

ANNUAL REPORT

General Nature and Scope of the Business

The Company was incorporated as La Suerte Gold Mining Corporation on April 20, 1970 primarily to engage in the exploration, exploitation, and development of mineral resources, and to purchase, lease, and otherwise acquire mining claims and concessions anywhere in the Philippines, and to carry on the business of mining, extracting, smelting, treating, and otherwise producing and dealing in metals and minerals of all kinds including all its products and by-products.

On May 16, 1995, the stockholders approved the realignment of the Company's main business activities from that of a mining company to that of an investment holding company. In line with this, the stockholders approved the change in the Company's name from La Suerte Gold Mining Corporation to Global Equities, Inc. (GEI).

As a holding company, it invests in and/or manages companies engaged in the manufacture of absorbent cotton, and personal care products and in the provision of specialized corporate facilities for end-users. It has substantial investment in the following companies:

Company	Percent of Holdings	Activities
Adamson & Adamson, Inc. Incorporated in May 1954	99.9%	Engaged in the manufacture and distribution of high-quality absorbent cotton, personal, health and baby care products. The Company has ceased its manufacturing operations in 2002.
Mt. Ridge Executive Resort & Corporate Center, Inc. Incorporated on August 27, 1996	70%	The Company to develop a premier vacation residential area within a Nature Park along Tagaytay Ridge in Laurel, Batangas.
Global Clark Assets, Corp. Incorporated on May 20, 1996	100%	The Company is the lessee of an 87.3274 hectare area within the Clark Special Economic Zone. The Company envisions the development of the area into a mixed use complex which will include, but shall not be limited to, a retirement village, a residential complex, a commercial center and a light industrial park.
Sacobia Hills Development Corp. Incorporated on January 22, 1997	20%	The Company is the owner/developer of True North Golf and Country Club

Market for Issuer's Common Equity and Related Stockholder Matters

A. Market information

The Company's common shares are traded at the Philippine Stock Exchange. For the month ending 31 August 2006, market price was at a high of ₱0.67 and at a low of ₱0.63.

As of the trading date of 15 September 2006, the market price for the Company's common shares was at a high of ₱0.51 and at a low of ₱0.46.

The average high and low sales prices of each quarter within the last two years and interim period are as follows:

	<u>High</u>	<u>Low</u>
Year 2006		
First Quarter	₱.08	₱.0625
Second Quarter	.075	.0725
	<u>High</u>	<u>Low</u>
Year 2005		
First Quarter	₱0.150	₱0.0575
Second Quarter	0.105	0.0625
Third Quarter	0.080	0.0600
Fourth Quarter	0.0725	0.0625
	<u>High</u>	<u>Low</u>
Year 2004		
First Quarter	₱0.070	₱0.055
Second Quarter	0.085	0.050
Third Quarter	0.085	0.060
Fourth Quarter	0.075	0.055

B. Holders

As of 31 August 2006, the Company has 681 stockholders and the top twenty shareholders of the Company as of said date are the following:

<u>Stockholder's Name</u>	<u>Class of Securities</u>	<u>Outstanding & Issued Shares (Fully Paid)</u>	<u>Total Holdings (Subscribed)</u>	<u>Percentage to Total</u>	<u>Nationality</u>
PCD Nominee Corp (Filipino)	<u>Common</u>	1,486,227,639	1,486,227,639	75.765	Filipino
Nora A. Bitong	<u>Common</u>	195,298,005	195,298,005	9.956	Filipino
Mercury Group of Companies, Inc.	<u>Common</u>	44,508,600	44,508,600	2.269	Filipino
Margarita F. Sison	<u>Common</u>	20,115,806	20,115,806	1.025	Filipino
Florentino M. Herrera III	<u>Common</u>	16,655,179	16,655,179	0.849	Filipino
Transnational Diversified	<u>Common</u>	13,514,695	13,514,695	0.689	Filipino

