passing through Lot No. 615-A-4 (Port.) owned by the sellers.

By virtue of the agreement, the Company purchased Lot No. 615-A-2 (Port.) from the sellers and acquired a perpetual right of way through Lot No. 615-A-4 (Port.) for a total consideration of Two Million Nine Hundred Fifty-One Thousand Five Hundred Pesos (₱2,951,500.00).

Memorandum of Agreement with Friday's Holdings, Inc.

A Memorandum of Agreement dated November 6, 2008 was entered into by the Company and FHI. In the said agreement, the parties recognized:

- (a) That FHI is the declared owner of a parcel of land with a declared area of three hundred sixty-nine (369) square meters, which is a portion of Lot No. 615 and covered by Tax Declaration No. 05-003-0512 issued by the Provincial Assessor of the Province of Aklan;
- (b) That the Company has acquired a perpetual right of way over a parcel of land with a declared area of eighty-one (81) square meters, which is also a portion of Lot No. 615 and covered by Tax Declaration No. 93-003-0316 (currently covered by Tax Declaration No. 05-003-00513);
- (c) That the Company erected a structure on the parcel of land on which the Company acquired right of way, which structure encroaches on the property of FHI, affecting an area of about twenty and ninety-six hundredth (20.96) square meters;

By virtue of the agreement, the Company ceded a portion of Lot No. 615, with an area of twenty and ninety-six hundredth (20.96) square meters, in favor of FHI in exchange for the portion of FHI's property upon which the structure erected by the Company encroached. Consequently, the parties agreed on the subdivision of Lot No. 615 as follows:

- (a) Lot No. 1 – Portion of Lot No. 615 forming part of FHI's property, with a measured area of twenty and ninety-eight hundredth (20.98) square meters and encroached by the

structure erected by the Company, to be ceded to the Company in exchange for an equivalent portion of the Company's property;

- (b) Lot No. 2 – Portion of Lot No. 615 forming part of the Company's property, with a measured area of twenty and ninety-eight hundredth (20.98) square meters, to be ceded to FHI in exchange for Lot No. 1, and to be appended to the remaining portion of Lot No. 615 of FHI's property;
- (c) Lot No. 3 – Portion of Lot No. 615 of the Company's property after deducting Lot No. 2, with a remaining area of approximately sixty and two hundredth (60.02) square meters;
- (d) Lot No. 4 – Combined area of Lot Nos. 3 and 1 after the exchange of Lot Nos. 1 and 2, which will be the new portion belonging exclusively to the Company, with an approximate area of eighty and ninety-eight hundredth (80.98) square meters.

Deed of Absolute Sale with Costa Blanca Resort, Inc.

The Company acquired title to Lot No. 614 by virtue of a Deed of Absolute Sale dated December 23, 1993, executed by the Company as buyer and Costa Blanca Resort, Inc. as seller for a total consideration of Fourteen Million Pesos (₱14,000,000.00).

In the said agreement, the parties recognized that Lot No. 614 is an unregistered land with improvements thereon, including the "Moonshiner's Bar". The seller will cause all occupants to vacate from the said property.

Deed of Absolute Sale with Costa Hills Resort Company, Ltd.

The Company acquired title to Lot No. 615-pt. by virtue of a Deed of Absolute Sale dated December 23, 1993, executed by the Company as buyer and Costa Hills Resort Company, Ltd. as seller for a total consideration of Nine Million Pesos (₱9,000,000.00).

Deed of Absolute Sale with Mr. Lino M. Lozanes

The Company acquired title to Lot No. 30-C-12-A by virtue of a Deed of Absolute Sale dated September 22, 2004 executed by the Company as buyer and Mr. Lino M. Lozanes as seller for a total consideration of Two Hundred Thousand Pesos (₱200,000.00).

