

# COVER SHEET

A S O 9 4 0 0 4 4 6 2

S.E.C. Registration Number

G L O B A L - E S T A T E R E S O R T S , I N C .

(Company's Full Name)

9 T H F L O O R E A S T W O O D G L O B A L P L A Z A  
P A L M T R E E A V E N U E B A G U M B A Y A N  
1 1 1 0 Q U E Z O N C I T Y

(Business Address: No. Street City/ Town/ Province)

LAILANI V. VILLANUEVA

Contact Person

328-4374

Company Telephone Number

1 2

Month

3 1

Day

Calendar Year

SEC FORM 17-Q  
(for the quarter ended 30 June 2024)

FORM TYPE

0 6

Month

2 7

Day

annual meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

\*\*\*\*\*

To be accomplished by SEC Personnel concerned

File Number

LCU

Dociment I.D.

Cashier

STAMPS

SEC Number **AS094004462**  
File Number \_\_\_\_\_

**GLOBAL-ESTATE RESORTS, INC.**

(Company's Full Name)

**9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan,  
Quezon City**

(Company's Address)

**(632) 5328-4370 to 78**

(Tel. No.)

**December 31, 2024**

(Calendar Year Ending)

**SEC FORM 17-Q (2<sup>nd</sup> QUARTER)**

(Form Type)

**June 30, 2024**

(Period ended date)

**REGISTERED AND LISTED**

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended .....: **June 30, 2024**  
2. Commission identification number..... : **AS094004462**  
3. BIR Tax Identification No.....: **000-426-523-V**  
4. Exact name of issuer as specified in its charter

**GLOBAL-ESTATE RESORTS, INC.**

5. Province, country or other jurisdiction of incorporation or organization  
**Quezon City, Philippines**

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code  
**9th Floor, Eastwood Global Plaza, Palm Tree Avenue,**  
**Eastwood City, Bagumbayan, Quezon City** **1110**

8. Issuer's telephone number, including area code  
**Tel. No. (632) 5328-4370 to 78**

9. Former name, former address and former fiscal year, if changed since last report  
N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA  
Number of shares of common stock outstanding  
and amount of debt outstanding

Title of each class

**Common stock**

**10,986,000,000**

**Loans payable**

**₱ 9,204,135,530**

**Bonds payable**

**₱ -**

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange (PSE)**

**Common stock**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of June 30, 2024 and December 31, 2023; Annex A-2 for the Consolidated Statements of Comprehensive Income for the six-month period ended June 30, 2024 and June 30, 2023; Annex A-3 for Consolidated Statements of Changes in Stockholders' Equity for the six-month period ended June 30, 2024 and June 30, 2023; Annex A-4 for the Consolidated Statements of Cash Flows for the six-month period ended June 30, 2024 and June 30, 2023 and Annex A-5 for the Aging of Receivables for the 2<sup>nd</sup> Quarter ended June 30, 2024.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Refer to attached Analysis of Operations.

## PART II--OTHER INFORMATION

Not Applicable.

### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

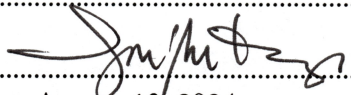
Principal Financial/Accounting Officer/  
Controller/Authorized Representative :

Ms. Lailani V. Villanueva

.....  
Title :

Chief Financial Officer

.....  
Signature :



.....  
Date :

August 13, 2024

## **GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 2<sup>nd</sup> QUARTER ENDED June 30, 2024**

#### **REVIEW OF RESULTS OF OPERATIONS**

*(Comparing balances for the 6-month period ended June 30, 2024 and 6-month period ended June 30, 2023)*

Consolidated revenues for the six-month period ended June 30, 2024 amounted to Php4.3 billion. The Company's real estate sale of Php3.1 billion came mainly from sale of lots in Newcoast Shophouse and Boutique Hotel in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin and Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas, Eastland Heights in Antipolo, Rizal, The Lindgren in Trece Martires, Cavite City and sale of condominium units in Oceanway Residences One, Ocean Garden Villas, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park and Tulip Gardens in Manila Southwoods and Vineyard Residences, Belvedere and The Manor in Twin Lakes, Tagaytay. Hotel revenues increased by 44% from Php307.9 million as of June 30, 2023 to Php443.2 million as of June 30, 2024 mainly due to the continued rise of local tourism and travel. Balance of revenues was contributed by rental income of Php272.8 million, marketing fees of Php35.1 million, finance and other income of Php360.4 million, and Php107.0 million service income.

Cost and expenses posted an increase of Php419.6 million or 14% mainly due to increase in cost of real estate sales, cost of hotel operations, cost of rentals and services, operating expenses and finance cost and other charges.