<u>Stockholder's Name</u>	<u>Class of Securities</u>	<u>Outstanding & Issued Shares (Fully Paid)</u>	<u>Total Holdings (Subscribed)</u>	<u>Percentage to Total</u>	<u>Nationality</u>
Corporation					
Jerry C. Angping	<u>Common</u>	11,000,000	11,000,000	0.561	Filipino
PCD Nominee Corp. (Non-Filipino)	<u>Common</u>	10,211,929	10,211,929	0.521	Others
William V. Coscolluela	<u>Common</u>	9,890,000	9,890,000	0.504	Filipino
Valmora Investment & Mgmt. Corp.	<u>Common</u>	9,272,625	9,272,625	0.473	Filipino
Jannov Holdings Corporation	<u>Common</u>	7,912,640	7,912,640	0.403	Filipino
Benito Araneta	<u>Common</u>	5,890,800	5,890,800	0.300	Filipino
Jose Ben Laraya	<u>Common</u>	5,538,848	5,538,848	0.282	Filipino
Rosencor	<u>Common</u>	5,178,099	5,178,099	0.264	Filipino
Vicente Panlilio	<u>Common</u>	5,027,824	5,027,824	0.256	Filipino
Parallax Resources, Inc.	<u>Common</u>	4,727,000	4,727,000	0.241	Filipino
Firm Holding Corporation	<u>Common</u>	3,966,210	3,966,210	0.202	Filipino
Peter Tanchi, Sr.	<u>Common</u>	3,850,000	3,850,000	0.196	Filipino
Nestor S. Mangio	<u>Common</u>	3,790,050	3,790,050	0.189	Filipino
Ching Tions Keng and/or Cynthia Ching	<u>Common</u>	3,600,000	3,600,000	0.184	Filipino
Grand Total		<u>1,866,095,749</u>	<u>1,866,095,749</u>		

C. Dividends

There were no dividends declared in 2004 and 2005. The Company's continuing net loss performance inhibits the paying of dividends to shareholders.

D. Recent Sales of Unregistered Securities

For the period 2003 to 2005, the Company has not sold any unregistered securities.

Directors and Executive Officers

The term of office of the directors of the Company is one (1) year and they are to serve as such until the election and qualification of their successors. Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

The incumbent directors and officers of the Company with their corresponding position, age, citizenship, and business experience for the past five (5) years are indicated in Item No. 5 in the attached SEC Form 20 - IS [Definitive Information Statement].

Financial Statements

Please see Exhibit A.

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Sycip Gorres Velayo and Co. ("SGV") has been the Company's independent auditor since 2001.

There was no event in the past where SGV had any disagreement with the Company with regard to any matter relating to accounting principles or practices or financial statement disclosure or auditing scope or procedure.

(1) Audit and Audit-Related Fees

The aggregate bills filed for each of the last two fiscal years for professional services rendered by the external auditors amounted to Php800,000.00.

(2) Tax Fees: Zero

The external auditors have not rendered any tax accounting, compliance, advice, planning or any other similar form of tax services to the Company for the last two fiscal years.

(3) All Other Fees: Zero

The external auditors have not provided any products or services to the Company other than the audit services provided under item (1) above.

The Audit Committee of the Company reviewed, evaluated and approved the policies and procedures for the professional services rendered by SGV.

Management's Discussion and Analysis or Plan of Operation

FINANCIAL PERFORMANCE AND RESULTS OF OPERATION AS OF 30 JUNE 2006

The table below presents the key financial highlights of the Company for the relevant period from 1 January to 30 June 2006, followed by a management discussion of the said operating and financial results.