Forest Land Use Agreement for Tourism Purposes (FLAgT) No. 4B-12312029-0001 (Bathing Establishment)

On December 16, 2004, Euro-Pacific and the DENR executed a Forest Land Use Agreement for Tourism Purposes (FLAgT) No. 4B-12312029-0001 (Bathing Establishment) for the lease of fourteen (14) hectares of forest lands located in Dimakya Island, Barangay San Jose, Coron, Palawan for a period of twenty-five (25) years to expire on December 31, 2029. The annual

rental fee for the land is Two Hundred Seventeen Thousand, Eight Hundred Twenty-Five Pesos and Twelve Centavos (₱217,825.12). In this contract, Euro-Pacific guarantees faithful performance and compliance with Forest Laws and Regulations. Euro-Pacific is: (a) prohibited to cut trees; and (b) is required to plant trees within twenty (20) meters along banks and rivers/creeks of the leased premises.

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MANUAL ON CORPORATE GOVERNANCE

The Company's Manual on Corporate Governance (the "Manual") was approved by the Board of Directors on March 1, 2013. The Manual is a supplement to the Company's Amended By-Laws.

Adoption and Implementation

The Company is in the process of implementing the abovementioned Manual. To date, the Company has elected two (2) directors, Mr. Chun Bing Uy and Ms. Elizabeth Ann C. Parpan, who qualify as "independent" pursuant to Section 38 of the Securities Regulation Code.

The Manual also provides for the formation of the following committees: Executive, Nomination, Compensation and Remuneration, and Audit and Risk Management.

To measure the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance, the Manual mandates the establishment by the Company of an evaluation system consisting of a self-rating assessment and performance system by Management and submission of certifications by the Compliance Officer on the Company's compliance with the provisions of the Manual.

Furthermore, to ensure the Company's adherence to the adopted leading practices on good corporate governance, the Chairman of the Board is mandated to designate a Compliance Officer who shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

The Compliance Officer shall perform the following duties:

- Monitor compliance with the provisions and requirements of the Manual;
- Appear before the SEC upon summons on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30th of the year on the extent of the Company's compliance with the Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance risks.

Independent Directors

The amended By-laws require the Company to have two (2) independent directors in its Board of Directors. The Manual requires that there must be at least one (1) independent director voting in the Company's Audit and Risk Committee, Nomination Committee, and Compensation and Remuneration Committee. Independent directors must hold no interests or relationships with the Company that may hinder their independence from the Company or

its management, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Code of Corporate Governance, an independent director is required to attend board meetings for quorum requirements, unless he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Nomination Committee

The Company has a Nomination Committee composed of three (3) members, at least one of whom must be an independent director. The Nomination Committee's duties and responsibilities include:

- Pre-screening and short-listing all candidates nominated to become a member of the Board; and
- Redefining the role, duties, and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

Ruben C. Tiu was appointed as the Chairman of the Nomination Committee during the joint special meeting of the Board of Directors and stockholders of the Company on March 1, 2013. On the same meeting, Lamberto R. Villena and A. Bayani K. Tan were also appointed the members of the Nomination Committee.

Compensation and Remuneration Committee

The Company has Compensation and Remuneration Committee composed of three (3) members, at least one of whom must be an independent director. The Compensation and Remuneration Committee's duties and responsibilities include:

- Establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers and directors; and
- Providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy, and control environment.

Ruben C. Tiu was appointed as the Chairman of the Compensation and Remuneration Committee during the joint special meeting of the Board of Directors and stockholders of the Company on March 1, 2013. On the same meeting, John Y. Tiu, Jr. and Romualdo C. Macasaet were also appointed the members of the Compensation and Remuneration Committee.

Audit and Risk Management Committee

The Company has an Audit and Risk Management Committee composed of three (3) members, at least one of whom must be an independent director. The independent director shall serve as Chairperson of the Committee. Each member is required to have an adequate understanding of accounting and auditing principles in general and of the Company's financial management systems and environment in particular.

The Audit and Risk Committee's duties and responsibilities include:

- Performing oversight functions over the Company's financial reporting process, system of internal control and auditing process, and monitoring compliance with applicable laws;
- Performing oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal, and other risks of the Company;
- Performing oversight functions over the Company's internal and external auditors to ensure that they act independently from each other and that they are given adequate access to all pertinent records of the Company;
- Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization;
- Develop a formal risk management policy that guides the Company's risk management and compliance processes and procedures;
- Discuss and review policies with respect to risk assessment and risk management including the Company's major financial and business risk exposures and the actions Management has undertaken to control them;
- Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue, as well as determining what types of risk are acceptable;
- Monitor the management of significant risk to reduce the likelihood of unwelcome surprises; and
- Annually review the Company's approaches to risk management and recommend to the Board changes or improvements to key elements of its processes and procedures.