The company posted a Php999.0 million Net Income for the period ended June 30, 2024.

Major Movements of Income Statement Accounts are as follows:

*(Increase/ decrease of 5% or more versus June 30, 2023)*

- 44% Increase in Hotel revenues – due to continued rise of local tourism and travel.
- 48% Increase in Service income – due to higher service income for the period.
- 93% Increase in Marketing fees – due to increase in marketing income from sale of joint venture partners' inventory.
- 145% Increase in Finance and other income – due to increase in interest income on real estate sales.
- 7% Increase in Cost of real estate sales – due to sales mix, recognized sales for the period are from projects with lower gross profit.
- 10% Increase in Cost of rentals and services – mainly directly related to the increase in service income.
- 18% Increase in Cost of hotel operations – mainly related to the increase in hotel revenue.
- 14% Increase in Operating expenses – mainly due to increase in expenses directly related to increase in revenue from hotel operations and other administrative expenses.
- 114% Increase in Finance cost and other charges – mainly due to increase in finance charges as a result of adoption of new standards on borrowing costs.
- 10% Decrease in Income tax expense – due to decrease of taxable income.

## **REVIEW OF FINANCIAL CONDITION**

The Group's financial position remained stable. Total assets as of June 30, 2024, Php62.7 billion compared to Php61.7 billion as of December 31, 2023, posted an increase of Php993.1 million. Cash and cash equivalents decreased by 19% due to payment to contractors and suppliers for ongoing development of various projects and partial payment of interest-bearing loans, from Php2.1 billion as of December 2023 to Php1.7 billion as of June 2024. Trade and other receivables increased by 5% due to increase in installment sales booked for the period, from Php13.8 billion as of December 31, 2023 to Php14.4 billion as of June 30, 2024. Contract assets increased by 16%, from Php5.8 billion as of December 2023 to Php6.7 billion as of June 2024 due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection. Right-of-use asset decreased by 22%, from Php86.0 million as of December 2023 to Php67.4 million as of June 2024 due to amortization for the period.

Contract liabilities increased by 24% from Php925.8 million as of December 2023 to Php1.2 billion as of June 2024 due to increase of sales from uncompleted projects with lower percentage of completion than percentage of collection. Customer's deposit increased by Php329.6 million or 27% due to increase in collection from existing buyers and new reservation sales, from Phph1.2 billion as of December 2023 to Php1.6 billion as of June 2024. Advances from related parties decreased by 9% from Php692.2 million as of December 2023 to Php627.3 million as of June 2024 due to payments made to related parties. Other non-current liabilities increased from Php495.0 million as of December 2023 to Php562.2 million as of June 2024 or 14% due to increase in retention payable.

Shareholders' Equity increased from Php39.9 billion as of December 2023 to Php40.6 billion as of June 2024 mainly due to the income generated for the period.

Major movements of Balance Sheet Accounts are as follows:

- 19% Decrease in Cash and Cash equivalents – due to payment to contractors and suppliers for ongoing development of various projects and partial payment of interest-bearing loans.
- 5% Increase in Trade and other receivables – due to increase in installment sales booked for the period.
- 16% Increase in Contract assets – due to additional sales from uncompleted projects with higher percentage of completion than percentage of collection.
- 22% Decrease in Right-of-use asset – due to amortization for the period.
- 24% Increase in Contract liabilities – due to increase of sales from uncompleted projects with lower percentage of completion than percentage of collection.
- 27% Increase in Customer's deposit – due to increase in collection from existing buyers and new reservation sales.
- 9% Decrease in Advances from related parties – due to payments made to related parties.
- 14% Increase in Other non-current liabilities – due to increase in retention payable.

## **KEY PERFORMANCE INDICATORS**

### **LIQUIDITY RATIOS**

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Current Ratio	4.58	4.87
Quick Assets Ratio	1.80	1.83

*Current Ratio (Current Assets/Current Liabilities)*

Liquidity ratio measures a company's ability to pay short-term obligations.

*Quick Assets Ratio (Current Assets less Inventories and Other Current Assets/Current Liabilities)*

It measures a company's ability to meet its short-term obligations with its most liquid assets.

### LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	June 30, 2024	December 31, 2023
Debt to Total Assets	35%	35%
Equity to Total Assets	65%	65%
Debt to Equity	54%	54%
Asset to Equity	1.54	1.54

*Debt to Total Assets*

It shows the creditors' contribution to the total resources of the organization.

*Equity to Total Assets*

It shows the extent of owners' contribution to the total resources of the organization.