Financial Performance
In Pesos Thousands

Key Financial Indicators	June 2006			%	June 2005			%
	Real Estate	Manufacturing	Total		Real Estate	Manufacturing	Total	
Gross Revenues	-	232	232	100	76,122	938	77,060	100
Cost and Expenses	17,462	2,633	20,095	(87)	19,333	4,501	23,834	31
Net Income (Loss)	(17,462)	(2,401)	(19,863)	(86)	56,789	(3,563)	53,226	69
Minority Interest	(1,471)		(1,471)		(1,519)		(1,519)	
Segment Current Assets	2,136	877	3,013		(742)	4,909	4,167	
Unallocated Current Assets	4,408	2,865	7,273		6,804	2,865	9,669	
Total Current Assets	6,544	3,742	10,286	1	6,062	7,774	13,836	1
Segment Assets	857,870	2,976	860,846		1,045,673	4,289	1,049,962	
Unallocated Assets	4,408	2,865	7,273		6,804	2,865	9,669	
Total Assets	862,278	5,841	868,119	100	1,052,477	7,154	1,059,631	100
Current Liabilities	794,382	82,648	877,030	101	753,728	85,442	839,170	79
Segment Liabilities	960,086	142,516	1,102,602		918,589	137,162	1,055,751	
Unallocated Liabilities	18,368		18,368		16,794	-	16,794	
Total Liabilities	978,454	142,516	1,120,970	129	935,383	137,162	1,072,545	101
Total Stockholders' Equity			(252,851)	(29)			(12,914)	(1)
Current Ratio	0.0082	0.0453	0.0117		0.0080	0.0910	0.0165	
Debt to Equity			(4.43)				(83.05)	
Gross Profit Margin	NA	NA			0.75	NA		
Net Operating Margin	NA	NA			0.75	NA		
Return on Assets	(0.02)				0.05			

Financial results showed ₱ 21.334 million loss inclusive of minority interest brought about by the following transactions:

- a) ₱ 19.518 million interest accrued for the two quarters;
- b) Parent company shows a ₱0.248 million operating expenses attributable to
 - b.1 Payment of PSE Membership fee for year 2006
 - b.2 Accrual of professional fees (legal counsel and transfer agent)
 - b.3 Accrual of rent expense
 - b.4 Other expenses
- c) Subsidiaries reported total operating expenses of around ₱0.800 million

In terms of Total Assets, June 2006 as against June 2005;

- (1) Decrease in receivable due to write-off of uncollectible accounts;
- (2) Decrease in other current assets is the net effect of decrease in creditable tax due to application against tax due for the year 2006 amounting to ₱ 2.460 million and increase in input tax;

- (3) Decrease in land and development of ₱ 184.750 million is due to additional provision for impairment loss, and
- (4) Decrease in refundable deposits due to the refund of deposit with Clark Development Corporation as discussed in note 10.

In terms of total liabilities, the difference is attributable mainly on the following:

- a) accrual of interest on bank loans;
- b) additional advances made by the Principal Stockholder to fund various expenses; and
- c) increase in deferred tax liability due to increase in income tax rate from 32% to 35%.

The Company is still in the process of completing the requirements of the conditional dacion-en-pago agreement with EPCIB amounting to ₱116 million (please refer to note 9 of the consolidated financial statements).

Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operation of the following:

- a. Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

On April 25, 2005, a Memorandum of Agreement (MOA) was signed by the Parent Company with the former land owners of the Soro-soro properties in Batangas for a joint undertaking. The MOA included the non-payment of the remaining balance of the liability of the Parent Company to the former land owners of ₱ 152.242 million resulting to an undivided interest over the property of 80% to the Parent Company and 20% to the land owners.

In the remaining five-hectare property located at NAIA airport, the Company is in negotiation with its creditor bank, United Overseas Bank (UOB), regarding its outstanding loan amounting to ₱ 231.5 million with the entry of a third-party investor on a straight -sale basis.

The Company's 70% equity interest in Mountain Ridge Executive Resort and Conference Center, Inc. (MRECCI) is currently the subject of a joint venture arrangement with the Sta. Lucia Realty, Inc. (Sta. Lucia). This 16-hectare property has a mortgage with Rizal Commercial Banking Corporation (RCBC) in the amount of ₱ 70 million. In the joint venture agreement, MRECCI and Sta. Lucia will share 50/50 on the estimated sales proceeds ranging from ₱ 190 million to ₱ 280 million, with Sta. Lucia contributing the construction of the site development for the residential community.

After implementation of the above actions, GEI will only have its 20% equity in Sacobia Hills Development Corporation as debt free. The Principal Stockholder has a first mortgage on the following assets namely: (1) leasehold rights over 87.3274 hectares in Clark adjacent to Mimosa, (2) Batangas City Central of 68 hectares net, (3) 2,432 sq.m. property located at Paranaque and second mortgage on the 50,481 sq.m. property located at Paranaque City .