Chun Bing Uy was appointed as the Chairman of the Audit and Risk Management Committee during the joint special meeting of the Board of Directors and stockholders of the Company on March 1, 2013. On the same meeting, John Y. Tiu, Jr. and Romualdo C. Macasaet were also appointed the members of the Audit and Risk Management Committee.

The above enumeration comprises the general duties and responsibilities of the Company's Audit and Risk Committee. In accordance with the requirements of SEC Memorandum Circular No. 4, Series of 2012, the Company shall promulgate an Audit Charter, which shall provide, among others, the purpose, membership, structure, operations, reporting process, and resources of the Committee. The Charter shall likewise serve as basis for the Company's assessment of the performance of its Audit and Risk Committee.

Compliance with Rules on Corporate Governance

The Company is not aware of any non-compliance with or deviation from its Manual. The Company will continue to monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

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LEGAL AND OTHER MATTERS

Legal matters in connection with the Offer have been passed upon by Tan Venturanza Valdez Law Offices with address at Unit 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, and Pasig City.

Copies of the following documents may be inspected during business hours at the Company's principal office:

- Articles of Incorporation and By-Laws of the Company as amended; and
- Audited Financial Information as of December 31, 2010, 2011, and 2012.
- Audited Financial Information as of and for six (6) -month period ending June 30, 2013

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following agreements have been entered into by the parties at arm's length, under terms and conditions normally acceptable between willing parties that are unrelated and acting independently of each other and pursuing their own best interest. All related party transactions are pursued for the purpose of furthering the business of the Company by tapping the expertise and competencies of related parties. The respective transaction prices have been determined at arm's length basis.

Management Agreement with HSAI-Raintree, Inc.

On May 9, 2008, the Company and HSAI-Raintree, Inc. executed a Management Agreement for the operation and management of Discovery Shores Boracay. However, this was amended on August 22, 2012.

Under the amended Management Agreement, the operating term of the Management Agreement shall terminate on December 31, 2013. However, the operating term may be extended upon mutual agreement of the parties, for periods of two (2) years in each instance and subject to terms and conditions as may further be agreed upon by the parties.

The amendment also provided that the management fee shall be Thirty-Seven Million Two Hundred Ninety Thousand Pesos (₱37,290,000.00) for 2012 and Twenty-Nine Million Nine Hundred Sixty Thousand Pesos (₱29,960,000.00) for 2013, exclusive of VAT and subject to withholding tax. The management fee for 2012 and 2013 shall be paid on July 16, 2012 and July 16, 2013 respectively.

Management Agreement with TDLCI

On March 7, 2013, the Company and TDLCI executed a Management Agreement for the operation and management of Discovery Shores Boracay, effective from March 1, 2013 until February 28, 2022. By virtue of this agreement, TDLCI took over the operation and management of Discovery Shores Boracay from HSAI-Raintree, Inc.

The Company shall pay TDLCI a management fee broken down as follows: (a) Base Fee, which is equivalent to three percent (3.00%) of gross operating revenue and payable monthly; and (b) Incentive Fee, which is equivalent to eight percent (8.00%) of gross operating profit and payable quarterly.

Subscription to Preferred Shares of Sterling Bank of Asia

On March 22, 2012, the Company entered into a Subscription Agreement with Sterling Bank, effective upon approval of the SEC of the increase in authorized capital stock of Sterling Bank. The Company subscribed to twenty-five million (25,000,000) of the preferred shares to be created, with a par value of Ten Pesos (₱10.00) per share, for a total consideration of Two Hundred Fifty Million Pesos (₱250,000,000.00). Sixty-Two Million Five Hundred Thousand

Pesos (₱62,500,000.00) of the total subscription price have been paid in cash. The SEC approved the increase in authorized capital stock of Sterling Bank on December 27, 2012.

Deposit for Future Stock Subscription of TDLCI in the Company's Shares of Stock

TDLCI

In 2005, the Company and TDLCI executed a subscription agreement wherein TDLCI made a deposit for future stock subscription to the Company were received by the Company amounting to ₱160.3 million. In 2009 and 2012, additional deposits of ₱102.8 million and ₱40.0 million, respectively.