*Debt to Equity*

It relates the exposure of the creditors to that of the owners.

*Asset To Equity (Total Assets/Total Owner's Equity)*

It measures the company's leverage.

### PROFITABILITY RATIOS

	June 30, 2024	June 30, 2023
Return on Equity	2.63%	2.61%
Return on Assets	1.61%	1.69%
Earnings per Share	₱ 0.0809	₱ 0.0772

*Return on Equity (Net Income Attributable to Parent Company's shareholders/Average Equity Attributable to Parent Company's shareholders)*

It tests the productivity of the owners' investments.

*Return on Assets (Net Income/Average Total Assets)*

This ratio indicates how profitable a company is relative to its total assets.

*Earnings per Share (EPS)*

It indicates the earnings for each of the common shares held.

## ACTIVITY RATIO

	June 30, 2024	June 30, 2023
Asset Turnover	4.97%	5.09%

*Asset Turnover (Sales/Total Assets)*

It measures the level of capital investment relative to sales volume.

## INTEREST COVERAGE RATIO

	June 30, 2024	June 30, 2023
Interest Coverage	4.94	6.54

*Interest Coverage Ratio (Earnings before Interest and Income Tax/Interest Expense)*

It measures how easily a company can pay interest on an outstanding debt.

## OTHERS

As of the 2nd quarter ended June 30, 2024, there are no:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations.
- Significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes for any material changes from period to period in one or more line items of the Company's financial operations.
- Seasonal aspects that had a material effect on the financial condition or results of the operations.
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.



## **GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**

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### **NOTES TO FINANCIAL STATEMENTS**

**FOR THE 2<sup>nd</sup> QUARTER ENDED June 30, 2024**

#### **1. CORPORATE INFORMATION**

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994. It is primarily engaged in the development of integrated tourism and leisure estates, and integrated lifestyle communities with residential, retail, hotel and/or leisure components. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

The registered office address of the Company, which is also its principal place of business, is located at 9/F Eastwood Global Plaza, Palm Tree Avenue, Eastwood City, Bagumbayan, Quezon City.

Megaworld Corporation (Megaworld or the parent company) is the parent company of Global-Estate Resorts, Inc. and subsidiaries (the Group). Megaworld is 70% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company.

Megaworld was incorporated in the Philippines primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. Megaworld is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue, Uptown Bonifacio, Taguig City.

AGI is a holding company with diversified investments in real estate, food and beverage, quick service restaurants and tourism-entertainment and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

The shares of stock of the Company, Megaworld and AGI are listed at the Philippine Stock Exchange.

## 1.1 Composition of the Group

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group) as of June 30, 2024:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership
<b>Subsidiaries:</b>		
Global-Estate Properties, Inc. (GEPI)		100%
Aklan Holdings Inc. (AHI)	(a)	100%
Blue Sky Airways, Inc. (BSAI)	(a)	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(a)	100%
MCX Corporation (MCX)	(a)	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%
Prime Airways, Inc. (PAI)	(a)	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%
Global-Estate Golf and Development, Inc. (GEGDI)		100%
Golforce, Inc. (Golforce)	(b)	100%
Southwoods Ecocentrum Corp. (SWEC)	(b)	60%
Philippine Aquatic Leisure Corp. (PALC)	(c)	60%
Fil-Estate Urban Development Corp. (FEUDC)		100%
Novo Sierra Holdings Corp. (NSHC)		100%
Elite Communities Property Services, Inc. (ECPSI)	(d)	100%
Savoy Hotel Boracay, Inc. (SHBI)	(e)	100%
Belmont Hotel Boracay, Inc. (BHBI)	(e)	100%
Megaworld Global-Estate, Inc. (MGEL)	(f)	60%
Twin Lakes Corp. (TLC)		51%
Twin Lakes Hotel, Inc. (TLHI)	(g)	51%
Oceanfront Properties, Inc. (OPI)		50%
Global Homes and Communities, Inc. (GHCI)		100%
Southwoods Mall, Inc. (SMI)		51%
Elite Club & Leisure Inc. (ECLI)	(i)	100%
Integrated Resorts Property Management Inc. (IRPMI)	(i)	100%
<b>Associates:</b>		
Fil-Estate Network, Inc. (FENI)		20%
Fil-Estate Sales, Inc. (FESI)		20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%
Fil-Estate Realty Corp. (FERC)		20%
Nasugbu Properties, Inc. (NPI)	(h)	14%

Non-controlling interests (NCI) represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEL, TLC, TLHI, OPI and SMI.

