



**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, 2018**
2. Commission identification number **A199910065**
3. BIR Tax Identification No. **203-523-208-000**
4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Pasig City,  
Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: **2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas  
Center, Pasig City** Postal Code: **1605**
8. Issuer's telephone number, including area code: **(632) 636-5411**
9. Former name, former address and former fiscal year, if changed since last report: **Not  
Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the  
RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>476,000,000 shares</b>

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

Yes [  ] No [  ]

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.**

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

### **Item 2. Management’s Discussion and Analysis (MD&A) of Financial Conditions and Results of Operations.**

The following is a discussion and analysis of the financial performance of COL Financial Group, Inc. (COL, COL Financial or the Parent Company) and COL Securities (HK) Limited (the HK Subsidiary or COLHK) collectively referred to as “the Group”. The discussion aims to provide readers with an appreciation of its business model and the key factors underlying its financial results. The MD&A should be read in conjunction with the unaudited consolidated financial statements of the Group filed as part of this report.

#### **Company Overview**

COL Financial Group, Inc., a publicly listed company in the Philippine Stock Exchange (PSE), is the leading online financial services provider in the Philippines. Incorporated on August 16, 1999, COL aims to be the most trusted wealth-building partner of every Filipino that provides practical and ethical financial products through value-driven and innovative solutions to help them achieve their financial goals.

After completing and passing the rigid regulatory requirements, COL launched in January 2001 its proprietary online trading platform. Through [www.colfinancial.com](http://www.colfinancial.com), COL offers real-time market information and execution, superior investing tools and functionalities, and comprehensive stock market research and analysis to guide independent investors make well informed investment decisions.

As part of COL’s commitment to provide more useful products and services to help its customers build genuine wealth, COL launched in July 2015 the COL Fund Source, the first and leading online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds.

To provide investors with online access to the HK stock market, COL established on June 20, 2001 its wholly-owned foreign subsidiary COLHK. The access of the customers of COLHK to the global markets was further expanded when COLHK entered into a non-disclosed broker account with Interactive Brokers (IB) in August 2014 which allowed its customers to gain access and electronically trade global equity markets including but not limited to Japan, USA, Singapore, Germany and China (via Shanghai-Hong Kong Stock Connect).

#### **Business Model**

COL Financial derives a significant proportion of its revenues from its stock brokerage business in the Philippines. Most of the revenues generated from its Philippine operations include: 1) commission generated from stock trades, 2) interest income from margin financing, and 3) interest income made from short-term placements.

COL also derives revenues from the trail fees arising from its fund distribution business and from commissions earned by its stock brokerage business in HK through its wholly-owned subsidiary COLHK.

With its solid foundation deeply rooted in its core values of passion, integrity, commitment, excellence and teamwork, COL is well-positioned to capitalize both on the anticipated development of the capital markets as well as the vast opportunities of increasing the retail

investor base in the Philippines.

### **Industry and Economic Review**

After a strong start in 2018 fueled by excitement towards the successful passage of the tax reform program, the Philippine stock market succumbed to a major correction which began in February, bringing the Philippine Stock Exchange Index (PSEi) down by 16.0% for the year to date period to 7,193.68 by the end of June.

The Philippine stock market's initial drop was triggered by the volatile performance of the U.S. stock market which was in turn caused by the significant increase in the U.S. 10-year bond rate. However, the continuous increase in domestic inflation and the sell-off of emerging markets caused the further decline of the market. Recall that inflation increased to 4.3% in the first half of 2018 from 2.9% in 2017 due to numerous factors including the passage of the tax reform program, higher oil and rice prices, and the weak peso. The decision of the Bangko Sentral ng Pilipinas (BSP) to keep interest rates steady notwithstanding higher inflation made investors even more cautious as it raised concerns that inflation would get out of control. It wasn't until May when the BSP finally raised rates. The BSP even cut bank reserve requirement by two percentage points during the first half of the year despite rising inflationary pressures.

The sell-off of emerging markets also contributed to the drop in the Philippine stock market. Sentiment for emerging markets deteriorated as the U.S. dollar strengthened. Recall that the U.S. Fed raised interest rates twice during the first half of the year. The Fed also implied that it would raise rates two more times until the end of the year, surprising most investors that were expecting rates to increase by only three times for a total of 75 basis points in 2018. Since the Fed is one of only a handful of central banks raising rates this year, the relatively higher yields of the U.S. dollar caused funds to flow out of emerging markets and back to the U.S., leading to the appreciation of the U.S. dollar.

Aside from higher yields of the U.S. dollar, sentiment for emerging market equities deteriorated when U.S. initiated trade war against China. Note that China is vulnerable to a trade war with the U.S. given the size of its exports to the U.S. China also accounts for a big portion of the emerging market index. Numerous Asian countries that are part of the emerging market index are also vulnerable to a U.S. China trade war being large exporters to China.

As foreign investors exited emerging markets, net foreign selling in PSE reached ₱63.8 billion during the first half of the year.

Average daily value turnover in the PSE also fell by 6.2% to ₱7.6 billion compared to the first half of 2017. The drop in value turnover would have been more significant if not for the heightened trading activity on possible candidates for the third telco player during the first quarter of the year. Foreigners continued to dominate trading in the PSE, accounting for 51.9% of value turnover during the first half of the year.

Like the Philippine stock market, the HK stock market suffered from a correction beginning in February after rising strongly in January of 2018. HK stocks were also sold off due to the emerging market sell-off. However, the HK stock market performed better compared to the Philippine stock market as it fell much less. The Hang Seng index (HSI), the Hang Seng China Enterprise Index (HSCEI) and the Hang Seng China Affiliate Corp. Index (HSCCI) were lower by 3.2%, 1.1% and 5.4%, respectively, during the first half of the year compared to their end 2017 levels. Most of the decline took place during the second quarter when the U.S. dollar rallied and concerns on the U.S. China trade war escalated. Average daily value turnover improved significantly though, increasing by 66.6% to HKD125.8 billion in the first half of 2018 from HKD75.5 billion in the first half of 2017.

## **Business Review**

### **Key Performance Indicators**

COL is committed to maximize profitability through the efficient use of its resources with the ultimate objective of increasing shareholder value. Consequently, COL regularly monitors and reviews the effectiveness of its corporate activities and key performance indicators which are considered important in measuring the success of implemented financial and operating strategies and concomitant action plans. Set out below are some of its key performance indicators:

	<b>June 2018</b>	<b>June 2017</b>
Number of Customer Accounts	273,783	225,039
Customers' Net Equity (in millions)	₱71,572.3	₱69,697.5
Revenues (in millions)	₱615.3	₱460.2
Annualized Return on Equity	42.7%	30.9%
Risk Based Capital Adequacy Ratio*	543.0%	554.2%
Liquid Capital** (in millions)	HKD40.9	HKD22.5

\* Parent Company only

\*\*HK Subsidiary

The **number of customer accounts** for COL's Philippine operations continued to expand in the first half of 2018, rising by 21.7% or 48,630 new accounts year-on-year to around 273,000 accounts as of end June 2018. During the period, monthly additions hit an all-time high level of 4,225 accounts with growth being observed across all investment centers, including the Pasig headquarter.

**Net equity** of retail customers also continued to grow, increasing to ₱71.6 billion as of end June 2018 from ₱69.7 billion during the same period in 2017. Net equity continued to grow despite poor market conditions as COL benefited from net new flows amounting to ₱6.1 billion during the past twelve months.

**Revenues** jumped by 33.7% to ₱615.3 million. During the first half of 2018, COL's average daily value turnover in the Philippines rose by 22.5%. This was despite the 9.4% drop in the PSE's average daily value turnover. As a result, COL's market share in terms of value turnover jumped to 8.1%, making it the number one stock broker in the PSE. Aside from the significant growth in commission revenues, interest income and trailer fees from the fund distribution business also showed substantial increases, contributing to the strong growth in revenues.

The strong growth of revenues coupled with the slower increase of total costs led to the 50.2% jump in net income to ₱322.3 million. **Return on average equity** (ROE) improved to 42.8% in the first half of 2018 from 30.9% during the same period in 2017 as a result of COL's stronger profitability, higher asset turnover and improved margins.

During the first quarter of 2018, both the Parent Company and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end March 2018, the Parent Company's **Risk Based Capital Adequacy Ratio** (RBCA) reached 698%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD40.9 million of **liquid capital**. This is also well above the minimum requirement of HKD40.2 million or 5% of adjusted liabilities.

### **Material Changes in Financial Condition (June 30, 2018 vs December 31, 2017)**

Due to poor market conditions, COL's asset base fell by 10.8% to ₱10.6 billion compared to its end 2017 level of ₱11.9 billion.

Cash and cash equivalents composed mainly of cash in banks and short-term placements fell by 9.5% to ₱9.1 billion as of end June 2018 as poor market conditions resulted to the 3.8% decline

of COL's client equity to ₱70.5 billion as of end June 2018 from ₱73.1 billion as of end 2017. The share of cash to total client equity also fell to 11.3% as of end June from 12.7% as of end December.

Also pulling down cash position was the payment of ₱333.2 million worth of cash dividends to common shareholders in May 2018.

Trade receivables dropped sharply by 31.8% to ₱797.2 million mainly due to the lower amount of selling transactions booked within the settlement cut off period. Receivables from clearing house fell by 99.8% to ₱1.0 million. This was partly offset by the slight increase in margin loan availment to ₱568.2 million as of end June 2018 from ₱555.3 million as of end 2017.

Other receivables went up 17.0% to ₱32.1 million due to higher amount of interest receivables booked on 90-day special time deposits. COL placed a portion of its investible funds for a longer term to take advantage of the preferential rates offered by its partner banks during the period while still maintaining a big chunk of its placements in 30-day investment outlets to ensure availability of funds whenever a need for funding arises.

Prepayments increased by 60.5% to ₱6.0 million because of higher local taxes paid in January 2018 and additional office space rentals during the first half of 2018.

Property and equipment fell slightly by 3.3% to ₱83.2 million due to the timing of capital expenditures. As of the first half of 2018, only ₱7.7 million was spent on capital expenditures, which was less than the ₱10.5 million booked as depreciation expense.

Intangibles composed of the value of exchange trading rights, software costs and licenses and other intangible assets under development went up by 12.9% to ₱24.2 million primarily attributable to the booking of the costs incurred in the development of the Parent Company's mobile application that is yet to be launched.

Deferred tax assets were down 10.8% to ₱32.8 million mainly due to the effect of higher amount of foreign currency translation adjustment booked on COL's investment in its HK Subsidiary.