For the first six months of 2006, the Company's liquidity has remained restricted. However, with the above-mentioned transactions in progress, the issue of interest burden will eventually be resolved.

The Company remains obligated to pay its outstanding trade and non-trade payables particularly in AAI. The Company intends to pay through income from its trading operations when it normalizes.

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

The manufacturing subsidiary of the Company is still in the process of normalizing its sales operations hence, it cannot in anyway settle its outstanding payables. Non- settlement of liabilities would result to additional penalties and surcharges.

- c. 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.

The negotiations between the Company's subsidiary (70% owned) Mt. Ridge Executive Resort & Corporate Center, Inc. which has been finalized would result to positive cash flows which the Company intends to use in settlement of its loan obligation with RCBC amounting to ₱ 70 million.

- d. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The Company does not have any material commitments for capital expenditures. The Company remains in a consolidation strategy of its investments, either through outright sale or joint venture with a financial partner.

- e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations:

The shutdown of AAI's operations continuous to have a material effect in the Company's revenues and income. Similar to prior years, the Company's revenues and income are substantially, if not all attributed to its investment in AAI.

- f. Any significant element of income or loss that did not arise from the issuer's continuing operations:

There are no other sources of income or loss other than from the Company's continuing operations.

- g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

The additional provision for impairment loss on land and development of ₱ 184.750 million in December 2005 resulted to a considerable decline in Land and Development account and liabilities from June 2005 to June 2006.

The continuous advances of the Principal Stockholder to fund the various expenses increase the Payable to Stockholders account from June 2005 to June 2006.

Year 2003 - 2005

The table below presents the key financial highlights of the Company for the relevant period from 2003 to 2005, followed by a management discussion of the said operating and financial results.

Financial Performance In Pesos Thousands

Key Financial Indicator	Year 2005			Year 2004			%
	Parent & Other Affiliates	Adamson & Adamson, Inc.	Group Total	Parent & Other Affiliates	Adamson & Adamson, Inc.	Group Total	
Revenues		766	766	-	5,205	5,205	100
Cost and Expenses	159,064	8,596	167,660	(31,347)	442	(30,905)	616
Net Income (Loss)	(159,064)	(7,830)	(166,894)	31,347	4,763	36,110	(516)
Current Assets	6,441	4,692	11,133	8,846	7,615	16,461	
Current Liabilities	941,209	143,943	1,085,152	1,048,113	138,104	1,186,217	
Total Assets	865,231	6,773	872,004	1,128,529	9,860	1,138,389	
Total Liabilities	421,172	682,349	1,103,521	525,406	677,605	1,203,011	
Stockholders' Equity	444,059	(675,576)	(231,517)	603,123	(667,745)	(64,622)	
Current Ratio	0.007	0.033	0.010	0.008	0.055	0.014	
<u>Current Assets</u>							
<u>Current Liabilities</u>							
Total Liabilities to Equity	0.95	(1.01)	(4.77)	0.87	(1.01)	(18.62)	
<u>Total Liabilities</u>							
<u>Stockholders' Equity</u>							
Return on assets	(0.18)	(1.16)	(0.19)	0.03	0.48	0.03	
<u>Net Income</u>							
<u>Total Assets</u>							

Full Fiscal Years

Calendar Year 2005

Financial condition/ changes in financial condition

The Company reflected in its financial statements the signed agreement with landowners and broker regarding its 84-hectare property in Batangas City, Batangas, resulting in an increase in the Company's equity ownership from sixty percent (60%) to eighty percent (80%). In addition, payables to landowners amounting to P152.5 Million were completely reversed resulting in a positive net income of P27 Million. The Company continues to explore all interests in these properties whether as an outright sale or as a joint venture.

The Company's joint venture development with Sta. Lucia Realty, Inc. regarding its 16-hectare Tagaytay property (under subsidiary Mt. Ridge Executive Resort and Corporate Center, Inc. where the Company has seventy percent (70%) equity) is expected to wipe out its debt obligations with its creditors amounting to P70 Million. The Company's fifty percent (50%) share in revenues is at least P100 Million plus interest income, enabling the Company to pay more of its priority payables.