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

**Explanatory notes:**

- a. Subsidiaries of GEPI; percentage ownership represents effective ownership of GERI.
- b. Subsidiaries of GEGDI; percentage ownership represents effective ownership of GERI.
- c. Subsidiary of SWEC.
- d. Subsidiary acquired in prior years primarily to manage and administer real estate properties.
- e. Subsidiaries engaged primarily to operate and manage resort hotels.
- f. Subsidiary acquired in prior years primarily to market the Group's projects.
- g. A subsidiary of TLC. TLHI was incorporated in 2018 to operate Twin Lakes Hotel, one of the real estate projects of TLC.
- h. Associate because GERI has a representation in the BOD.
- i. Newly incorporated subsidiaries this year, ECLI maintains and manages on the business and operations of clubs, resorts and leisure facilities. IRPMI manages and administers real estate properties.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policy information that have been used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements as of and for the year ended December 31, 2023, except for the application of amendments to standards that became effective on January 1, 2024 (see note 2.2).

### **2.1 Basis of Preparation of Consolidated Financial Statements**

*(a) Statement of Compliance with Philippine Financial Reporting Standards*

These interim unaudited condensed consolidated financial statements for the six months ended June 30, 2024 and 2023 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. These do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2023. The interim unaudited condensed consolidated financial statements have been prepared using the measurement bases specified by the Philippine Financial Reporting Standards (PFRS), including the Group's availment of several financial reporting reliefs granted by the SEC relating to the implementation issues of PFRS 15, under Memorandum circular (MC) No. 14-2018, MC No. 3-2019 and MC No. 4-2020.

*(b) SEC Financial Reporting Reliefs Availed by the Group*

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*

- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

SEC MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, the Group opted to avail the reliefs, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements, until the end of the deferment period as provided under the relevant MC.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

As at June 30, 2024, the Group adopted the IFRIC agenda decision using the modified retrospective approach. The Group recognized the impact of the change against the beginning retained earnings in 2024 amounting to Php358.6 million. The impact to the comparative accounts are decrease in current assets amounting to Php478.1 million, decrease in non-current liabilities amounting to Php119.5 million.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (deferred until December 31, 2023)

IFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

As of June 30, 2024, the Group adopted the guidelines of the Financial Reporting Reliefs granted by the SEC, but assessed and determined that the impact on the existing contracts is not material on the years presented and the opening balance of the retained earnings. Therefore, no adjustments were made relative to the adoption. The Group will continue in assessing if the significant financing component on new contracts is material and for recognition.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine Peso, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

## 2.2 Adoption of Amended PFRS

(a) *Effective in 2023 that are Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments):	Presentation of Financial Statements – Disclosure of Accounting
Policies PAS 8 (Amendments) :	Definition of Accounting
Estimates PAS 12 (Amendments):	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial

statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

- (ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective in 2023 that is not Relevant to the Group*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

- (iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)
- (v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

### 2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions.

The financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events, if any, that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Acquired subsidiaries are subject to either of the following relevant policies:

- (a) Business acquisitions of entities not under common control of a principal stockholder are accounted for using the acquisition method of accounting.
- (b) Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. Acquired investment in associate is subject to the purchase method.

### 2.4 Financial Instruments

- (a) *Financial Assets*

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

The Group's financial assets include financial assets at amortized cost which are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables [except for Value-added tax (VAT) on contracts with customers, Advances to raw landowners and Advances to officers and employees], Advances to Real Estate Property Owners, Advances to Related Parties, and Refundable deposits (as part of Other Non-current Assets account).

### Impairment of Financial Assets

The Group applies the simplified approach in measuring Expected Credit Losses (ECL), which uses a lifetime expected loss allowance for all trade and other receivables, contract assets, and other financial assets carried at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk.

In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

#### (b) *Financial Liabilities*

Financial liabilities of the Group include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Due to Joint Venture Partners, Lease Liabilities and Other Non-current Liabilities account (except Advance rental).

## **2.5 Inventories**

Costs of real estate inventories are assigned using specific identification of their individual costs.



The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

## **2.6 Property and Equipment**

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization for property and equipment and any impairment losses. As no finite useful life for land can be determined, the related carrying amount are not depreciated.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Office furniture, fixtures and equipment	3-5 years
Transportation and other equipment	5 years
Building and office improvements	5-10 years

## **2.7 Investment Properties**

Investment properties consist of parcels of land and buildings, including those under construction, held or intended for lease or for capital appreciation or both. These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	25-50 years

## **2.8 Revenue and Expense Recognition**

Revenue comprises revenue from sale of real properties, hotel operations and leasing activities. The Group's leasing activities are accounted for under PFRS 16 (see Note 2.9).