Trade payables, which account for more than 90% of total liabilities, fell by 12.0% to ₱9.0 billion due to the deployment of customer funds in the market.

Other current liabilities fell by 59.2% to ₱47.0 million as a result of the payment of performance bonuses accrued in 2017 and the remittance of corresponding withholding taxes.

Income tax payable increased by 10.5% to ₱20.2 million due to the booking of higher taxes as COL's profitability improved during the first half of 2018.

Stockholders' equity was flat at ₱1.5 billion as the booking of ₱322.2 million of net income during the first half of 2018 was offset by the payment of ₱333.2 million worth of cash dividends to common shareholders.

### **Material Changes in the Results of Operations (June 30, 2018 vs June 30, 2017)**

COL's consolidated revenues during the first half of 2018 rose by 33.7% to ₱615.3 million driven by the strong growth of commissions, interest income and trailer fees. Cost of services fell by 2.2% to ₱103.5 million largely due to the 28.9% decline in commission expenses to ₱33.4 million as the share of the agency and advisory business fell. Operating expenses, which are largely fixed in nature, rose by 25.9% to ₱95.1 million. Provision for income taxes increased by 47.2% to ₱94.5 million as operating profits rose by 49.5% to ₱416.7 million. As a result of the foregoing movements, net income was up by 50.1% to ₱322.2 million on a year-on-year basis.

COL's revenues increased by 33.7% as all major line items improved. Commission revenues grew by 25.5% to ₱404.7 million as COL's growing client base coupled with heightened trading activity on potential candidates for the third telco license pushed up the Parent Company's value turnover. COL's average daily value turnover during the first half of 2018 increased by 22.5% from a year ago despite the 9.4% drop in the PSE's average daily value turnover. Consequently, COL's market share in terms of value turnover reached 8.1% during the first half of the year, up significantly from 6.0% during the same period last year, making it the number one stock broker in the PSE for the first time in its operating history.

Interest income also grew strongly by 66.9% to ₱190.7 million. Growth was largely driven by higher revenues earned on idle cash as interest rates rose steadily which more than offset the effect of lower investible funds and the lower interest on margin financing due to the reduction in the utilization of the facility.

COL also earned ₱7.0 million on trailer fees from its mutual fund distribution business, higher by 52.2% on a year-on-year basis. The strong growth in trailer fees was largely attributable to the 57.0% increase in average assets under administration or AUA, excluding money market funds, to ₱2.3 billion during the first half of the year. This was despite the declines in average non-money market AUA suffered by most mutual fund houses on a year-on-year basis. COL bucked the trend as it was able to generate net sales amounting to ₱916.9 million of non-money market funds during the past twelve months. As of end June, around 32,675 or 12.0% of COL's clients owned mutual funds, up from only 22,257 or 9.9% as of the same period in 2017.

Despite the strong growth in revenues, cost of services was down slightly by 2.2% to ₱103.5 million. Commission expenses, which account for the largest portion of cost of services, dropped by 28.9% to ₱33.4 million as a result of the lower revenue contribution of the agency and advisory business. During the first half of the year, the agency and advisory business accounted for 17.1% of commission revenues, down from 31.0% during the same period in 2017. The drop in commission expenses more than offset the 26.6% increase in personnel costs and the 15.8% growth in stock exchange dues and fees to ₱36.3 million and ₱9.4 million, respectively.

Meanwhile, operating expenses increased by 25.9% to ₱95.1 million. Personnel costs, professional fees and depreciation expenses, which together account for 57.1% of total operating expenses, grew by 25.1% to ₱54.3 million. The 27.7% rise in total personnel costs to ₱57.1 million was due to the realignment of compensation as a portion of the variable pay of the senior officers and other key personnel was shifted to fixed pay to align their remuneration within the organization and the hiring of additional personnel to support COL's growing operations. On the other hand, professional fees grew by 27.2% to ₱21.3 million due to the agreed yearly increase in the fees being paid to the IT consultants and the hiring of IT experts to further strengthen COL's internal systems and network structure and develop and train its IT team in handling and maintaining the security of its systems. Depreciation and amortization, likewise, increased by 13.6% to ₱12.2 million as the costs of rack and tower servers and other hardware purchases were charged to operations.

Moreover, rentals and power, light and water expenses increased by 32.2% to ₱10.6 million and 42.3% to ₱3.0 million, respectively, primarily because of the rental escalations, the opening of new customer centers in Cebu and Ilocos during the second quarter of 2017 and increased electric consumption and utilities. Repairs and maintenance, likewise, was up 70.9% to ₱2.6 million because of the additional costs incurred in maintaining the newly purchased rack servers and the major repair done in the Parent Company's airconditioning system to ensure suitable ventilation in the server room.

Due to strong growth in revenues and the slower increase in costs, operating income jumped by 49.5% to ₱416.7 million. Net profits increased by a slightly faster pace of 50.1% to ₱322.2 million as provision for income taxes rose by a slower 47.2% to ₱94.5 million.

## **Other Matters**

- a. COL is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group has not defaulted in paying its obligations, which arise mostly from withdrawals made by customers. In addition, obligations of the Parent Company are fully funded in compliance with the Securities Regulation Code (SRC) Rule 49.2 while COLHK Subsidiary maintains a fund for the exclusive benefit of its customers in compliance with the regulations of the Securities and Futures Commission of Hong Kong.
- b. COL is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- c. COL is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.
- d. COL is not aware of any material commitments for capital expenditures.
- e. COL is not aware of 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 or revenues or income from continuing operations of the Group.
- f. COL is not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.
- g. COL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

## **PART II – OTHER INFORMATION**

Not applicable. There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

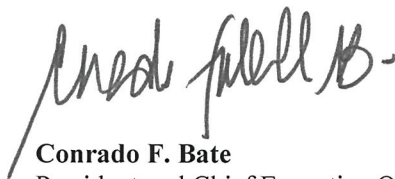


## SIGNATURES

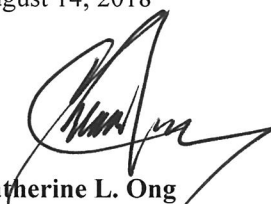
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **COL FINANCIAL GROUP, INC.**

By:



**Conrado F. Bate**  
President and Chief Executive Officer  
August 14, 2018



**Catherine L. Ong**  
Senior Vice President and Chief Finance Officer  
August 14, 2018



**Lorena E. Velarde**  
Vice President and Financial Controller  
August 14, 2018

**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 4)	₱9,065,211,835			₱10,015,930,327		
Cash in a segregated account (Note 5)	87,919,875			88,993,088		
Financial assets at fair value through profit or loss (Note 6)	40,167,992	₱40,167,992		1,176,978	₱1,176,978	
Trade receivables (Notes 7 and 19)	797,234,063	4,040,993,740		1,169,674,141	3,920,498,461	
Other receivables (Notes 7 and 19)	32,132,452			27,481,904		
Prepayments	6,012,652			3,746,142		
Other current assets (Note 11)	8,960,245			8,960,245		
<b>Total Current Assets</b>	<b>10,037,639,114</b>			<b>11,315,962,825</b>		
<b>Noncurrent Assets</b>						
Long-term time deposit (Note 4)	200,000,000			200,000,000		
Held-to-maturity investments (Note 8)	202,157,117			202,738,147		
Property and equipment (Note 9)	83,162,680			85,996,168		
Intangibles (Note 10)	24,172,393			21,405,689		
Deferred tax assets (Note 18)	32,754,850			36,716,806		
Other noncurrent assets (Note 11)	18,104,342			18,017,713		
<b>Total Noncurrent Assets</b>	<b>560,351,382</b>			<b>564,874,523</b>		
<b>TOTAL ASSETS</b>	<b>₱10,597,990,496</b>			<b>₱11,880,837,348</b>		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			₱63,595,678,971			₱64,846,561,022

(Forward)

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables (Notes 12 and 19)	₱8,976,616,262	₱59,514,517,239		₱10,199,215,189	₱60,924,885,583	
Other current liabilities (Note 13)	47,036,002			115,203,033		
Income tax payable	20,149,123			18,245,494		
<b>Total Current Liabilities</b>	<b>9,043,801,387</b>			<b>10,332,663,716</b>		
<b>Noncurrent Liability</b>						
Retirement obligation (Notes 17 and 19)	43,549,010			43,549,010		
<b>Total Liabilities</b>	<b>9,087,350,397</b>			<b>10,376,212,726</b>		
<b>Equity</b>						
Capital stock (Note 14)	476,000,000			476,000,000		
Capital in excess of par value	53,219,024			53,219,024		
Accumulated translation adjustment	25,244,643			8,225,186		
Loss on remeasurement of retirement obligation (Note 17)	(11,741,631)			(11,741,631)		
Retained earnings:						
Appropriated	276,503,775			235,590,918		
Unappropriated (Note 14)	691,414,288			743,331,125		
<b>Total Equity</b>	<b>1,510,640,099</b>			<b>1,504,624,622</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱10,597,990,496</b>	<b>₱63,595,678,971</b>	<b>₱63,595,678,971</b>	<b>₱11,880,837,348</b>	<b>₱64,846,561,022</b>	<b>₱64,846,561,022</b>

See accompanying Notes to Consolidated Financial Statements.