The Company continues to entertain all interests in its remaining 5-hectare NAIA-Parañaque property, with the goal of settling its debt obligation of P231.5 Million with its creditor bank.

With regard to its 140-hectare leasehold rights in the Clark Special Economic Zone, the Company concluded its negotiations with Clark Development Corporation and inked an amendment to the original lease agreement in March 2006. The new leasehold rights cover 87.3274 hectares. The Company continues to explore all interest in this investment.

The Company continues to protect its twenty percent (20%) equity in Sacobia Hills Development Corporation (developer of the True North Golf & Country Club inside Clark) including, most importantly, the rights of the members, by liaising with all concerned regulatory agencies.

The Company's trading operations in Adamson and Adamson, Inc. remains active although limited, but with no financial exposure. The Company continues to seek additional equity funding to continue and expand the trading operations and, at the most opportune time, to consider selling the brand equity.

With the above progress, the Company expects to improve its financial condition by year-end 2006.

Results of operations

The Company's investments in Adamson and Adamson, Inc. ("AAI") registered sales of P0.766 Million compared to P5.2 Million in 2004. AAI's third party manufacturer actually sold about P26.9 Million worth of AAI's products, however, AAI only reports direct sales to select distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. Operating expenses were recorded at P6.26 Million. Operating loss was reported at P5.495 Million compared to a net loss in 2004 of P10.989 Million (prior to allowance for probable losses). The reported loss of P166.894 Million is attributable mainly to the provision for impairment loss on land and development of the Company's property at Soro-Soro, Batangas City amounting to P184.750 Million.

As previously disclosed in 2003, AAI has become a trading operation of absorbent cotton products. A third party manufacturer produces the Company's products while the Company handles the marketing function, *i.e.*, strictly identifying potential distributors nationwide. As the manufacturer collects payments from the trade, AAI receives an income margin of 5% to 7.5% from the manufacturer. In effect, there is no financial exposure for the Company. The immediate goal of AAI is to regain its historical sales level of Adamson branded product of at least P90 Million.

On a consolidated basis, total assets were at P0.872 Billion in 2005 compared to P1.138 Billion in 2004. Total liabilities were at P1.104 Billion compared to P1.203 Billion in 2004. Stockholders' equity is a negative P231.517 Million compared to a negative P64.62 Million in 2004.

The Company's revenues decreased from P5.20 Million in 2004 to P0.766 Million in 2005. As previously explained, this is due to AAI's financial arrangement with its third party manufacturer wherein AAI only reports direct sales to certain distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. A total of about P25.9 Million was sold by the third party manufacturer in 2005 for AAI.

Net loss was at P166.894 Million compared to net income of P36.110 Million in 2004.

Plans and prospects

The Company expects its Tagaytay development to be substantially sold in 2006 as construction works are accelerated, enabling payment of bank debt and other payables. The NAIA-Parañaque, Batangas and Clark properties remain subject to outright sale or joint venture as the Company continues to entertain all interests. In the case of the NAIA-Parañaque property, this will also enable the Company to settle its remaining loan obligations making it debt free.

The Company intends to aggressively pursue protection of its rights in its 20% equity in Sacobia Hills Development Corporation, including the protection of the rights of the members of the True North Golf & Country Club.

The Company intends to maintain the trading operations of AAI with no financial exposure to protect the brand equity for possible sale or brand expansion in the future.

Liquidity

Liquidity remained restricted similar to prior years. While the Company remains committed in settling its trade and non-trade payables particularly in AAI, this can only come from its trading operations. The Company hopes to begin amortizing its payables no later than end 2006.

The Company relies on its principal stockholder for internal and immediate source of liquidity. Other sources include sale of its real estate investments and from AAI's operations. External sources can come from third party investors. The Company does not intend to resort to bank financing.

Long term sources of liquidity are expected to come from its existing and upcoming real estate developments, which would have a positive and material effect on the Company's financial position and performance.