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1. Sales cancellations are accounted for on the year of forfeiture. Cumulative revenue and costs recognized on cancelled contracts are reversed in the year of cancellation, and any gain or loss is charged to profit or loss.

- (a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under Revenues and Income section in the consolidated statement of comprehensive income.
- (b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales account under Revenues and Income section in the consolidated statement of comprehensive income. For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, GEPI, TLC, OPI, GEGDI and FEUDC.
- (c) *Hotel operations* – Revenues from room accommodation and services are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer. For food and beverage, revenue is recognized at a point in time upon delivery to and receipt of food and beverage by the customer.
- (d) *Service income* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Service income comprises fees from maintenance of golf course and management fees.
- (e) *Marketing fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice to the customer. Any amounts remaining unbilled at the end of the reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell real property to customers are recognized as part of Prepayments and Other Current Assets and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

Other costs and expenses are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in

the same manner as the Group assesses impairment of its financial assets [see Note 2.4(a)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on sale of real estate, considerations received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

## **2.9 Leases**

The Group accounts for its leases as follows:

### *(a) Group as Lessee*

The Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in consolidated profit or loss on a straight-line basis over the lease term.

### *(b) Group as Lessor*

The Group applies judgment in determining whether a lease contract is a finance or operating lease.

## **2.10 Impairment of Non-financial Assets**

The Group's investments in associates, investment properties, property and equipment, right-of-use assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## **2.11 Employee Benefits**

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits. The Group's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified and noncontributory.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

## **2.12 Share-based Employee Remuneration**

The Group grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

## **2.13 Basic and Diluted Earnings per Share**

Basic earnings per share (EPS) is computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Group's potentially dilutive shares consist only of share options.

# **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

## **3.1 Critical Management Judgments in Applying Accounting Policies**

In the process of applying the Group's accounting policies, management has made the judgments below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

### *(a) Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after

termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

*(b) Evaluation of the Timing of Satisfaction of Performance Obligations*

*(i) Real Estate Sales*

The Group exercises significant judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments. On the other hand, performance obligation for completed real estate properties is satisfied at a point in time when the control over the real estate property is transferred to the buyer.

*(ii) Hotel Operations*

The Group determines that its revenue from hotel operations shall be recognized over time. In making its judgment, the Group considers the timing

of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iii) *Food and Beverages, and Others*

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management assesses that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(iv) *Service and Other Income*

The Group determines that its revenue from services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(v) *Forfeited Collections and Deposits*

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(c) *Determining Existence of a Contract with Customer*

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition.

In a sale of real estate properties, the Company's primary document for a contract with a customer is a signed contract to sell which is executed when the real estate property sold is either at the pre-selling stage or completed and ready for use by customer. In rare cases wherein contract to sell are not executed by both parties, management has determined that the combination of other signed documentations with the customers such as reservation agreement, official receipts, computation sheets and invoices, would contain all the elements to qualify as contract with the customer (i.e., approval of the contract by the parties, which has commercial substance, identification of each party's rights regarding the goods or services and the related payment terms). Moreover, as part of the evaluation, the Company assesses the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, the Company considers the significance of the customer's downpayment in relation to the total contract price [see Note 3.1(d)].

Collectability is also assessed by considering factors such as past history with the customer and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

*(d) Determination of Collection Threshold for Revenue Recognition*

The Company uses judgment in evaluating the probability of collection of transaction price on real estate sales as a criterion for revenue recognition. The Company uses historical payment pattern of customers and number of sales cancellation in establishing a percentage of collection threshold over which the Company determines that collection of the transaction price is reasonably assured. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer when reaching the set collection threshold would demonstrate the buyer's commitment to pay the total contract price.

*(e) Determination of ECL on Trade and Other Receivables, Contract Assets and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for group of various customer segments that have similar loss patterns (i.e., product type, customer type, and coverage by letters of guarantee and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to Advances to Related Parties and other related party receivables, the Group uses the liquidity approach as the receivables are collectible on demand.

*(f) Distinction among Investment Properties and Owner-occupied Properties*

The Group determines whether an asset qualifies as an item of investment properties or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment properties only if an insignificant portion is held for administrative purposes. Judgment is applied in

determining whether ancillary services are so significant that a property does not qualify as investment properties. The Group considers each property separately in making its judgment.

(g) *Distinction Between Real Estate Inventories and Investment Properties*

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(h) *Determination of Significant Influence over Entities in which the Group Holds Less than 20% Ownership*

The Group determines whether significant influence exists over an investee company over which the Group holds less than 20% of the investee's capital stock. The Group considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee, provision of essential technical information for the development of the various projects of these investees, and routine participation in management decisions in making its judgment.