**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2018	2017	2018	2017
<b>REVENUES</b>				
Commissions	<b>₱404,684,031</b>	₱322,508,616	<b>₱144,041,795</b>	₱183,316,103
Others:				
Interest income (Note 15)	<b>190,737,077</b>	114,297,150	<b>96,349,816</b>	58,660,435
Trading gains - net (Note 6)	<b>11,257,356</b>	17,842,856	<b>5,334,015</b>	1,565,268
Others (Note 6)	<b>8,596,571</b>	5,525,882	<b>3,870,417</b>	3,070,640
	<b>615,275,035</b>	460,174,504	<b>249,596,043</b>	246,612,446
<b>COST OF SERVICES</b>				
Personnel costs (Note 16)	<b>36,334,771</b>	28,835,208	<b>19,125,606</b>	15,744,627
Commission expense (Note 19)	<b>33,352,866</b>	46,911,611	<b>11,183,902</b>	28,230,193
Stock exchange dues and fees	<b>9,397,168</b>	7,625,534	<b>3,214,801</b>	4,191,135
Central depository fees	<b>5,556,998</b>	5,290,574	<b>2,448,005</b>	2,852,400
Research	<b>1,256,751</b>	1,205,846	<b>612,041</b>	582,274
Others:				
Communications	<b>17,583,730</b>	15,413,752	<b>9,054,473</b>	7,642,607
Depreciation (Note 9)	<b>66,366</b>	93,847	<b>33,458</b>	60,939
	<b>103,548,650</b>	105,376,372	<b>45,672,286</b>	59,304,175
<b>GROSS PROFIT</b>	<b>511,726,385</b>	354,798,132	<b>203,923,757</b>	187,308,271
<b>OPERATING EXPENSES</b>				
Administrative expenses:				
Professional fees (Note 19)	<b>21,306,850</b>	16,745,853	<b>11,875,597</b>	7,717,038
Personnel costs (Notes 16, 17 and 19)	<b>20,742,347</b>	15,869,920	<b>11,404,250</b>	9,231,964
Rentals (Note 20)	<b>10,563,373</b>	7,993,336	<b>5,758,114</b>	4,125,820
Advertising and marketing	<b>5,341,313</b>	3,728,686	<b>3,372,298</b>	1,811,260
Power, light and water	<b>2,998,748</b>	2,107,961	<b>1,320,859</b>	1,113,124
Security and messengerial services	<b>2,993,262</b>	3,296,021	<b>1,816,696</b>	1,530,166
Taxes and licenses	<b>2,952,974</b>	2,459,719	<b>1,470,818</b>	1,232,118
Repairs and maintenance	<b>2,568,934</b>	1,503,030	<b>1,182,602</b>	876,673
Insurance and bonds	<b>1,767,170</b>	1,588,983	<b>830,845</b>	706,255
Office supplies	<b>1,764,163</b>	1,636,970	<b>958,396</b>	831,850
Condominium dues	<b>1,744,577</b>	1,286,902	<b>974,548</b>	649,008
Trainings, seminars and meetings	<b>1,164,999</b>	946,181	<b>653,556</b>	165,279
Communications	<b>721,334</b>	1,077,292	<b>296,818</b>	761,396
Membership fees and dues	<b>679,578</b>	896,890	<b>477,329</b>	691,251
Representation and entertainment	<b>657,852</b>	470,083	<b>292,307</b>	215,152
Transportation and travel	<b>605,021</b>	469,673	<b>279,206</b>	200,592
Directors' fees	<b>490,000</b>	230,000	<b>400,000</b>	70,000
Bank charges	<b>152,475</b>	44,876	<b>60,383</b>	15,754
Others	<b>668,326</b>	1,109,795	<b>387,876</b>	502,990
	<b>79,883,296</b>	63,462,171	<b>43,812,498</b>	32,447,690
Depreciation and amortization (Notes 9 and 10)	<b>12,249,019</b>	10,779,841	<b>5,994,827</b>	5,220,470
Provision for credit losses	<b>2,920,117</b>	1,768,608	<b>1,748,550</b>	1,768,608
	<b>95,052,432</b>	76,010,620	<b>51,555,875</b>	39,436,768
<b>INCOME BEFORE INCOME TAX</b>	<b>416,673,953</b>	278,787,512	<b>152,367,882</b>	147,871,503
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
(Note 18)				
Current				
Regular corporate income tax	<b>62,028,868</b>	50,176,523	<b>21,664,644</b>	26,707,045
Final income tax	<b>33,610,313</b>	16,279,871	<b>17,012,147</b>	8,337,761
Deferred	<b>(1,161,248)</b>	(2,271,332)	<b>(682,483)</b>	(1,400,511)
	<b>94,477,933</b>	64,185,062	<b>37,994,308</b>	33,644,295
<b>NET INCOME</b>	<b>₱322,196,020</b>	₱214,602,450	<b>₱114,373,574</b>	₱114,227,208

See accompanying Notes to Consolidated Financial Statements.

**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2018	2017	2018	2017
<b>NET INCOME</b>	<b>₱322,196,020</b>	₱214,602,450	<b>₱114,373,574</b>	₱114,227,208
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that may be reclassified subsequently to profit or loss:				
Translation adjustments – net of tax	<b>17,019,457</b>	1,860,492	<b>6,523,209</b>	186,709
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱339,215,477</b>	₱216,462,942	<b>120,896,783</b>	₱114,413,917
<b>Earnings Per Share (Note 24)</b>				
Basic	<b>₱0.68</b>	₱0.45	<b>₱0.24</b>	₱0.24
Dilluted	<b>0.68</b>	0.45	<b>0.24</b>	0.24

*See accompanying Notes to Consolidated Financial Statements.*

**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED JUNE 30, 2018**

**(With Comparative Figures for the Six Months Ended June 30, 2017)**

	Capital Stock	Capital in Excess of Par Value	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
					Appropriated	Unappropriated	
Balances at January 1, 2018	<b>₱476,000,000</b>	<b>₱53,219,024</b>	<b>₱8,225,186</b>	<b>(₱11,741,631)</b>	<b>₱235,590,918</b>	<b>₱743,331,125</b>	<b>₱1,504,624,622</b>
Declaration of cash dividend (Note 14)	–	–	–	–	–	<b>(333,200,000)</b>	<b>(333,200,000)</b>
Net income for the period	–	–	–	–	–	<b>322,196,020</b>	<b>322,196,020</b>
Other comprehensive income	–	–	<b>17,019,457</b>	–	–	–	<b>17,019,457</b>
Total comprehensive income for the period	–	–	<b>17,019,457</b>	–	–	<b>322,196,020</b>	<b>339,215,477</b>
Appropriation of retained earnings (Note 14)	–	–	–	–	<b>40,912,857</b>	<b>(40,912,857)</b>	–
<b>Balances at June 30, 2018</b>	<b>₱476,000,000</b>	<b>₱53,219,024</b>	<b>₱25,244,643</b>	<b>(₱11,741,631)</b>	<b>₱276,503,775</b>	<b>₱691,414,288</b>	<b>₱1,510,640,099</b>
Balances at January 1, 2017	₱476,000,000	₱53,219,024	₱9,375,669	(₱880,074)	₱198,811,471	₱686,989,357	₱1,423,515,447
Declaration of cash dividend (Note 14)	–	–	–	–	–	(285,600,000)	(285,600,000)
Net income for the period	–	–	–	–	–	214,602,450	214,602,450
Other comprehensive income	–	–	1,860,492	–	–	–	1,860,492
Total comprehensive income for the period	–	–	1,860,492	–	–	214,602,450	216,462,942
Appropriation of retained earnings (Note 14)	–	–	–	–	36,779,448	(36,779,448)	–
Balances at June 30, 2017	₱476,000,000	₱53,219,024	₱11,236,161	(₱880,074)	₱235,590,919	₱579,212,359	₱1,354,378,389

*See accompanying Notes to Consolidated Financial Statements.*

**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Six Months Ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱416,673,953</b>	₱278,787,512
Adjustments for:		
Interest income (Notes 4, 5, 7, 8, 15, and 19)	(190,737,077)	(114,297,150)
Depreciation and amortization (Notes 9 and 10)	12,315,385	10,873,688
Provision for impairment and credit losses (Note 7)	2,920,117	1,768,608
Unrealized trading (gains) losses (Note 6)	463,718	(156,551)
Dividend Income (Note 6)	(117,663)	(229,976)
Operating income before working capital changes	<b>241,518,433</b>	176,746,131
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	1,073,213	(39,000,021)
Financial assets at FVPL	(39,454,732)	1,791,502
Trade receivables	399,142,314	(290,679,953)
Other receivables	44,534,267	13,791,904
Prepayments	(2,258,871)	(1,915,094)
Other assets	(4,077,618)	(24,074,265)
Increase (decrease) in:		
Trade payables	(1,229,824,581)	895,206,654
Other current liabilities	(68,739,629)	(36,617,330)
Net cash generated from (used in) operations	<b>(658,087,204)</b>	695,249,528
Interest received	142,176,113	97,466,964
Dividends received	117,663	229,976
Income taxes paid	(89,495,241)	(48,146,931)
Net cash flows provided by (used in) operating activities	<b>(605,288,669)</b>	744,799,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment (Note 9)	(7,654,756)	(22,906,902)
Acquisitions of software and licenses (Note 10)	(4,575,067)	(1,139,423)
Net cash flows used in investing activities	<b>(12,229,823)</b>	(24,046,325)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash dividends declared and paid (Note 14)	(333,200,000)	(285,600,000)
Net cash flows used in investing activities	<b>(333,200,000)</b>	(285,600,000)
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>(950,718,492)</b>	435,153,212
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	<b>10,015,930,327</b>	7,225,603,984
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱9,065,211,835</b>	₱7,660,757,196

*See accompanying Notes to Consolidated Financial Statements.*

# **COL FINANCIAL GROUP, INC. AND SUBSIDIARY**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

COL Financial Group, Inc. (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1999, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. COL Securities (HK) Limited (COLHK), the Subsidiary, a wholly-owned foreign subsidiary, is domiciled and incorporated in Hong Kong (HK), primarily to act as a stockbroker and to invest in securities. In the normal course of business, the Parent Company and COLHK (the Group) are also engaged in providing financial advice, in the gathering and distribution of financial and investment information and statistics and in acting as financial, commercial or business representative. The registered address of the Parent Company is Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines. The registered address of COLHK is Room 803, Luk Yu Building, 24-26 Stanley Street, Central, HK.

The Parent Company is a public company listed in the Philippine Stock Exchange (PSE).

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the exchange trading right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the exchange trading right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (Note 10).

The Parent Company became a clearing member of the Securities Clearing Corporation of the Philippines (SCCP) and started operating its own seat in the PSE on February 16, 2009.

On various dates in 2017 and 2016, the Parent Company was registered and authorized by the SEC to distribute various kinds of mutual funds of the top six (6) fund providers in the Philippines.

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### **2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Principles**

#### **Basis of Preparation**

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine peso (₱), which is the presentation currency under PFRS. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and HK dollar (HK\$), respectively. All values are rounded to the nearest peso, except when otherwise indicated.

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and COLHK, a 100% owned and controlled foreign subsidiary, after eliminating significant intercompany balances and transactions.



Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2018. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

### Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2019*

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. Earlier application is permitted.

- *PFRS 16, Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. Earlier application is permitted.

- *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### Summary of Significant Accounting Policies

##### Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the prevailing functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the closing functional currency rate of exchange at the reporting period. All differences are taken to the consolidated statement of income.

On consolidation, the assets and liabilities of the consolidated foreign subsidiary are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statement of income is translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in equity (under 'Accumulated translation adjustment'). Upon disposal of the foreign subsidiary, the component of OCI relating to the foreign subsidiary is recognized in the consolidated statement of income.

##### Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets, net of deferred tax liabilities, are classified as non-current assets.