In 2011 and 2012, the Company returned to TDLCI a portion of the deposit for future stock subscription amounting to ₱21.0 million and ₱57.0 million, respectively. The return of deposit for future stock subscription in 2011 was made by way of assignment of certain receivables. A significant portion of the remaining balance amounting to ₱225.1 million was assigned to JEI.

JEI

In 2012, the Company and JEI executed a subscription agreement wherein JEI will subscribe to 248.0 million common shares of the Company at a par value of ₱1.0 per share, which will be issued upon the approval by the SEC of the Company's application for increase in the authorized capital stock. As part of this subscription agreement, JEI made a deposit of ₱82.6 million in 2012 which is presented as part of Deposits for Future Stock Subscription.

On December 27, 2012, JEI made additional subscription of ₱54.6 million for 54.6 million shares at a par value of ₱1.0 per share. On January 25, 2013, upon approval by the SEC of the Company's application for increase in the authorized capital stock, the Company applied the deposits for future stock subscription amounting to ₱302.6 million to JEI's subscription and accordingly issued 302.6 million common shares to JEI and reclassified the ₱5.1 million to non-current portion of Due to a Related Party account in the interim statements of financial position.

Due from Related Parties

On November 27, 2012, the Board of Directors approved the grant of non-interest-bearing unsecured advances payable on demand in favor of the following corporations.

The balances as of June 30, 2013 are as follows:

Corporation	Amount (in ₱0.00)
Discovery Fleet, Inc.	₱129,896,377
Palawan Cove Corporation	32,500,000
Cay Islands Corporation	2,100,000
Discovery Country Suites, Inc.	1,179,728
Total	₱165,676,105

Due to Related Parties

As of June 30, 2013, the Company has obtained non-interest-bearing unsecured advances from the following corporations:

Corporation	Amount (in ₱0.00)	Date
JEI*	₱5,081,024	Since 2012
Oakridge Properties, Inc.	475,379	Since 2007
Discovery Country Suites, Inc.	166,420	Since 2010
Total	₱5,722,823	

**The Deposit for Future Stock Subscription given in 2012 was reclassified on the June 30, 2013 Audit to Advances.*

OLSA with DBP

JTKC Realty Corporation is a third party guarantor of the existing credit facility of the Company with DBP through an unregistered mortgage of a parcel of land covered by TCT No. 133675 of the Registry of Deeds of the City of Manila, with all the buildings and improvements existing thereon, and registered under the name of JTKC Realty Corporation.

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THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, or any of their respective subsidiaries, associates or advisors in connection with listing of the Subject Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In September 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring TPs and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE has an authorized capital stock of 97.8 million shares, of which 61.1 million shares are outstanding. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed on the PSE’s First Board, Second Board or the Small and Medium Enterprises Board. On June 6, 2013 in accordance with CN-No. 2013-0023, the Exchange approved the Listing Rules for the Main Board and SME Board of the PSE. Each index represents the numerical average of the prices of component stocks.

The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of stocks of 30 selected companies listed on the PSE. With the increasing calls for good corporate governance, the PSE

has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2012 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱billions)	Combined Value of Turnover (in ₱billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	268	10,850.0	1,420.0

**Source: PSE*

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Beginning January 2, 2012, trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one and a half hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m. with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five (5) to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.00% or down by 50.00% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines (“SCCP”) is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also TPs;
- Guaranteeing the settlement of trades in the event of a Trading Participant’s default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date (T+3). The deadline for settlement of trades is 12:00 n.n. of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the two existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc. and Rizal Commercial Banking Corporation. Payment for securities

bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on May 29, 2006. Central Clearing & Central Settlement employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Rizal Commercial Banking Corporation and Banco de Oro Unibank, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation (“PCD Nominee”), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. “Immobilization” is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation’s registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to

the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On September 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Philippine Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary

requirements stated in the amended rule on Lodgment of Securities of the PSE. Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder. Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

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PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequence to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Corporate Income Tax

A domestic corporation is subject to an ordinary income tax at the rate of 30.00% (effective January 1, 2009 pursuant to R.A. No. 9337) on its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except, among others: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign exchange deposit system that is subject to a final tax at the rate of 7.50% of such income.