Based on management's judgment, the Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions, but has no control or joint control of those policies (see Note 1).

(i) *Consolidation of Entities in which the Company Holds 50% Ownership or Less*

Management considers that the Company has de facto control over OPI even though it does not hold more than 50% of the ordinary shares and voting rights of this subsidiary due to the factors discussed below.

The Company holds 50% equity interest over OPI and has: (1) the ability to direct the relevant activities of the subsidiary; (2) the rights to variable returns from its involvement with the subsidiary; and, (3) the ability to use its power to affect its returns from its involvement with the subsidiary. Based on management's judgment, the Company has control over OPI; hence, the said subsidiary was consolidated in the financial statements of the Group.

(j) *Distinction Between Operating and Finance Leases (as a Lessor)*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Group's lease agreements, as lessor, are classified either operating or finance leases.



(k) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Judgment is exercised by management to distinguish between provisions and contingencies.

### **3.2 Key Sources of Estimation Uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed in the succeeding pages.

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using the effective interest rate on the most recent loan. Since the date of the availment is near the initial date of application, management is satisfied that the selected rate reflects the risks specific to the Group.

(b) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(c) *Revenue Recognition for Performance Obligations Satisfied Over Time*

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A

significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

(d) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(e) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. In evaluating net realizable value of inventories, recent market conditions and current market prices have been considered.

(f) *Fair Value of Stock Options*

The Group estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option was granted. The estimates and assumptions used which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

(g) *Estimation of Useful Lives of Investment Properties, Property and Equipment, Software and Right-of-use Assets*

The Group estimates the useful lives of investment properties, property and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, property and equipment, and development right are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at June 30, 2024 and December 31, 2023, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(h) *Fair Value Measurement of Investment Properties*

Investment properties is measured using the cost model. The Group determines the fair values of building and building improvements earning rental income through discounted cash flows valuation technique since the information on

current or recent prices of assumptions underlying the discounted cash flow approach of investment properties is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates.

These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

For land and land development and improvements, the Group determines the fair value of land through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at June 30, 2024 and December 31, 2023 will be fully utilized within the prescribed period of availment.

(j) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses were recognized on investment properties, property and equipment, and right-of-use assets and other non-financial assets for the quarter ended June 30, 2024 and December 31, 2023.

(k) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

4. **Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.**

The following table present revenue and income information for the 2<sup>nd</sup> quarter ended June 30, 2024 and June 30, 2023.

**June 30, 2024**

*(Amount in thousands)*

	Sales of Real Estate	Hotel Operations	Rentals and Services	Total
Revenue	₱3,116,191	₱443,196	₱379,789	₱3,939,176
Cost	1,428,000	178,135	183,308	1,789,443
<b>Gross profit</b>	<b>₱ 1,688,191</b>	<b>₱265,061</b>	<b>₱196,481</b>	<b>₱2,149,733</b>

**June 30, 2023**

*(Amount in thousands)*

	Sales of Real Estate	Hotel Operations	Rentals and Services	Total
Revenue	₱3,093,793	₱307,897	₱345,104	₱3,746,794
Cost	1,336,768	151,578	166,763	1,655,109
<b>Gross profit</b>	<b>₱1,757,025</b>	<b>₱156,319</b>	<b>₱178,341</b>	<b>₱2,091,685</b>

5. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.  
There have been no material events that happened subsequent to the interim period that need disclosure herein.
6. Effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation.  
Not applicable.
7. Changes in contingent liabilities or contingent assets since the last annual balance sheet date  
The Company is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.
8. Existence of material contingencies and any other events or transactions that are material to an understanding of current interim period.  
There have been no material contingencies and any other events or transactions that are material to an understanding of current interim period.

10. Any events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

There have been no events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

11. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There have been no material off-balance sheet transactions and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

12. Dividends paid separately for ordinary shares and other shares

Not applicable.

13. Seasonality or cyclicity of interim operations

Not applicable

14. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

Not applicable

15. Issuances, repurchases, and repayments of debt and equity securities

There have been no issuance, repurchase and repayment of debt and equity securities for the period.

## **RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's financial instruments comprise of cash, short-term bank deposits and investments.

Exposures to credit and liquidity risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

1. To identify and monitor such risks on an ongoing basis;
2. To minimize and mitigate such risks; and
3. To provide a degree of certainty about costs.

### **Credit Risk**

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties. The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers. Transfer of title is made to buyers only upon full payment of the account.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

### **Liquidity Risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

### **Interest Rate Risk**

The Group has no significant exposure to interest rate risk as some financial assets and liabilities are fixed-interest bearing.