#### Cash and Cash Equivalents and Long-term Time Deposit

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value. Bank placements and investments with original maturities of more than one year are classified as long-term time deposit and presented under non-current assets in the consolidated statement of financial position.

#### Cash in a Segregated Account

Cash in a segregated account represents clients' monies maintained by COLHK with a licensed bank arising from its normal course of business.

The asset is recognized to the extent that COLHK bears the risks and rewards related to the clients' monies deposited in the bank. Similarly, the accompanying liability is recognized to the extent that COLHK has the obligation to deliver cash to its customers upon withdrawal and is liable for any loss or misappropriation of clients' monies.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of Recognition*

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

##### *Initial Recognition and Classification of Financial Instruments*

All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period. The Group's financial assets include financial assets at FVPL, HTM investment and loans and receivables. The Group had no AFS investments.

Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at June 30, 2018 and December 31, 2017 are in the nature of other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

### *Financial Instruments at FVPL*

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities that are held for trading purposes.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Trading gains (losses) - net' in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other revenues according to the terms of the contract, or when the right of the payment has been established.

As at June 30, 2018 and December 31, 2017, the Group only has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

### *HTM Investments*

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. These investments are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included in 'Interest income' in the consolidated statement of income.

Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statements of income under 'Provision for impairment and credit losses'.

### *Loans and Receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

This accounting policy mainly relates to the consolidated statement of financial position captions 'Cash and cash equivalents', 'Cash in a segregated account', 'Trade receivables', 'Other receivables', 'Long-term time deposit', and refundable deposits under 'Other noncurrent assets', which arise primarily from service revenues and other types of receivables.

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognized in 'Provision for credit losses' in the consolidated statement of income.

### *Other Financial Liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is

calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in 'Foreign exchange gains - net' account in the consolidated statement of income.

This accounting policy applies primarily to the consolidated statement of financial position captions 'Trade payables' and 'Other current liabilities' and other obligations that meet the above definition (other than the Group's statutory liabilities).

#### *Fair Value Measurement*

The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 23.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of equity financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Trade Receivables and Payables

Trade receivables from customers, which include margin accounts, and payable to clearing house and other brokers arise from securities purchased (in a regular way transaction) that have been contracted for but not yet delivered and settled at the end of the reporting period. Payable to customers and receivable from clearing house and other brokers arise from securities sold (in a regular way transaction) that have been contracted for but not yet delivered and settled at the end of the reporting period. Refer to the accounting policy for 'Loans and receivables' and 'Other financial liabilities' for recognition and measurement. The related security valuation shows all positions as of clearance date.

#### Derecognition of Financial Instruments

##### *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Impairment of Financial Assets

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Financial Assets Carried at Amortized Cost*

The Group assesses, at each end of the reporting period, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for credit losses is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

### Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### Prepayments and Other Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid rent and other prepayments. Other current assets are composed of tax credit certificate, creditable withholding tax (CWT) and input value-added tax (VAT). Other noncurrent assets are composed of deposit to CTGF, refundable deposits and deferred input VAT. These assets are classified as current when it is probable to be realized within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

### Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment losses, if any.

Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged against income in the period when



the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Category	Number of Years
Online trading equipment and facilities	3-10
Furniture, fixtures and equipment	3-10
Leasehold improvements	5 or term of lease, whichever is shorter

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized. The asset's residual values, if any, useful lives and methods are reviewed and adjusted if appropriate, at each end of the reporting period.

#### Intangibles

##### *Exchange Trading Rights*

Exchange trading rights are carried at cost less any allowance for impairment losses and are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The assessment of indefinite life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's exchange trading right is a nontransferable right.

##### *Software Costs and Licenses*

Costs related to software and licenses purchased by the Group for use in operations are amortized on a straight-line basis over the estimated life of three (3) to ten (10) years.

#### Impairment of Non-Financial Assets

The Group assesses at each end of the reporting period whether there is an indication that its prepayments, property and equipment, intangibles and other assets may be impaired. If any such indication exists or when the annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's value-in-use (VIU) or its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset at an arm's-length transaction, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount in the year in which it arises.

Intangibles with indefinite useful lives are tested for impairment annually at end of the reporting period either individually or at the cash generating unit level, as appropriate.

Intangibles with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Group as a Lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

#### Capital Stock and Capital Paid-in Excess of Par Value

The Parent Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of any related tax benefit, from the proceeds.

Where the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's stockholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

Amount of contribution in excess of par value is accounted for as a capital in excess of par value. Capital in excess of par value also arises from additional capital contribution from the stockholders.

### Retained Earnings

Retained earnings are accumulated profits realized out of normal and continuous operations of the business after deducting therefrom distributions to stockholders and transfers to capital or other accounts. Cash and stock dividends are recognized as a liability and a deduction from equity when they are approved by the Group's BOD and stockholders, respectively. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include retrospective effect of changes in accounting policy as may be required by the transitional provisions of the new or revised accounting policy.

Unappropriated retained earnings represent the accumulated profits and gains realized out of the normal and continuous operations of the Group after deducting therefrom distributions to stockholders and transfers to capital stocks or other accounts, and which is:

- Not appropriated by its BOD for corporate expansion projects or programs;
- Not covered by a restriction for dividend declaration under a loan agreement;
- Not required under special circumstances obtaining in the Group such as when there is a need for a special reserve for probable contingencies.

Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

#### *Commissions*

Commissions are recognized as income upon confirmation of trade deals. These are computed for every trade transaction based on a flat rate or a percentage of the amount of trading transaction, whichever is higher.

#### *Interest*

Interest income is recognized as it accrues taking into account the effective yield of the asset.

#### *Trading Gains or Losses*

Trading gain or loss represents results arising from trading activities including all gains and losses from changes in fair value and disposal of financial assets at FVPL. Unrealized gains or losses are recognized in profit or loss upon remeasurement of the financial assets at FVPL at each reporting date. Gains or losses from sale of financial assets at FVPL are recognized in profit or loss upon confirmation of trade deals.

#### *Other Income*

Other income pertains to trailer fees, dividend income and other service income. Trailer fees are computed on a daily basis as a percentage of the management fees charged to the aggregate net asset value held by the Parent Company on behalf of its clients. Dividend income is recognized when the right to receive payment is established while other revenues are recognized in the consolidated statement of income as they are earned.

### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost of services such as commissions, direct

personnel costs, stock exchange dues and fees, central depository fees, research costs, and communication costs are recognized when the related revenue is earned or when the service is rendered. The majority of operating expenses incurred by the Group such as indirect personnel costs, professional fees, computer services, and other operating expenses are overhead in nature and are recognized with regularity as the Group continues its operations.

### Retirement Costs

#### *Defined Benefit Plan*

The Parent Company has a noncontributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service cost, past service costs and gains or losses on non-routine settlements are recognized as 'Retirement costs' under 'Personnel costs' in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as 'Interest expense' in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements recognized in OCI are retained in OCI which are presented as 'Gain (loss) on remeasurement of retirement obligation' under equity.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### *Defined Contribution Plan*

The retirement plan of COLHK is a defined contribution retirement plan. Under a defined contribution retirement plan, the entity's legal and constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity to a post-employment benefit plan, together with investment returns arising from the contributions. Consequently, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be sufficient to meet expected benefits) fall on the employee.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

### Earnings per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Potential ordinary shares are weighted for the period they are outstanding. Potential ordinary shares that are converted into ordinary shares during the period are included in the calculation of diluted EPS from the beginning of the period to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted EPS.

### Taxes

#### *Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

#### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences including net loss carry-over to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor the taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is also recognized in equity. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and serves different markets. Financial information on geographical segments is presented in Note 25. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

#### Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates and assumptions 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. However, actual outcome can differ from these estimates.

#### Estimates and Assumptions

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 below.

#### *Impairment of the Intangibles*

Intangibles include exchange trading rights which are carried at cost less any allowance for impairment loss. Exchange trading rights are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The management's impairment test for the exchange trading rights is based on the higher of fair value less costs to sell and VIU. The assumptions used in the calculation of the VIU are sensitive to estimates of future cash flows from the cash-generating unit, discount rate and revenue growth rate used to project the cash flows.

The key assumptions used to determine the recoverable amount of the Group's exchange trading rights are further explained in Note 10. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at June 30, 2018 and December 31, 2017, the carrying values of intangibles are disclosed in Note 10.

*Estimating Recoverability of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets as at June 30, 2018 and December 31, 2017 are disclosed in Note 18.

*Determining Retirement Obligation*

The costs of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions.

All assumptions are reviewed at each end of the reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 17.

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#### 4. Cash and Cash Equivalents and Long-term Time Deposit

*Cash and Cash Equivalents*

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 <b>(Audited)</b>
Cash on hand and in banks	<b>₱496,637,012</b>	₱477,130,278
Short-term cash investments	<b>8,568,574,823</b>	9,538,800,049
	<b>₱9,065,211,835</b>	<b>₱10,015,930,327</b>

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 1.69% to 4.00% per annum in 2018 and 1.00% to 4.00% per annum in 2017. The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$1,101 and US\$5,585 as at June 30, 2018 and December 31, 2017, respectively, while COLHK has US\$-denominated cash in banks amounting to US\$167,162 and US\$223,837 as at June 30, 2018 and December 31, 2017, respectively (see Note 22).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱8,662,179,987 and ₱9,645,732,629 as at June 30, 2018 and December 31, 2017, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations.

As at June 30, 2018 and December 31, 2017, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

#### *Long-term Time Deposit*

This account pertains to the Parent Company's investment in time deposit with interest at 4.00% per annum and maturing on June 24, 2021.

Interest income of the Group from cash and cash equivalents, cash in segregated account and long-term time deposit amounted to ₱163,803,496 and ₱81,400,305 in June 30, 2018 and 2017, respectively (Note 15).

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#### 5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained with a licensed bank.

The Group has classified the clients' monies under current assets in the consolidated statement of financial position and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients' monies (Note 12). The Group is not allowed to use the clients' monies to settle its own obligations.

As of June 30, 2018 and December 31, 2017, cash in a segregated account for COLHK amounted to ₱87,919,875 and ₱88,993,088, respectively.

Interest income from cash in segregated account is included under 'Interest income – banks' (Notes 4 and 15).

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#### 6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE. As at June 30, 2018 and December 31, 2017, financial assets at FVPL amounted to ₱40,167,992 and ₱1,176,978, respectively.

The Group's net trading gains follow:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	June 30, 2017 (Unaudited)
Trading gains from sale	<b>₱11,721,074</b>	₱17,686,305
Unrealized trading gains (losses)	<b>(463,718)</b>	156,551
	<b>₱11,257,356</b>	₱17,842,856

Dividend income included under other revenues amounted to ₱117,663 and ₱229,976 in June 30, 2018 and 2017, respectively.