A minimum corporate income tax of 2.00% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers losses on account of a prolonged labor dispute, *force majeure* or legitimate business reasons.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to tax at the rate of 10.00%. Cash and property dividends received from a domestic corporation by domestic corporations or resident foreign corporations are not subject to tax.

Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.00% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are generally subject to tax at the rate of 25.00% of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in business in the Philippines.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are subject to a final withholding tax at the rate of 30.00% (pursuant to R. A. No. 9337 effective January 2009). The 30.00% rate for dividends paid to a non-resident foreign corporation may be reduced depending on whether the country of residence of such foreign corporation has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. The 30.00% rate may be reduced to 15.00% if the country in which the non-resident foreign corporation is domiciled: (a) imposes no tax on foreign sourced dividends; or (b) allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 15.00%.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax. However, the sale, exchange, or disposition of shares received as stock dividends by the holder is subject to the capital gains or stock transaction tax.

Any availment of tax treaty relief should be preceded by an application for tax treaty relief filed in accordance with regulations issued by Philippine tax authorities. Thereafter, if regular tax rate is withheld by the paying corporation instead of the reduced rates applicable under a

treaty, the nonresident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Tax Treaties

The following table lists some countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁹	Capital Gains tax due on disposition of shares outside the PSE (%)
Canada	25 ¹	0.5	Exempt ¹¹
China	15 ²	Exempt ¹⁰	Exempt ¹¹
France	15 ³	0.5	Exempt ¹¹
Germany	15 ⁴	0.5	5/10 ¹²
Japan	15 ⁵	0.5	Exempt ¹¹
Singapore	25 ⁶	0.5	Exempt ¹¹
United Kingdom	25 ⁷	0.5	Exempt ¹³
USA	25 ⁸	0.5	Exempt ¹¹

Notes:

1. 15.00% if recipient company controls at least 10.00% of the voting power of the company paying the dividends.
2. 10.00% if the recipient company holds directly at least 10.00% of the capital of the company paying the dividends
3. 15.00% if the recipient company holds directly at least 15.00% of the voting shares of the company paying the dividends
4. 10.00% if the recipient company owns directly at least 25.00% of the capital of the company paying the dividends
5. 10.00% if the recipient company owns directly at least 25.00% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six (6) months immediately preceding the date of payment of the dividends
6. 15.00% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.00% of the outstanding shares of the voting stock of the paying company were owned by the recipient company.
7. 15.00% if the recipient company is a company which controls directly or indirectly at least 10.00% if the voting power of the company paying the dividends
8. 20.00% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole year of its prior taxable year at least 10.00% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation
9. Exempt if the stock transaction tax is expressly covered by the applicable tax treaty or is deemed by the relevant authorities as an identical or substantially similar tax to the Philippine income tax. In BIR ruling no. ITAD 22-07 dated February 9, 2007, the BIR held that the stock transaction tax cannot be considered as an identical or substantially similar tax on income, and, consequently, ruled that a Singapore resident is not exempt from the stock transaction tax on the sale of its shares in a Philippine corporation through PSE.
10. Exempt under Article 2(b) of the RP-China Tax Treaty
11. Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

12. *Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000.00 and 10.00% on the net capital gains realized during the taxable year in excess of ₱100,000.00.*
13. *Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

Sale, Exchange, or Disposition of Common Shares

Taxes on Capital Gains for a Sale Made Outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange, or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.00% on gains not exceeding ₱100,000.00 and 10.00% on gains over ₱100,000.00. An application for tax treaty relief must be filed with (and approved) by the Philippine tax authorities in order to obtain an exemption under a tax treaty.

The capital gains tax described above shall apply (unless an applicable treaty exempts such gains from tax or provides for preferential rates) to the secondary sale of the common shares by the holder thereof to another party made outside the facilities of the PSE.

Taxes on Transfer of Shares Listed and Traded through the PSE

A sale or other disposition of shares of stock listed and traded through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is generally subject to a stock transaction tax at the rate of one-half of one percent (1/2 of 1.00%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be application to stock transaction tax.