### **Foreign Exchange Risk**

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from Group's United States (U.S.) dollar-denominated cash and cash equivalents.

Management assessed that the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents to be not material.

## **CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

(Figures in thousands)

	<u>June 2024</u>	<u>December 2023</u>
Total Liabilities	P 22,101,647	P 21,756,304
Total Equity	<u>40,589,977</u>	<u>39,942,227</u>
Debt-to-equity ratio	<u>0.54:1</u>	<u>0.54:1</u>

### **CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities.

The carrying amounts and fair value of the categories of financial assets and liabilities presented in the consolidated financial statement of financial position are shown below:

*Figures in thousands*

	<u>June 30, 2024</u>		<u>December 31, 2023</u>	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial assets</b>				
Financial assets at amortized cost:				
Cash and cash equivalents	P 1,732,309	P 1,732,309	P 2,126,242	P 2,126,242
Trade and other receivables - net	12,726,510	12,726,510	12,114,217	12,759,291
Advances to real property owner	1,347,723	1,347,723	1,336,867	1,336,867
Advances to related parties	562,045	562,045	567,858	567,858
Refundable deposits	<u>89,077</u>	<u>89,077</u>	<u>89,278</u>	<u>89,278</u>
	<u>P 16,457,664</u>	<u>P 16,457,664</u>	<u>P 16,234,462</u>	<u>P 16,879,536</u>
<b>Financial liabilities</b>				
Financial liabilities at amortized cost:				
Interest bearing loans and borrowings	P 9,204,135	P 9,204,135	P 9,494,070	P 8,622,238
Trade and other payables	4,266,484	4,266,484	4,241,086	4,241,086
Advances from related parties	627,328	627,328	692,156	692,156
Due to joint venture partners	492,410	492,410	493,246	493,246
Retention Payable	790,777	790,777	746,185	746,185
Lease liabilities	<u>405,359</u>	<u>405,359</u>	<u>410,361</u>	<u>410,361</u>
	<u>P 15,786,493</u>	<u>P 15,786,493</u>	<u>P 16,077,104</u>	<u>P 15,205,272</u>

See notes to financial statements 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in page 28. The Group does not actively engage in the trading of financial assets for speculative purposes.



GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2024  
(Amount in Thousands)

Annex A-1

	Unaudited As of June 30, 2024	Audited December 31, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash equivalents	P 1,732,309 P	2,126,242
Trade and other receivables - net	8,497,602	8,748,155
Contract assets	5,430,334	4,002,000
Advances to real property owners	53,088	43,536
Advances to related parties	562,045	567,858
Inventories - net	20,669,538	21,153,888
Prepayments and other current assets - net	4,498,977	4,512,404
Total Current Assets	<u>41,443,893</u>	<u>41,154,083</u>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	5,945,238	5,029,438
Contract assets	1,281,325	1,805,264
Advances to real estate property owners	1,294,635	1,293,331
Investment in associates - net	732,082	732,082
Investment Properties - net	10,841,569	10,552,468
Property and equipment - net	907,025	879,823
Right-of-use asset	67,440	85,982
Other non-current assets	178,417	166,060
Total Non-current Assets	<u>21,247,731</u>	<u>20,544,448</u>
<b>TOTAL ASSETS</b>	<b><u>P 62,691,624 P</u></b>	<b><u>61,698,531</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	P 1,579,401 P	1,527,430
Trade and other payables	4,602,952	4,578,283
Contract liabilities	747,192	479,315
Due to joint venture partners	492,410	493,246
Customer's deposit	955,092	646,053
Advances from related parties	627,328	692,156
Lease Liabilities	38,275	38,660
Total Current Liabilities	<u>9,042,650</u>	<u>8,455,143</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	7,624,734	7,966,639
Contract liabilities	402,971	446,497
Customer's deposit	612,164	591,621
Deferred tax liabilities-net	3,347,675	3,287,057
Retirement benefit obligation	142,162	142,619
Lease Liabilities	367,084	371,701
Other non-current liabilities	562,207	495,027
Total Non-current Liabilities	<u>13,058,997</u>	<u>13,301,161</u>
Total Liabilities	<u>22,101,647</u>	<u>21,756,304</u>
<b>EQUITY</b>		
Equity attributable to parent company's shareholder	34,077,190	33,539,491
Non-controlling interest	6,512,787	6,402,736
Total Equity	<u>40,589,977</u>	<u>39,942,227</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>P 62,691,624 P</u></b>	<b><u>61,698,531</u></b>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD 2Q2024 VS. 2Q2023  
(Amount in Thousands)