## 7. Trade Receivables and Other Receivables

### Trade Receivables

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Customers (Note 19)	<b>₱760,486,364</b>	₱610,749,598
Other brokers	<b>38,621,401</b>	53,278,333
Trail fee receivables	<b>1,186,972</b>	1,168,848
Clearing house	<b>1,040,735</b>	505,658,654
	<b>801,335,472</b>	1,170,855,433
Less allowance for credit losses on trade receivables from customers	<b>4,101,409</b>	1,181,292
	<b>₱797,234,063</b>	₱1,169,674,141

The Group's trade receivables from customers and its security valuation follow:

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	<b>₱363,609,508</b>	<b>₱3,382,477,841</b>	₱367,509,536	₱3,451,234,034
Between 200% and 250%	<b>189,052,915</b>	<b>420,528,091</b>	163,263,492	356,101,746
Between 150% and 200%	<b>29,296,735</b>	<b>54,977,678</b>	33,677,610	62,630,000
Between 100% and 150%	<b>161,063,221</b>	<b>169,296,040</b>	17,743,037	22,161,102
Less than 100%	<b>17,463,721</b>	<b>13,714,090</b>	28,555,878	28,371,579
Unsecured accounts	<b>264</b>	–	45	–
	<b>760,486,364</b>	<b>4,040,993,740</b>	610,749,598	3,920,498,461
Less allowance for credit losses on receivable from customers	<b>4,101,409</b>	–	1,181,292	–
	<b>₱756,384,955</b>	<b>₱4,040,993,740</b>	₱609,568,306	₱3,920,498,461

As at June 30, 2018 and December 31, 2017, the Parent Company offered a credit line facility amounting to ₱5,603,796,000 and ₱5,410,061,000, respectively, to its customers who qualified for margin account. The outstanding balance of utilized margin is being charged an interest rate 0.67% to 0.83% per month.

Interest income from customers amounted to ₱23,267,403 and ₱32,896,845 in June 30, 2018 and 2017, respectively (Note 15).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at June 30, 2018 and December 31, 2017, ₱743,022,379 and ₱582,193,675, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at June 30, 2018 and December 31, 2017 were fully collected subsequently in July and January 2018, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Receivables from other brokers pertain to client monies deposited to Interactive Brokers (IB) LLC through COLHK. In March 2014, COLHK opened an account with the said broker to enable retail customers to trade in other foreign markets.

*Other Receivables*

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 <b>(Audited)</b>
Accrued interest	<b>₱27,230,939</b>	₱22,928,306
Advances to officers and employees (Note 19)	<b>556,161</b>	442,355
Others (Note 11)	<b>4,345,352</b>	4,111,243
	<b>₱32,132,452</b>	₱27,481,904

*Allowance for Credit Losses*

	June 30, 2018 (Unaudited)			December 31, 2017 (Audited)		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	<b>₱1,181,292</b>	<b>₱-</b>	<b>₱1,181,292</b>	₱3,160,045	₱8,960,245	₱12,120,290
Provision for (recovery from) credit losses	<b>2,920,117</b>	-	<b>2,920,117</b>	(1,978,753)	(8,960,245)	(10,938,998)
Balances at end of year	<b>₱4,101,409</b>	<b>₱-</b>	<b>₱4,101,409</b>	₱1,181,292	₱-	₱1,181,292

Recovery from credit losses is lodged under 'Other revenues' account in the consolidated statements of income.

## 8. Held-to-maturity-Investments

This account consists of an investment in a government security with a face value amounting to ₱200,000,000, purchased on September 25, 2017 at a premium of ₱2,541,886. The investment which will mature on April 11, 2020 earns a coupon rate of 4.25% per annum, payable on a quarterly basis.

As at June 30, 2018 and December 31, 2017, the carrying amount of HTM investment amounted to ₱202,157,117 and ₱202,738,147, respectively, with an EIR of 3.62%.

Interest income earned from the investment amounted to ₱3,666,178 in June 30, 2018 (Note 15).

## 9. Property and Equipment

	June 30, 2018 (Unaudited)					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Office Space	Construction in Progress	Total
<b>Cost</b>						
At beginning of year	<b>₱140,869,282</b>	<b>₱25,530,266</b>	<b>₱31,986,657</b>	<b>₱17,509,736</b>	-	<b>₱215,895,941</b>
Additions	6,546,737	297,983	450,443	-	359,593	7,654,756
Translation adjustments	514,647	204,553	61,801	-	-	781,001
At end of year	<b>147,930,666</b>	<b>26,032,802</b>	<b>32,498,901</b>	<b>17,509,736</b>	<b>359,593</b>	<b>224,331,698</b>
<b>Accumulated depreciation</b>						
At beginning of year	79,950,687	22,423,830	27,525,256	-	-	129,899,773
Depreciation	9,210,785	680,580	615,657	-	-	10,507,022
Translation adjustments	514,646	185,776	61,801	-	-	762,223
At end of year	<b>89,676,118</b>	<b>23,290,186</b>	<b>28,202,714</b>	-	-	<b>141,169,018</b>
<b>Net book value</b>	<b>₱58,254,548</b>	<b>₱2,742,616</b>	<b>₱4,296,187</b>	<b>₱17,509,736</b>	<b>359,593</b>	<b>₱83,162,680</b>

December 31, 2017 (Audited)

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Office Space	Total
<b>Cost</b>					
At beginning of year	P101,567,631	P24,362,094	P29,059,344	P-	P154,989,069
Additions	39,340,982	1,183,805	2,932,036	17,509,736	60,966,559
Translation adjustments	(39,331)	(15,633)	(4,723)	-	(59,687)
At end of year	140,869,282	25,530,266	31,986,657	17,509,736	215,895,941
<b>Accumulated depreciation</b>					
At beginning of year	64,035,146	21,004,655	26,653,931	-	111,693,732
Depreciation	15,954,872	1,434,506	876,048	-	18,265,426
Translation adjustments	(39,331)	(15,331)	(4,723)	-	(59,385)
At end of year	79,950,687	22,423,830	27,525,256	-	129,899,773
Net book value	P60,918,595	P3,106,436	P4,461,401	P17,509,736	P85,996,168

As at June 30, 2018 and December 31, 2017, the cost of the Group's fully depreciated property and equipment still in use amounted to P96,031,987 and P91,216,333, respectively.

The above depreciation and amortization were distributed as follows:

	<b>June 30, 2018 (Unaudited)</b>	June 30, 2017 (Unaudited)
Cost of services	<b>P66,366</b>	P93,847
Operating expenses	<b>10,440,656</b>	8,730,272
	<b>P10,507,022</b>	P8,824,119

## 10. Intangibles

### Stock Exchange Trading Rights

#### *Philippine Operations*

As at June 30, 2018 and December 31, 2017, the fair value less costs to sell of the exchange trading right amounted to P8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011.

#### *Hong Kong Operations*

COLHK's exchange trading right is carried at its cost of HKD3,190,000. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The said exchange trading right is non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the HK Stock Exchange in its continuing operation. As at June 30, 2018 and December 31, 2017, the carrying value of COLHK exchange trading right in Philippine peso amounted to nil.

The Group performed its annual impairment test in December 2017. The Group considers each location as a separate cash-generating unit (CGU) and the historical experience of each CGU, among other factors, when reviewing for indicators of impairment.

The Parent Company no longer computed for the VIU of its exchange trading right as its fair value less costs to sell is already higher than its carrying amount.

The recoverable amount of exchange trading right of COLHK has been determined based on a VIU calculation using cash flow projections covering a five (5)-year period. The projected cash flows have been updated to reflect the operations of COLHK.

The VIU calculation for the COLHK CGU is most sensitive to the following assumptions:

- Discount rate (2017: 1.54%; 2016: 1.73%) – This is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (WACC), taking into consideration the time value of money and individual risks of the underlying assets. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the bond market index in HK. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data on similar stockbrokers in HK.
- Revenue growth rate (2% in 2016 and 2017) – This is based on average revenue in the three years preceding the financial year and the plans of COLHK.

As a result of this analysis, management has determined that there was an impairment loss amounting to P20,636,226 in 2017 representing the full amount of the carrying value of the trading right.

Movements in exchange trading rights follow:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 (Audited)
At beginning of year	<b>P5,000,000</b>	P25,483,628
Impairment loss	–	(20,636,226)
Translation adjustment	–	152,598
At end of year	<b>P5,000,000</b>	P5,000,000

#### Software Costs and Licenses

Movement in the software costs and licenses account follow:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 (Audited)
<b>Cost</b>		
At beginning of year	<b>P46,222,625</b>	P43,211,407
Additions	<b>1,712,822</b>	3,011,218
At end of year	<b>47,935,447</b>	46,222,625
<b>Accumulated amortization</b>		
At beginning of year	<b>29,816,936</b>	25,839,205
Amortization	<b>1,808,363</b>	3,977,731
At end of quarter	<b>31,625,299</b>	29,816,936
<b>Net book value</b>	<b>P16,310,148</b>	P16,405,689

The amortization of software costs and licenses recorded in ‘Depreciation and amortization’ in the consolidated statements of income amounted to P1,808,363 and P2,049,569 in June 30, 2018 and 2017, respectively.

As of June 30, 2018 and December 31, 2017, the costs of the Group’s fully amortized software still in use amounted to P21,589,637 and P20,715,367, respectively.

The Parent Company’s intangible assets under development amounted to P2,862,245 as at June 30, 2018.

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## 11. Other Assets

### Other Current Assets

As of June 30, 2018, other current assets includes input VAT and payment to the Bureau of Internal Revenue (BIR) of additional income tax for the taxable year 2009. In prior years, the Parent Company recognized the payment to the BIR of additional income tax for the taxable year 2009 as other receivables and provided 100% allowance. On April 6, 2016, the Supreme Court issued a decision to deny the BIR's petition for review on certiorari, effectively affirming the decision of the Court of Tax Appeals and ordering the BIR to issue a tax credit certificate in favor of the Parent Company. Said decision became final and executory on September 22, 2016. On November 24, 2017, the Parent Company applied for the issuance of a tax credit certificate (TCC) to the BIR. Accordingly, the Parent Company reversed the related allowance for credit losses amounting to ₱8,960,245 included in 'Other revenues' and reclassified the balance from 'Other receivable' to 'Other current assets' in 2017.