On November 7, 2012, the BIR issued Revenue Regulations 16-2012 which requires all publicly listed companies to at all times maintain a minimum public float of ten percent (10.00%) of their issued and outstanding shares, exclusive of treasury shares. After December 31, 2012, every sale, barter, exchange or other disposition of the shares of stock of a non-compliant company shall be subject to a final tax of 5.00% or 10.00%, as described in the preceding paragraph, instead of the stock transaction tax of one-half of one percent (1/2 of 1.00%).

In connection with the foregoing, the PSE has issued Memo Circular No. 2012-0003 which states that listed companies that become non-compliant with the minimum public ownership requirement on or after January 1, 2013 shall be suspended from trading for a period of not more than six (6) months, and shall automatically be delisted if it remains

non-compliant after the lapse of the trading suspension. The non-compliant company may request for a grace period from the PSE. The PSE may grant the same if it determines that there is a justifiable cause to do so.

Value Added Tax

In addition, a Value-Added Tax of 12.00% is imposed on the commission earned by the PSE-registered broker, which is generally passed on to the client.

Documentary Stamp Tax

The original issue of shares of stock is subject to documentary stamp (DST) tax of ₱1.00 for each ₱200 par value or a fraction thereof, of the shares of stock issued. The secondary transfer of shares of stock is subject to a documentary stamp tax of ₱0.75 for each ₱200 par value or a fractional part thereof of the shares of stock transferred.

On June 30, 2009, Republic Act 9648 was signed into law and it permanently exempts the sale, barter or exchange of shares of stock listed and traded through the local stock exchange from the payment of documentary stamp tax and was made retroactive to March 20, 2009.

BIR RR 16-2012, which was issued on November 7, 2012, however imposes a DST in accordance with the above-mentioned rates on transfers of shares of stock of listed companies that are not compliant with the minimum public ownership requirement, upon execution of the deed transferring ownership or rights thereto, or upon delivery, assignment or indorsement of such shares in favor of another, and no transfer of shares of stock shall be recorded unless DST thereon has been duly paid for.

Tax Treatment of Securities Borrowing and Lending Transactions Involving Shares of Stock or Securities Listed in the PSE

Pursuant to Section 2 of Revenue Regulations No. 001-08, Securities Borrowing and Lending (SBL) involves the lending of shares of stocks or securities by the Lender, who owns or controls them, to the Borrower who needs the shares of stocks/securities borrowed to support trading strategies or settlement obligations, in exchange for a collateral and the promise to return the equivalent shares of stocks/securities at the end of the borrowing period. The borrowing period in any agreement cannot be more than two (2) years. Typically, the Borrower will use or dispose of the shares of stocks/securities borrowed strictly in connection with a particular purpose or purposes as herein mentioned. Being fungible in nature, the borrowed shares of stocks/securities are transferred from the Lender to the Borrower. For the duration of the borrowing and lending period under the agreement, the Lender temporarily loses ownership of the shares of stock/securities lent but acquires a contractual right to receive all benefits accruing to the shares of stock/securities. The objective is to put the Lender into the same economic position as the Lender would have been had the securities not been lent. This means that in case of corporate actions like stock rights, dividend declarations, and other benefits accruing to the shares of stock, the Borrower would have to "manufacture" the corresponding benefits thereon and return the same to the Lender

as if the shares of stock/securities "never left his hands". Upon demand of the Lender or at the end of the stipulated borrowing period, the Borrower is then obligated to return the equivalent shares of stock/securities and the Lender, in turn, returns the collateral put up by the Borrower. If the borrower fails to return the shares of stock/securities or the equivalent Shares of Stock/Securities, the Lender/Lending Agent, as part of the SBL transactions, may purchase shares of stock/securities from the stock exchange. In effect, SBL is similar to a simple collateralized cash loan transaction. However, instead of cash, what is borrowed are listed shares of stock/securities and what is provided as collateral is either cash, government or equity securities, or standby letter of credit issued by a bank.