Price changes to raw materials and labor are not material concerns in the Company's operations. It is also not subject to seasonality.

Calendar Year 2004

Financial condition / changes in financial condition

On 23 February 2004, the Company concluded a *dacion en pago* transaction with Equitable-PCI Bank concerning AAI's manufacturing facility and equipment in full settlement of its principal obligation amounting to P169.3 Million and AAI's P26.2 Million, for a total of P195.5 Million.

On 14 April 2004, the Company secured a preliminary agreement with landowners and brokers involving its investment in an 84-hectare property in Batangas City, Batangas. In effect, the Company's remaining payable to landowners of P152.2 Million will be wiped out entirely, and its equity participation in the property will increase from sixty percent (60%) to eighty percent (80%). Documentation is expected to be finalized no later than year-end 2005.

On 6 August 2004, the Company concluded a joint venture agreement with Sta. Lucia Realty, Inc. regarding the development of a 16-hectare property in Tagaytay, Laurel, Batangas. The property is owned by Mt. Ridge Executive Resort and Corporate Center, Inc., a 70% subsidiary of the Company, and has a mortgage in the amount of P70 Million with Rizal Commercial Banking Corporation.

Towards the end of the third quarter of 2004, the Company began negotiations for the sale of its twenty percent (20%) equity in Sacobia Hills Development Corporation, owner of the True North Golf & Country Club. Its Clark investment of 140 hectares of leasehold rights might also be included in the ongoing transaction. The Company hopes to conclude negotiations before year-end 2005.

These transactions are expected to have a positive impact on the Company in 2005, as interest and debt burden would be substantially reduced and idle real estate assets would be converted into ongoing concerns.

Results of operations

The Company's investment in AAI registered sales of P5.2 Million compared to P20.9 Million in 2003. AAI's third party manufacturer actually sold about P29 Million worth of Adamson products, however, AAI only reports direct sales to select distributors (P5.2 Million) as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. Operating expenses were recorded at P4.8 Million. Operating loss was reported at P6.4 Million compared to a net loss in 2003 of P84.9 Million (prior to allowance for probable losses). Although a net income of P4.7 Million was reported in 2004, this is a result of an P11.3 Million other income reported by the Company concerning its sale/disposal of certain equipment and facilities.

As disclosed in 2003, AAI has become a trading operation of absorbent cotton products. A third party manufacturer produces the Company's products while the Company handles the marketing function, *i.e.*, strictly identifying potential distributors nationwide. As the manufacturer collects payments from the trade, AAI receives income margin of 5% to 7.5% from the manufacturer. In effect, there is no financial exposure for the Company. The immediate goal of AAI is to regain its historical sales level of Adamson branded products of at least P90 Million.

On a consolidated basis, total assets were at P1.13 Billion in 2004 compared to P1.3 Billion in 2003. This is a result of the concluded *dacion* transaction of AAI's manufacturing facility and equipment. Total liabilities were at P1.22 Billion compared to P1.47 Billion in 2003. Stockholders' equity is a negative P91.23 Million compared to a negative P130.65 Million in 2003.

The Company's revenues decreased from P20.9 Million in 2003 to P5.2 Million in 2004. As previously explained, this is a result of AAI's financial arrangement with its third party manufacturer wherein AAI only reports direct sales to certain distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. A total of about P29 Million was sold by the third party manufacturer in 2004 for AAI.

Net income was at P39.2 Million compared to P127.2 Million in 2003. In 2004, while the Company recorded a net loss from operations of P10.9 Million, the condonation of interest charges by the principal stockholder amounting to P83 Million resulted in positive income for the Company.

Plans and prospects

In terms of its investment in AAI, the Company aims to maintain the presence of the Adamson brand in the market with no financial exposure, thereby protecting the brand equity for future sale and/or joint venture with a third party.

The joint venture with Sta. Lucia Realty Inc. (Sta. Lucia) on the Company's Tagaytay property is expected to generate at least P100 Million to P140 Million, thereby addressing its loan with Rizal Commercial Banking Corporation of P70 Million. The project is expected to be completely sold not later than year-end 2005, as forecasted by Orchard Property Marketing Corporation, a wholly-owned subsidiary of Sta. Lucia. The Company is also in preliminary discussions with the same developer regarding its 84-hectare Batangas City investment.