### Other Noncurrent Assets

	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(Audited)
Deposit to CTGF	<b>₱13,724,200</b>	₱13,724,200
Refundable deposits:		
Rental and utility deposits	<b>6,941,151</b>	5,860,499
Other refundable deposits	<b>3,674,842</b>	2,933,661
	<b>10,615,993</b>	8,794,160
Deferred input VAT	<b>7,488,349</b>	8,305,186
Other noncurrent assets	–	918,367
	<b>31,828,542</b>	31,741,913
Less allowance for impairment losses on other noncurrent assets	<b>13,724,200</b>	13,724,200
	<b>₱18,104,342</b>	₱18,017,713

On October 20, 2008, the Parent Company made an initial contribution of ₱8,200,000 to the CTGF of the SCCP as a prerequisite to the Parent Company's accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made an additional contribution amounting to ₱5,524,200 to top-up the deficiency in the initial contribution.

The Parent Company recognized such contributions to the CTGF as noncurrent asset on the basis that the BOD of SCCP approved on August 1, 2007 the amendment to the SCCP Clearinghouse Rule 5.2 granting the full refund of contributions to the CTGF upon cessation of the business of the clearing member and upon termination of its membership with the SCCP. Such amendment is subject to SEC approval. Pending the approval of the SEC on such amendment, the Parent Company provided a full allowance for impairment losses on the deposit to CTGF.

Other refundable deposits include statutory deposits made to HK Exchanges, admission fees for HK's SFC and for HK Securities Clearing Company Ltd., and contributions to Central Clearing and Settlement System Guarantee Fund.

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## 12. Trade Payables

	<b>June 30, 2018</b>	December 31, 2017
	<b>(Unaudited)</b>	(Audited)
Customers (Note 19)	<b>₱8,777,323,683</b>	₱10,199,144,174
Clearing house	<b>198,820,807</b>	–
Dividends payable	<b>471,772</b>	71,015
	<b>₱8,976,616,262</b>	₱10,199,215,189

The Group's trade payables to customers and their security valuation follow:

	<b>June 30 (Unaudited)</b>		December 31, 2017 (Audited)	
	<b>Money Balance</b>	<b>Security Valuation-Long</b>	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	<b>₱8,777,323,683</b>	<b>₱58,323,241,494</b>	₱10,199,144,174	₱59,024,878,875
No money balances	–	<b>1,191,275,745</b>	–	1,900,006,708
	<b>₱8,777,323,683</b>	<b>₱59,514,517,239</b>	₱10,199,144,174	₱60,924,885,583

Generally, trade payables to customers are noninterest-bearing and have no specific credit terms.

Payable to customers with money balances amounting to ₱85,431,534 and ₱106,827,836 as at June 30, 2018 and December 31, 2017, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at June 30, 2018 were fully paid subsequently in July 2018. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

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### 13. Other Current Liabilities

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Due to BIR	<b>₱12,255,433</b>	₱29,475,240
Accrued expenses	<b>8,658,295</b>	37,810,618
Trading fees	<b>2,910,143</b>	3,217,800
Accrued management bonus	–	20,381,052
Others	<b>23,212,131</b>	24,318,323
	<b>₱47,036,002</b>	₱115,203,033

Due to BIR comprise withholding, percentage and output taxes payable to the Philippine BIR.

Accrued expenses and accrued management bonus pertain to accruals of operating expenses that were incurred but not yet paid and accruals made for the officers and employees' performance bonus.

Trading fees pertain to transaction costs and clearing fees on the purchase and sale of stocks that are payable to the regulatory bodies.

'Others' account consist mainly of deposits of clients received after the cut-off time for the processing of collections. These were credited to the clients' trading accounts on the next business day following the end of the reporting period.

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### 14. Equity

#### Capital Stock

The details and movements of the Parent Company's capital stock (figures and amounts in thousands) follow:

	June 30, 2018		December 31, 2017	
	Shares	Amount	Shares	Amount
Common stock - ₱1 per share				
Authorized	1,000,000	₱1,000,000	1,000,000	₱1,000,000
Issued and outstanding				
Balances at beginning of year	476,000	476,000	476,000	476,000
Issuance of common shares upon exercise of stock options (Note 17)	-	-	-	-
Balances at end of year	476,000	₱476,000	476,000	₱476,000

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As at June 30, 2018 and December 31, 2017, there were 31 holders of the listed shares of the Parent Company, while its share price closed at ₱16.50 and ₱15.50 per share, respectively. The history of share issuance during the last five years follows:

Year	Issuance	Listing Date	Number of Shares issued
2016	Stock options exercise	July 4, 2016	1,000,000
2015	Stock options exercise	July 16, 2015	250,000
2015	Stock options exercise	April 14, 2015	200,000
2014	Stock options exercise	November 25, 2014	200,000
2014	Stock options exercise	November 24, 2014	5,500,000
2014	Stock options exercise	May 22, 2014	200,000
2013	Stock options exercise	February 21, 2013	200,000
2013	Stock options exercise	January 24, 2013	200,000
2013	Stock options exercise	January 13, 2013	440,000
2012	Stock options exercise	October 30, 2012	100,000
2012	Stock options exercise	May 4, 2012	460,000
2012	Stock options exercise	April 27, 2012	200,000
2012	Stock options exercise	April 11, 2012	200,000
2012	Stock options exercise	March 26, 2012	2,200,000
2012	Stock options exercise	February 16, 2012	6,100,000

#### Retained Earnings

In compliance with SRC Rule 49.1 B Reserve Fund, the Parent Company is required to appropriate annually ten percent (10%) of its audited net income and transfer the same to appropriated retained earnings account.

On March 30, 2017, the BOD declared a regular and a special cash dividend amounting to ₱0.14 per share held or ₱66,640,000 (476,000,000 shares multiplied by ₱0.14 cash dividend per share) and ₱0.46 per share held or ₱218,960,000 (476,000,000 shares multiplied by ₱0.46 cash dividend per share), respectively, to stockholders of record as of April 28, 2017. These dividends were paid on May 12, 2017.

On April 13, 2018, the BOD declared a regular and a cash special dividend amounting to ₱0.15 per share held or ₱61,400,000 (476,000,000 shares multiplied by ₱0.15 cash dividend per share) and ₱0.55 per share held or ₱261,800,000 (476,000,000 shares multiplied by ₱0.55 cash dividend per share), respectively, to stockholders record as of April 27, 2018. These dividends were paid on May 10, 2018.

As of June 30, 2018 and December 31, 2017, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱210,658,218 and ₱215,137,820, respectively, which are not available for dividend declaration.

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**15. Interest Income**

	<b>June 30, 2018</b> <b>(Unaudited)</b>	June 30, 2017 (Unaudited)
Banks (Note 4)	<b>₱163,803,496</b>	₱81,400,305
Customers (Note 7)	<b>23,267,403</b>	32,896,845
Others (Note 8)	<b>3,666,178</b>	–
	<b>₱190,737,077</b>	₱114,297,150

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**16. Personnel Costs**

	<b>June 30, 2018</b> <b>(Unaudited)</b>	June 30, 2017 (Unaudited)
Salaries and wages	<b>₱50,649,149</b>	₱39,898,064
Other benefits	<b>6,427,969</b>	4,807,064
	<b>₱57,077,118</b>	₱44,705,128

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Other benefits include monetized leave credits of employees and other regulatory benefits.

The above accounts were distributed as follows:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	June 30, 2017 (Unaudited)
Cost of services	<b>₱36,334,771</b>	₱28,835,208
Operating expenses	<b>20,742,347</b>	15,869,920
	<b>₱57,077,118</b>	₱44,705,128

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**17. Employee Benefits****Retirement Benefits**

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of June 30, 2018 and December 31, 2017.

Under the existing regulatory framework, RA 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is defined contribution. Under the plan COLHK should contribute 5% of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱163,007 and ₱161,883 in June 30, 2018 and 2017, respectively.



## 18. Income Taxes

### Current Income Taxes

The breakdown of provision for current income tax is as follows:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	June 30, 2017 (Unaudited)
Regular corporate income tax	<b>₱62,028,868</b>	₱50,176,523
Final income tax	<b>33,610,313</b>	16,279,871
	<b>₱95,639,181</b>	₱66,456,394

### Deferred Income Taxes

The components of the Group's net deferred tax assets follow:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 (Audited)
Unused tax losses	<b>₱34,801,928</b>	₱31,723,955
Retirement obligation	<b>8,047,889</b>	8,047,889
Accumulated translation adjustment	<b>(10,819,133)</b>	(3,525,080)
Allowance for credit losses on trade receivables from customers	<b>354,388</b>	354,388
Unamortized past service cost	<b>180,729</b>	180,729
Unrealized trading (gains) losses	<b>189,049</b>	(67,776)
Unrealized foreign exchange gains	–	2,701
	<b>₱32,754,850</b>	₱36,716,806

Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carry-over period. The unused tax losses pertain to COLHK which can be carried forward indefinitely to offset future profits.

As of December 31, 2017, the Parent Company did not recognize deferred tax asset on retirement obligation amounting to ₱4,859,657, since it is not probable that the related benefit will be realized in the future.

Based on the study conducted by the Parent Company, the use of the optional standard deduction (OSD) method in claiming its deductions for tax purposes is more beneficial to it and has, therefore, applied this method in its prior years' tax filings.

## 19. Related Party Disclosures

a. The summary of significant transactions and account balances with related parties are as follows:

Category	Commission income	Interest income	Commission expense	Professional fees	Directors' fees
<b><i>Key management personnel</i></b>					
<b>June 30, 2018</b>	<b>₱794,402</b>	<b>₱240,526</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>
June 30, 2017	1,525,559	157,003	–	–	–
<b><i>Companies with common officers, directors and stockholders</i></b>					
<b>June 30, 2018</b>	<b>6,011,169</b>	<b>738,217</b>	<b>–</b>	<b>2,829,425</b>	<b>490,000</b>
June 30, 2017	2,412,583	1,176,445	–	2,743,020	230,000
<b><i>Directors</i></b>					
<b>June 30, 2018</b>	<b>3,448,517</b>	<b>378,982</b>	<b>–</b>	<b>–</b>	<b>–</b>
June 30, 2017	2,008,713	294,558	–	–	–

Category	Trade payables	Trade receivables	Terms	Conditions
<b>Key management personnel</b>				
<b>June 30, 2018</b>	<b>₱104,975,394</b>	<b>₱16,307,196</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
June 30, 2017	90,885,505	2,818,657		
<b>Companies with common officers, directors and stockholders</b>				
<b>June 30, 2018</b>	<b>21,601,282</b>	<b>37,897,534</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing/Payable upon billing; non-interest bearing	Secured; no impairment; no guarantee
June 30, 2017	29,633,390	13,698,083		
<b>Directors</b>				
<b>June 30, 2018</b>	<b>30,569,464</b>	<b>4,464,884</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
June 30, 2017	29,932,978	13,916,822		

b. Compensation of key management personnel of the Group follows:

	<b>June 30, 2018 (Unaudited)</b>	June 30, 2017 (Unaudited)
Short-term employee benefits	<b>₱23,479,526</b>	₱17,202,160
Retirement costs	<b>59,637</b>	57,815
Other benefits	<b>477,093</b>	—
	<b>₱24,016,256</b>	₱17,259,975

## 20. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every 1-3 years. Rental costs charged to operations amounted to ₱10,563,373 and ₱7,993,336 in June 30, 2018 and 2017, respectively.