Annex A-2

	Unaudited 2Q 2024		Unaudited 2Q 2023	
	April - June	January-June	April - June	January-June
<b>REVENUES</b>				
Real estate sales	P 1,504,485	P 3,116,191	P 1,412,325	P 3,093,793
Rental income	144,098	272,813	149,319	272,738
Hotel operations	241,625	443,196	165,023	307,897
Service income	53,893	106,976	37,348	72,365
Marketing fees	33,143	35,064	10,653	18,185
Finance and other income	215,931	360,394	66,634	147,006
	<u>2,193,175</u>	<u>4,334,634</u>	<u>1,841,302</u>	<u>3,911,984</u>
<b>COST AND EXPENSES</b>				
Real estate sales	664,931	1,428,000	561,516	1,336,768
Cost of rentals and services	92,771	183,308	88,623	166,763
Cost of hotel operations	90,064	178,135	77,213	151,578
Operating expenses	509,648	846,126	427,588	741,185
Finance costs and other charges	296,963	398,084	102,702	186,482
Income tax expense	136,337	302,029	153,572	333,346
	<u>1,790,714</u>	<u>3,335,682</u>	<u>1,411,214</u>	<u>2,916,122</u>
<b>Net Profit (Loss)</b>	<b>402,461</b>	<b>998,952</b>	<b>430,088</b>	<b>995,862</b>
<b>Other Comprehensive Income (Loss)</b>				
Revaluation reserve	-	-	-	-
<b>Total Comprehensive Income (Loss)</b>	<b>402,461</b>	<b>998,952</b>	<b>430,088</b>	<b>995,862</b>
<b>Net profit (loss) attributable to:</b>				
Parent Company's shareholder	346,862	888,901	368,823	847,957
Non-controlling interest	55,599	110,051	61,265	147,905
	<u>402,461</u>	<u>998,952</u>	<u>430,088</u>	<u>995,862</u>
<b>Total Comprehensive Income (loss) attributable to:</b>				
Parent Company's shareholders	346,862	888,901	368,823	847,957
Non-controlling interest	55,599	110,051	61,265	147,905
	<u>402,461</u>	<u>998,952</u>	<u>430,088</u>	<u>995,862</u>
<b>Earnings per share</b>	<b><u>0.0316</u></b>	<b><u>0.0809</u></b>	<b><u>0.0336</u></b>	<b><u>0.0772</u></b>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(Amount in Thousands)*

Annex A -3

	As of June 30, 2024	As of June 30, 2023
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>		
<b>CAPITAL STOCK</b>	P 10,986,000 P	10,986,000
<b>ADDITIONAL PAID IN CAPITAL</b>	4,747,739	4,747,739
<b>REVALUATION RESERVE</b>	70,030	71,504
<b>RETAINED EARNINGS</b>	18,273,421	16,734,046
	<b>34,077,190</b>	<b>32,539,289</b>
<b>MINORITY INTEREST</b>	6,512,787	6,460,258
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>P 40,589,977 P</b>	<b>38,999,547</b>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

*(Amounts in Thousands)*

**Annex A-4**

	As of June 30, 2024	As of June 30, 2023
Net Income before tax	P 1,300,981 P	1,329,208
Add(less)		
Finance cost	305,752	29,298
Depreciation and amortization	166,773	157,730
Finance income	(33,950)	(33,405)
<b>Operating Income(loss) before working capital changes</b>	1,739,556	1,482,831
Net Changes in Operating Assets and Liabilities		
Decrease(Increase) current and non current asset	(1,710,378)	(3,009,950)
(Decrease)Increase current and non current liabilities	668,926	791,139
Cash paid for income taxes	(35,263)	(2,621)
Interest paid	(249,749)	(12,728)
<b>Cash from(used in) Operating Activities</b>	413,092	(751,329)
<b>Cash from(used in) Investing Activities</b>	(446,975)	(19,484)
<b>Cash from (used in) Financing Activities</b>	(360,050)	1,830,974
<b>Net Increase (decrease) in cash and cash equivalent</b>	(393,933)	1,060,161
<b>Cash and cash equivalent at the beginning of the year</b>	2,126,242	2,354,707
<b>Cash and cash equivalent at the end of the period</b>	P 1,732,309 P	3,414,868

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**

As of June 30, 2024

*(Amounts in Thousands)*

Annex A-5

Aging of Accounts Receivable

Type of receivables:	TOTAL	CURRENT/NOT YET DUE	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year
a. Trade/Other Receivable	14,442,840	12,788,019	371,379	310,869	578,822	393,751
Net Receivable	14,442,840					