The Company's 5-hectare property in Parañaque, Metro Manila remains the subject of possible sale and/or joint venture with third parties. The objective is to fully liquidate its loan of P231.5 Million, the only remaining bank loan of the Company.

The Company's goal remains the immediate liquidation of its loans and the conversion of its remaining assets into ongoing concerns.

Liquidity

Liquidity remained restricted similar to prior years. While the Company remains committed in settling its trade and non-trade payables particularly in AAI, this can only come from its trading operations. The Company hopes to begin amortizing its payables no later than end 2005.

The Company relies on its principal stockholder for internal and immediate source of liquidity. Other sources include sale of its real estate investments and from AAI's operations. External sources can come from third party investors. The Company does not intend to resort to bank financing.

Long term sources of liquidity are expected to come from its existing and upcoming real estate developments, which would have a positive and material effect on the Company's financial position and performance.

Price changes to raw materials and labor are not material concerns in the Company's operations. It is also not subject to seasonality.

Calendar Year 2003

Financial condition/changes in financial condition

The Company expects to record the pending *dacion en pago* arrangement with Equitable-PCI Bank in 2004, putting closure to its remaining P195.5 Million principal debt. However, the Company already recognized an adjustment in the impairment allowance of P120.5 Million. There is also a pending sale transaction of the Company's real estate investment in Parañaque, which carries a mortgage with United Overseas Bank amounting to P231.5 Million. The Company is also in the final stages of a joint venture agreement with Sta. Lucia Realty, Inc. regarding its seventy percent (70%) interest in Mt. Ridge Executive Resort and Corporate Center, Inc. The 16-hectare property has a mortgage with Rizal Commercial Banking Corporation amounting to P70 Million.

The Company's remaining unencumbered real estate assets are the following: (1) the 140-hectare Clark Field estate; (2) the 85-hectare Batangas Central estate; and (3) its twenty percent (20%) equity in Sacobia Hills Development Corporation, owner of the True North Golf & Country Club.

The above ongoing transaction is expected to have a positive impact on the Company's financial position, as interest burden on its bank loans would be substantially reduced, which interest burden has been depleting the Company's resources in the previous years.

Results of operations

The Company's investment in AAI resulted in revenues amounting to P20.9 Million compared to P130.5 Million in 2002, with a net loss (prior to allowance for probable losses) of P84.9 Million compared to a net loss of P80 Million in 2002. This is inclusive of interest charges from the Company of P38.1 Million. With the closure of AAI's manufacturing operations at the start of 2003, the Company correspondingly ceased the contract manufacturing business which accounted for P45.2 Million of the Company's revenues in 2002. Sales resumed in the second half of 2003 after the proper manufacturing contractor for AAI's products had been identified. Since inventory of AAI's products decreased during the first half of 2003, the distribution network had to be re-established and re-organized during the second half of the year. In prior years, AAI was able to sell about P88.3 Million worth of its branded absorbent cotton products. This remains the immediate goal of AAI as its sales operation normalizes.

Selling, general and administrative expenses amounted to P17.8 Million compared to P46.5 Million in 2002, wherein retrenchment costs accounted for 12.5% of the 2003 expenses. Without the retrenchment costs, AAI's operating loss prior to interest charges and reversal of provision for impairment loss would have been P22.06 Million.

On a consolidated basis, total assets amounted to P1.3 Billion in 2003 compared to P1.1 Billion in 2002. This is mainly a result of an accounting adjustment regarding impairment losses of property, plant and equipment and investments in real estate. Total liabilities amounted to P1.47 Billion compared to P1.41 Billion 2002. Stockholders' equity was a negative P130.6 Million compared to P257.9 Million in 2002.

The Company's revenues decreased to P20.9 Million from P144.1 Million in 2002. The Company's net income was at P127 Million compared to a net loss of P742.9 Million in 2002.