The future minimum lease payments are as follows:

	<b>June 30, 2018 (Unaudited)</b>	June 30, 2017 (Unaudited)
Within one (1) year	<b>₱20,946,870</b>	₱15,064,094
After one (1) year but not more than five (5) years	<b>8,525,067</b>	14,135,753
	<b>₱29,471,937</b>	₱29,199,847

## 21. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic

conditions. No changes were made in the objectives, policies or processes during the period ended June 30, 2018 and December 31, 2017.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

The SEC approved Memorandum Circular No. 16 dated November 11, 2004 which provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks: (a) position or market risk, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risks, and (c) operational risk.

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least 110% and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 110% or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As of June 30, 2018 and December 31, 2017, the Parent Company is compliant with the said requirement.

The Parent Company's capital pertains to equity per books adjusted with deferred tax assets and assets not readily convertible into cash.

The RBCA ratio of the Parent Company as of June 30, 2018 and December 31, 2017 are as follows:

	<b>June 30, 2018 (Unaudited)</b>	December 31, 2017 (Audited)
Equity eligible for net liquid capital	<b>₱1,277,817,815</b>	₱1,284,485,316
Less: Ineligible Assets	<b>281,340,992</b>	284,559,814
NLC	<b>₱996,476,823</b>	₱999,925,502
Position risk	<b>₱19,136,039</b>	₱8,449,290
Operational risk	<b>164,470,545</b>	151,250,612
Counterparty risk	<b>1,425</b>	-
Total Risk Capital Requirement (TRCR)	<b>₱183,608,009</b>	₱159,699,902
AI	<b>₱8,857,954,981</b>	₱10,147,078,830
5% of AI	<b>₱442,897,749</b>	₱507,353,942
Required NLC	<b>442,897,749</b>	₱507,353,942
Net Risk-Based Capital Excess	<b>553,579,074</b>	₱492,571,560
Ratio of AI to NLC	<b>889%</b>	1,015%
RBCA ratio (NLC/TRCR)	<b>543%</b>	626%

The following are the definition of terms used in the above computation:

1. Ineligible assets  
These pertain to fixed assets and assets which cannot be readily converted into cash.
2. Operational risk requirement  
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.
3. Position risk requirement  
The amount necessary to accommodate a given level of position risk which is the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.
4. AI  
Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which supersede the Membership Rules of the PSE. Section 8(c) of Article III of the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20.00 million effective December 31, 2009, and ₱30.00 million effective December 31, 2011 and onwards. As at June 30, 2018 and December 31, 2017, the Parent Company is compliant with this capital requirement.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as at June 30, 2018 and December 31, 2017.

COLHK monitors capital using liquid capital as provided for under HK's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK\$3.00 million and computed variable required capital. As at June 30, 2018 and December 31, 2017, COLHK is compliant with the said requirement.

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## 22. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL, trade receivables, other receivables, long-term time deposit, held-to-maturity investments, refundable deposits under other noncurrent assets, trade payables and other current liabilities, which arise from operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk.

The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below:

## Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the stock brokerage business as potential losses may arise due to the failure of its customers and counterparties to fulfill their trading obligations on settlement dates or the possibility that the value of collateral held to secure obligations becoming inadequate due to adverse market conditions.

The business model of the Group minimizes its exposure to credit risk. The Group's customers, except those granted with a credit line facility by the Parent Company, are required to deposit funds to their accounts and their purchases are limited to their cash deposit. In order to manage the potential credit risk associated with the Parent Company's margin lending activities, the Group has established policies and procedures in evaluating and approving applications for margin financing as well as the review of credit performance and limits. In addition, the Parent Company requires its margin customers a Two Peso (₱2) security cover for every One Peso (₱1) exposure. The security cover can either be in cash or a combination of cash and marginable stock identified by the Parent Company using a set of criteria.

## Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at June 30, 2018 and December 31, 2017 are summarized in the following tables:

	June 30, 2018 (Unaudited)					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Cash and cash equivalents*	₱9,065,161,375	₱-	₱-	₱-	₱-	₱9,065,161,375
Cash in segregated account	87,919,875	-	-	-	-	87,919,875
Loans and receivables:						
Trade receivables	227,267,748	101,400,208	55,508,185	417,159,331	-	801,335,472
Other receivables	32,132,452	-	-	-	-	32,132,452
Long-term time deposit	200,000,000	-	-	-	-	200,000,000
Refundable deposits	10,615,994	-	-	-	-	10,615,994
Financial assets at FVPL	40,167,992	-	-	-	-	40,167,992
Held-to-maturity investment	202,157,117	-	-	-	-	202,157,117
	<b>₱9,865,422,553</b>	<b>₱101,400,208</b>	<b>₱55,508,185</b>	<b>₱417,159,331</b>	<b>₱-</b>	<b>₱10,439,490,277</b>

\*Excluding cash on hand

	December 31, 2017 (Audited)					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Cash and cash equivalents*	₱10,015,881,162	₱-	₱-	₱-	₱-	₱10,015,881,162
Cash in segregated account	88,993,088	-	-	-	-	88,993,088
Loans and receivables:						
Trade receivables	579,956,775	59,062,345	67,253,728	464,582,585	-	1,170,855,433
Other receivables	27,481,904	-	-	-	-	27,481,904
Long-term time deposit	200,000,000	-	-	-	-	200,000,000
Refundable deposits	8,794,160	-	-	-	-	8,794,160
Financial assets at FVPL	1,176,978	-	-	-	-	1,176,978
Held-to-maturity investment	202,738,147	-	-	-	-	202,738,147
	<b>₱11,125,022,214</b>	<b>₱59,062,345</b>	<b>₱67,253,728</b>	<b>₱464,582,585</b>	<b>₱-</b>	<b>₱11,715,920,872</b>

\*Excluding cash on hand

Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 8% to 10% per annum. The account has no due date and becomes demandable only when equity percentage of the customers falls below 33.33%.

## Credit quality per class of financial assets

The table below shows the credit quality by class of the financial assets of the Group:

June 30, 2018 (Audited)

	Neither Past Due nor Specifically Impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	P9,065,161,375	P-	P-	P9,065,161,375
Cash in a segregated account	87,919,875	-	-	87,919,875
Loans and receivables:				
Trade receivables	227,267,748	-	574,067,724	801,335,472
Other receivables	-	32,132,452	-	32,132,452
Long-term time deposit	200,000,000	-	-	200,000,000
Refundable deposits	10,615,994	-	-	10,615,994
	9,590,964,992	32,132,452	574,067,724	10,197,165,168
Financial assets at FVPL	40,167,992	-	-	40,167,992
Held-to-maturity investment	202,157,117	-	-	202,157,117
	<b>P9,833,290,101</b>	<b>P32,132,452</b>	<b>P574,067,724</b>	<b>P10,439,490,277</b>

December 31, 2017 (Audited)

	Neither Past Due nor Specifically Impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	P10,015,881,162	P-	P-	P10,015,881,162
Cash in a segregated account	88,993,088	-	-	88,993,088
Loans and receivables:				
Trade receivables	579,956,775	-	590,898,658	1,170,855,433
Other receivables	-	27,481,904	-	27,481,904
Long-term time deposit	200,000,000	-	-	200,000,000
Refundable deposits	8,794,160	-	-	8,794,160
	10,893,625,185	27,481,904	590,898,658	11,512,005,747
Financial assets at FVPL	1,176,978	-	-	1,176,978
Held-to-maturity investment	202,738,147	-	-	202,738,147
	<b>P11,097,540,310</b>	<b>P27,481,904</b>	<b>P590,898,658</b>	<b>P11,715,920,872</b>

The Group's bases in grading its financial assets are as follows:

High grade

*Loans and Receivables*

The Group's loans and receivables, which are neither past due nor impaired, are classified as high grade, due to its high probability of collection (i.e. the counterparty has the evident ability to satisfy its obligation and the security on the receivables are readily enforceable).

Cash and cash equivalents, cash in a segregated account, and long-term time deposit are considered high grade since these are deposited with reputable banks duly approved by the BOD and have low probability of insolvency.

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at June 30 and December 31, 2017, P760,486,100 and P610,749,553 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of P4,040,993,740 and P3,920,498,461, respectively (Note 7).

Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

Refundable deposits under other noncurrent assets is classified as high grade since the amount shall be kept intact by (1) the lessor throughout the term of the contract and shall be returned after the term; and (2) the government institutions as a requirement to conduct stock brokerage business and shall be

returned after the Group ceases to operate its business.

#### *Financial Assets at FVPL*

Companies that are consistently profitable, have strong fundamentals and pays out dividends.

As at June 30, 2018 and December 31, 2017, the Group's financial assets at FVPL are classified as high grade since these are with entities of good reputation.

#### *HTM Investment*

The HTM investment is classified as high grade since this is a retail treasury bond issued by the Philippine government and there is a high probability of collecting the principal and coupon payments.

#### Standard grade

##### *Loans and Receivables*

These are loans and receivables from counterparties with no history of default and are not past due as at the end of the reporting period.

#### *Maximum exposure to credit risk after collateral held or other credit enhancements*

The maximum exposure to credit risk is the carrying value at the reporting date of each class of financial assets of the Group except for receivables from customers wherein the Group holds collateral as security.

The table below shows the maximum exposure to credit risk for the component of the consolidated statements of financial position:

	<b>June 30, 2018</b> <b>(Unaudited)</b>	December 31, 2017 (Audited)
Cash and cash equivalents (Note 4)*	<b>₱9,065,161,375</b>	₱10,015,881,162
Cash in a segregated account (Note 5)	<b>87,919,875</b>	88,993,088
Financial assets at FVPL (Note 6)	<b>40,167,992</b>	1,176,978
Trade receivables (Note 7)	<b>3,749,895</b>	184,344
Other receivables (Note 7)	<b>32,132,452</b>	27,481,904
Long-term time deposit (Note 4)	<b>200,000,000</b>	200,000,000
Refundable deposits (Note 11)	<b>10,615,994</b>	8,794,160
Held-to-maturity investment (Note 8)	<b>202,157,117</b>	202,738,147
	<b>9,641,904,700</b>	10,545,249,783
Unutilized margin trading facility	<b>5,035,581,110</b>	4,854,797,720
	<b>₱14,677,485,810</b>	₱15,400,047,503

\*Excluding cash on hand

#### *Collateral and other credit enhancement*

Margin customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance.