Section 5 of Revenue Regulations No. 001-08 provides that the Securities Borrowing and Lending transactions of shares of stock/securities listed in the PSE, as well as the delivery to, and return by, the Lender/Lending Agent of collateral appurtenant thereto or the Equivalent Shares of Stock/Securities, shall not be subject to the stock transaction tax, capital gains tax, and documentary stamp taxes; provided, that, a valid Master Securities Lending Agreement (MSLA), which is a written contract between the Borrower and the Lender or the Lending Agent embodying the general terms and conditions for the conduct of SBL transactions, is executed by the parties and registered with and approved by the BIR, the SBL Program is in accordance with the rules and regulations of the SEC, and such SBL Program is under the administration and supervision of the PSE. Otherwise, all other applicable taxes prescribed by the Tax Code and special laws shall continue to apply.

Estate and Gift Taxes

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax.

Subject to certain exceptions, the transfer of shares upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine taxes at progressive rates ranging from 5.00% to 20.00%, if the net estate is over ₱200,000.00. On the other hand, individuals, whether or not citizen or residents of the Philippines, who transfer shares by way of gift or donation will be liable to Donor's tax on such transfers at a progressive rates ranging from 2.00% to 15.00% of the net gifts made during the year exceeding ₱100,000.00. In case of a corporate donor or an individual who donates to a person other than his brother, sister, spouse, ancestors, lineal descendants or relatives by consanguinity within the 4th civil degree, the donor's tax rate will be a flat rate of 30.00%.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of

every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is generally subject to Philippine income tax and the transfer of such shares by gift (donation), or succession, is generally subject to the donor's or estate taxes as above-stated.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not fully discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.

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PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP

Foreign Investment

Foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List. Among the principal restricted business activities is the ownership of private land where the Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.00% of whose capital is owned by such citizens.

The SEC and the Department of Justice have consistently applied the so-called “Control Test” in determining the required Filipino equity in restricted business activities. The Control Test states that shares belonging to corporations or partnerships at least 60.00% of the capital of which is owned by Filipino citizens shall be considered as of Philippine nationality. Thus, although such corporation has foreign shareholdings, it shall be considered as 100.00% Filipino-owned.

However, in December 2010, the SEC issued an opinion concerning Medusa Mining Ltd., where it indicated that the “Grandfather Rule” should be utilized in determining compliance with the allowable limits of foreign equity in an entity that seeks to comply with nationality requirements provided by the 1987 Philippine Constitution. The Grandfather Rule states that, in determining whether an entity is compliant with the limit provided for in the Constitution, the SEC is mandated to look into the citizenship of the individual stockholders (i.e. natural persons) of an investor corporation of an entity engaged in a nationalized or partly nationalized activity. If shares in said investor corporation are in turn held by another investor corporation, the SEC must also inquire into the citizenship of the individual stockholders of said second tier investor corporation and so on and so forth. Thus, under the Grandfather Rule, only the number of shares actually held by the ultimate individual stockholders who are Filipino citizens shall be counted as of Philippine nationality.

Moreover, the Court of Appeals recently promulgated a decision in the case of Redmont Consolidated Mines Corporation v. Narra Nickel Mining and Development Corporation, et al., wherein it pronounced that the Grandfather Rule applies when there is doubt in the 60-40 Filipino-equity ownership in a corporation. When there is none, the control test is applied.

However, in September 2011 the Supreme Court promulgated “Wilson P. Gamboa vs. Finance Secretary Teves et.al”, involving the Philippine Long Distance Telephone Company. The issue in said case was whether, in determining compliance with the nationality restriction, one should consider the entire outstanding capital stock of a corporation (i.e., both voting and non-voting shares) or just the voting shares. The Supreme Court held that the term “capital” in Section 11, Article XII of the 1987 Constitution refers only to shares of stock of a corporation entitled to vote for the election of the Directors and not to total outstanding capital stock, which comprises both voting and non-voting shares.

Registration of Foreign Investment and Exchange Controls

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Company's Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits, and earnings that accrue thereon will be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration is not required.

The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any Authorized Agent Bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (a) a purchase invoice, or subscription agreement and/or proof of listing in the PSE, and (b) a credit advice or bank certification showing the amount of foreign currency inwardly remitted and converted to Pesos through a commercial bank; and (c) in certain instances, transfer instructions from the shareholder and/or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the Bangko Sentral Registration Document, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, and is also remittable in full. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Subject Shares shall be the responsibility of the foreign investor.

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