Plans and prospects

With respect to its real estate investment in the five(5)-hectare Parañaque property, the Company negotiated with the United Overseas Bank regarding its outstanding loan amounting to P231.5 Million with the entry of a third party investor on a straight-sale basis. The Company expects to conclude the transaction no later than the third quarter of 2004.

The Company's seventy percent (70%) equity interest in Mt. Ridge Executive Resort and Corporate Center, Inc. (MRERCCI) is currently the subject of a joint venture agreement with Sta. Lucia Realty, Inc. (Sta. Lucia) The 16-hectare property is mortgaged to Rizal Commercial Banking Corporation in the amount of P70 Million. In the joint venture agreement, MRERCCI and Sta. Lucia would share 50-50 on the estimated sales proceeds ranging from P190 Million to P280 Million, with Sta. Lucia contributing the construction of the site development for the residential community. The Company expects to sign the agreement early in the second quarter of 2004.

In light of management's thrust to have a debt free company in terms of bank loans and trade payables and to bring back stockholder's equity to a positive amount, the Company's management accepted the offer of its principal stockholder to: (1) assume the remaining loan with United Overseas Bank of P231.5 Million (subject to bank approval); (2) assume ownership of AAI together with all related payables amounting to P148.4 Million; and (3) condonation of accrued interest charges of P83 Million on P118 Million advances made to the Company.

To secure the advances of the principal stockholder, the Company approved the mortgage of the following properties:

- (1) By way of second mortgage, over the parcel of land located at Parañaque City with an area of approximately 50,481 square meters and by way of first mortgage over the parcel of land located at Parañaque with an area of 2,432 square meters;
- (2) By way of first mortgage over the leasehold rights over 140 hectares of land located at the Clark Special Economic Zone under the terms set forth in the Lease Contract dated 31 January 1997; and
- (3) By way of first mortgage, over various parcels of land located at Batangas City with an area of 846,688.69 square meters.

After implementation of the above actions, the only remaining debt-free asset of the Company would be its twenty percent (20%) equity in Sacobia Hills Development Corporation. IN addition, the Company would maintain its seventy percent (70%) equity in MRERCI wherein a joint venture with Sta. Lucia is set to be launched.

Both Clark and Batangas City Central properties are subject to preliminary stages of joint venture discussions, which the Company hopes to consummate by year-end 2003. The Company has also initiated the legal process in terms of protecting its interest in Sacobia Hills Development Corporation, owner of the True North Golf & Country Club, Inc.

Liquidity

In 2003, the Company's liquidity remained restricted similar to the 2001-2002 period. However, with the abovementioned transactions in progress, the issue of interest burden will eventually be resolved.

The Company remains obligated to pay its outstanding trade and non-trade payables particularly in AAI. The Company intends to pay through income from its trading operations when it normalizes.

Similar to prior years, internal sources of liquidity included advances from the principal shareholder, sale of its real estate and other investments and from AAI's operations. External sources of liquidity can come from third party investors. The Company does not intend to increase its bank loans.

The principal shareholder remains the immediate source of liquidity. As a long-term source of liquidity, the Company remains hopeful that it can consolidate its investments through outright sale or joint ventures and raise the necessary capital to fund the development of its unencumbered real estate assets. If successful, the Company expects its financial position and performance to have a positive and material change.

The Company is not affected by changes in the prices of raw material and labor.

The Company's investments in real estate and trading are not subject to seasonality in a material way, which could influence its financial condition and the results of its operations.

Corporate Governance

The Company has adopted the Self-Rating Form ("SRF") of the Securities and Exchange Commission to measure the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual").

There are no deviations from the Company's Manual warranting sanction on any responsible individual.

Plans to improve the Company's corporate governance are subject to the approval of the Board of Directors.

SEC FORM 17-A

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE INFORMATION OFFICER, 5TH FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, METRO MANILA, PHILIPPINES 1229.

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 hereunto duly authorized.

GLOBAL EQUITIES, INC.
Issuer

By:

ARSENIO C. CABRERA, JR.
Corporate Secretary
Corporate Information Officer

Date: 28 September 2006