Collateral comes in the form of financial assets. This pertains to securities listed and traded in the PSE and lodged with the Philippine Depository and Trust Corporation under the account of the Parent Company. The market value of the securities is closely monitored to ensure compliance with the required levels of collaterals.

The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount of the particular instrument plus any irrevocable loan commitment or credit facility.

There are no significant concentrations of credit risk within the Group.

### Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group manages its liquidity profile to meet the following objectives: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to have access to funding when needed at the least possible cost.

As at June 30, 2018 and December 31, 2017, all of the Group's financial liabilities, which consist of trade payables and other current liabilities, are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at June 30, 2018 and December 31, 2017 consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL and trade receivables.

### Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Group's market risk originates from its holdings of equity instruments and foreign currency-denominated financial instruments.

### *Equity Price Risk*

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVPL which pertain to investments in shares of stock of companies listed in the PSE and in mutual fund shares. The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, management believes that disclosure of equity price risk sensitivity analysis as at December 31, 2017 is not significant. However, during the second quarter of 2018, financial assets at FVPL rose significantly. Hence, management believes that it is appropriate to disclose the equity price risk sensitivity analysis as at June 30, 2018.

The following table set forth the sensitivity of the Group's net unrealized gains (losses) to reasonably possible changes in the PSEi with all other variables held constant as of June 30, 2018.

	<b>June 30, 2018</b>	
<u>Changes in PSEi</u>	<u>+12.22%</u>	<u>-12.22%</u>
<i>Trading gains - net</i>		
Financial assets at FVPL	<b>₱3,650,765</b>	<b>(₱3,650,765)</b>

### *Foreign Currency Risk*

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is engaged.

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash in banks amounting to US\$163,342 and US\$229,422 as at June 30, 2018 and December 31, 2017, respectively (Note 4).



Since the amount of US\$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis as at June 30, 2018 and December 31, 2017 is not significant.

#### Offsetting of Financial Assets and Liabilities

The table below presents information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar agreements.

June 30, 2018 (Unaudited)							
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure	
				Financial Instruments	Fair Value of Financial Collateral		
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]	
<b>Financial Assets</b>							
Receivable from customers	₱760,486,364	₱-	₱760,486,364	₱1,687,698	₱-	₱758,798,666	
Receivable from clearing house	1,040,735	-	1,040,735	1,040,735	-	-	
	<b>₱761,527,099</b>	<b>₱-</b>	<b>₱761,527,099</b>	<b>₱2,728,433</b>	<b>₱-</b>	<b>₱758,798,666</b>	
<b>Financial Liabilities</b>							
Payable to customers	₱8,777,323,683	₱-	₱8,777,323,683	₱1,687,698	₱-	₱8,775,635,985	
Payable to clearing house	198,820,807	-	198,820,807	1,040,735	-	₱197,780,072	
	<b>₱8,976,144,490</b>	<b>₱-</b>	<b>₱8,976,144,490</b>	<b>₱2,728,433</b>	<b>₱-</b>	<b>₱8,973,416,057</b>	

December 31, 2017 (Audited)							
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure	
				Financial Instruments	Fair Value of Financial Collateral		
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]	
<b>Financial Assets</b>							
Receivable from customers	₱610,749,598	₱-	₱610,749,598	₱5,747,698	₱-	₱605,001,900	
	₱610,749,598	₱-	₱610,749,598	₱5,747,698	₱-	₱605,001,900	
<b>Financial Liabilities</b>							
Payable to customers	₱10,199,144,174	₱-	₱10,199,144,174	₱5,747,698	₱-	₱10,193,396,476	
	₱10,199,144,174	₱-	₱10,199,144,174	₱5,747,698	₱-	₱10,193,396,476	

## 23. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values do not approximate its fair values as at June 30, 2018 and December 31, 2017:

	Carrying Values		Fair Values	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Refundable deposits	₱10,615,994	₱8,794,160	₱9,246,877	₱7,660,000
Held-to-maturity investment	202,157,117	202,738,147	198,286,767	200,642,000

The carrying amounts of cash and cash equivalents, cash in a segregated account, trade receivables, other receivables, trade payables and other current liabilities, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

The carrying value of long-term time deposit approximates its fair value since the placement earns interest at prevailing market rates.

#### *Financial Assets at FVPL*

The Group's financial assets at FVPL are carried at their fair values as at June 30, 2018 and December 31, 2017. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers.

#### *Refundable Deposits*

The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.8% as at June 30, 2018 and December 31, 2017, respectively. There are no changes in the valuation techniques in 2018 and 2017.

#### *HTM Investment*

The fair value of HTM investment is based on the quoted closing price in an active market as at June 30, 2018.

#### Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

	<b>June 30, 2018 (Unaudited)</b>		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
<b>Financial assets at FVPL</b>	<b>₱40,167,992</b>	<b>₱–</b>	<b>₱–</b>
<i>Asset for which fair values are disclosed:</i>			
<b>Refundable deposits</b>	–	–	<b>9,246,877</b>
<b>Held-to-maturity investment</b>	<b>198,286,767</b>	–	–
	December 31, 2017 (Audited)		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱1,009,926	₱167,052	₱–
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	7,660,000
Held-to-maturity investment	200,642,000	–	–

During the period ended June 30, 2018 and the year ended December 31, 2017, there were no transfers among levels 1, 2 and 3 of fair value measurements.

## 24. EPS Computation

	<b>June 30, 2018 (Unaudited)</b>	June 30, 2017 (Unaudited)
Net income	<b>₱322,196,020</b>	₱214,602,450
Weighted average number of shares for basic earnings per share	<b>476,000,000</b>	476,000,000
Dilutive shares arising from stock options	–	–
Adjusted weighted average number of shares of common shares for diluted earnings per share	<b>476,000,000</b>	476,000,000
Basic earnings per share	<b>₱0.68</b>	₱0.45
Diluted earnings per share	<b>₱0.68</b>	₱0.45

## 25. Segment Information

For management purposes, the Group is organized into business units based on its geographical location and has two (2) reportable segments as follows:

- Philippine segment, which pertains to the Group's Philippine operations.
- Hong Kong segment, which pertains to the Group's HK operations.

The following tables present certain information regarding the Group's geographical segments:

	June 30, 2018 (Unaudited)			
	Philippines	Hong Kong	Elimination	Total
<b>Revenue from external customers:</b>				
Commissions	₱394,338,710	₱10,345,321	₱–	₱404,684,031
Interest	190,736,072	1,005	–	190,737,077
Others	19,285,144	568,783	–	19,853,927
Segment revenue	604,359,926	10,915,109	–	615,275,035
Cost of services	(92,635,322)	(10,913,328)	–	(103,548,650)
Operating expenses	(77,303,904)	(5,499,509)	–	(82,803,413)
Depreciation and amortization	(12,249,019)	–	–	(12,249,019)
Income (loss) before income tax	422,171,681	(5,497,728)	–	416,673,953
Benefit from (provision for) income tax	(95,385,058)	907,125	–	(94,477,933)
<b>Net income (loss)</b>	<b>₱326,786,623</b>	<b>(4,590,603)</b>	<b>₱–</b>	<b>₱322,196,020</b>
Segment assets	₱10,267,975,254	₱464,815,242	(₱134,800,000)	₱10,597,990,496
Segment liabilities	8,993,127,017	94,223,380	–	9,087,350,397
Capital expenditures:				
Property and equipment	(7,654,756)	–	–	(7,654,756)
Cash flows arising from:				
Operating activities	(643,683,370)	38,394,701	–	(605,288,669)
Investing activities	(12,229,823)	–	–	(12,229,823)
Financing activities	(333,200,000)	–	–	(333,200,000)
	December 31, 2017 (Audited)			
	Philippines	Hong Kong	Elimination	Total
<b>Revenue from external customers:</b>				
Commissions	₱661,967,789	₱16,757,927	₱–	₱678,725,716
Interest	250,460,101	446	–	250,460,547
Others	39,671,684	1,253,917	–	40,925,601
Segment revenue	952,099,574	18,012,290	–	970,111,864
Cost of services	(217,380,889)	(19,268,531)	–	(236,649,420)
Operating expenses	(168,854,090)	(31,068,055)	–	(199,922,145)
Depreciation and amortization	(22,069,885)	(13,973)	–	(22,083,858)
Income (loss) before income tax	543,794,710	(32,338,269)	–	511,456,441
Benefit from (provision for) income tax	(134,666,136)	1,930,910	–	(132,735,226)
<b>Net income (loss)</b>	<b>₱409,128,574</b>	<b>(₱30,407,359)</b>	<b>₱–</b>	<b>₱378,721,215</b>
Segment assets	₱11,548,781,813	₱466,855,535	(₱134,800,000)	₱11,880,837,348
Segment liabilities	10,267,520,197	108,692,529	–	10,376,212,726
Capital expenditures:				
Property and equipment	63,977,777	–	–	63,977,777
Cash flows arising from:				
Operating activities	3,326,512,476	16,433,530	–	3,342,946,006
Investing activities	(267,019,663)	–	–	(267,019,663)
Financing activities	(285,600,000)	–	–	(285,600,000)

**SCHEDULE I**  
**COL FINANCIAL GROUP, INC. AND SUBSIDIARY**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO SRC RULE 68, AS AMENDED**

	<b>June 30 2018</b>	June 30 2017	Formula
<b>Profitability ratios:</b>			
Return on assets	<b>3.06%</b>	2.22%	Net income/Total assets
Return on equity (annualized)	<b>42.74%</b>	30.90%	Net income/Average stockholders' equity
Net profit margin	<b>52.37%</b>	46.64%	Net income/Net sales
<b>Solvency and liquidity ratios:</b>			
Current ratio	<b>1.11:1</b>	1.12:1	Current assets/Current liabilities
Debt to equity ratio	<b>6.03:1</b>	6.01:1	Total liabilities/ Average stockholders' equity
Quick ratio	<b>1.11:1</b>	1.12:1	Liquid assets/Current liabilities
Asset to equity ratio	<b>7.03:1</b>	6.99:1	Total assets/Average stockholders' equity