

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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t	e	r	,		P	a	s	i	g		C	i	t	y																		

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

Ms. Catherine L. Ong (Contact Person)

636-54-11 (Company Telephone Number)
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Month Day
(Calendar Year)

17-Q
(Form Type)
September, 2017

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Month Day
(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

30

Total No. of Stockholders

Total Amount of Borrowings

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Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document ID	Cashier

S T A M P S

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**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: **September 30, 2017**
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: Postal Code: **1605**
**2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas
Center, Pasig City**
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
Common	476,000,000 shares

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, providing 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, 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 performing poorly during the second half of 2016, the Philippine Stock Exchange Index (PSEi) rebounded, rising by 19.5% for the year to date period to 8,171.4 by the end of September. The market rallied as foreign funds flowed back to emerging markets, triggered by the decline in U.S. bond rates and the weakness of the U.S. dollar. In the Philippines, net buying by foreign investors reached ₱53.6 billion during the first nine months of 2017. Sentiment also improved due to the stronger than expected earnings performance of listed companies and on indications that the government’s comprehensive tax reform program would be passed soon.

Despite the PSEi’s strong year to date performance, average daily value turnover in the PSE increased by only 3.6% to ₱8.4 billion compared to the first nine months of 2016, while total value turnover was flat year-on-year.

Like the Philippines, the HK stock market rebounded strongly in the first nine months of 2017 after performing poorly in fourth quarter of 2016. Aside from foreign fund flows, the HK market benefited from signs that both the HK and the Chinese economies were recovering. Although China’s economic growth slowed down during the third quarter, quality was good as growth of the private sector remained strong. Moreover, the People’s Bank of China’s announcement that it would cut the reserve requirement ratio for some banks in 2018 boosted sentiment for stocks. As of end September, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) were higher by 25.2%, 19.8% and 16.1%, respectively, compared to their end 2016 levels.

However, compared to the Philippines, the performance of the HK market was stronger as average daily turnover improved by 20.5% year-on-year to HKD81.2 billion in the first nine months of 2017.

Business Review

Key Performance Indicators

COL is committed to maximize profitability through the efficient use of its capital 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:

	September 2017	September 2016
Number of Customer Accounts	236,866	196,026
Customers’ Net Equity (in millions)	₱72,333.2	₱62,269.3
Revenues (in millions)	₱710.7	₱658.7
Annualized Return on Equity	31.2	31.1%
Risk Based Capital Adequacy Ratio*	599.0%	619.0%
Liquid Capital** (in millions)	HKD34.8	HKD24.7

* Parent Company only

**HK Subsidiary

COL steadily attracted new customers, reaching close to 237,0000 total **customer accounts** as of end September 2017, or a 20.8% year-on-year increase. COL’s client base continued to grow as the Parent Company remained active in educating and encouraging Filipinos to save and invest.

It also continued to benefit from the heightened interest among Filipinos to invest outside of traditional fixed income instruments brought about by the low interest rate environment. The Investor Centers opened in Makati, Cebu and Davao contributed 17.0% of the total account openings during the nine-month period. During the third quarter, the Investor Centers already contributed around 19.0% of the total account openings after Cebu was opened in August.

Customers' net equity, likewise, rose to a new record level of ₱72.3 billion by the end of September 2017, a 16.2% increase from the year before. This included net new flows amounting to ₱7.4 billion during the twelve-month period.

Revenues increased by 7.6% to ₱710.7 million during the first nine months of 2017. Growth was largely driven by the 8.2% increase in interest income and the booking of ₱26.6 million worth of other income. Net income increased at a slightly slower pace of 7.2% to ₱339.7 million compared to revenues as total expenses increased by a faster pace of 8.0% due to higher fixed operating costs during the first nine months of 2017 as a result of numerous investments made to improve client service and customer reach. Nevertheless, **return on average equity (ROAE)** stayed elevated at 31.2% in the first nine months of 2017.

During the first nine months of 2017, 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 September 2017, the Parent Company's **Risk Based Capital Adequacy Ratio (RBCA)** reached 599%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD34.8 million of **liquid capital**. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

Material Changes in Financial Condition (September 30, 2017 vs December 31, 2016)

COL's financial position remained strong with a high level of cash and zero interest bearing debt.

COL's asset base was up 20.7% at ₱10.7 billion compared to its end 2016 level.

Cash and cash equivalents composed mainly of cash in banks and short-term placements were higher by 18.3% at ₱8.5 billion as of end September 2017.

Cash in a segregated account booked by COL's HK Subsidiary increased by 55.1% to ₱209.3 million as clients liquidated their position to take advantage of the bullish run in the HK market during the period.

Trade receivables increased by 15.4% to ₱1.4 billion as the value of margin loans increased to ₱1.0 billion as of end September from ₱691.7 million as of end 2016. The sharp rise in the average margin loans can be attributed to the increase in activity from the self-directed customers as volatility in the non-index issues increased.

Financial assets at fair value through profit or loss (FVPL) decreased by 58.2% to ₱0.9 million due to the liquidation of some proprietary shares of the Parent Company.

Other receivables went up 118.2% to ₱33.1 million mainly due to the booking of the receivable from the fund houses as a result of the mutual fund redemptions of customers that are yet to be settled on scheduled dates after the cut-off period.

Prepayments increased by 201.8% to ₱6.6 million on account of higher local taxes paid in January 2017, the renewal of group life insurance for the officers and employees of the Parent Company and the higher annual renewal maintenance fee paid to the service provider because of the increase in the number of servers covered by the agreement during the second and third

quarters of the year, respectively.

Net property and equipment increased by 26.7% as the Parent Company spent ₱32.5 million on capital expenditures to upgrade its existing IT infrastructure and facilities to a more powerful and efficient variants that are capable of handling big volumes of order and market data processing requirements. ₱29.0 million of the total capex was spent on additional tower and rack servers, load balancers and software licenses that will ensure the optimum performance of COL's trading platform in spite of the increase in the number of new customers and the anticipated surge in the trading levels and user utilization due to the improvement of the market condition.

Pending the actual turnover of the office space located at the PSE One Bonifacio in Taguig City, the payment of ₱17.5 million was classified under Other noncurrent assets which posted an increase of 133.9% to ₱34.7 million. Upon completion, the office space will be used either as an additional Investor Center or as an extension office for COL's Sales Team.

Trade payables, which account for more than 90.0% of total liabilities, increased by 24.6% to ₱9.2 billion. The strong growth in COL's client base led to an increase in clients' total equity portfolio including cash balance. This in turn resulted to an expansion in trade payables.

Other current liabilities fell by 45.7% to ₱49.3 million as a result of the payment of performance bonuses accrued in 2016 and the remittance of the corresponding withholding taxes in January 2017.

Income tax payable was up 142.0% to ₱24.6 million in line with the increase in the taxable income recorded by the Parent Company during the nine-month period in review.

Stockholders' equity increased by 4.2% or ₱59.1 million to ₱1.5 billion largely due to the booking of ₱339.7 million in net income during the first nine months of 2017 partly offset by the payment of ₱285.6 million worth of cash dividends to shareholders.

Material Changes in the Results of Operations (September 30, 2017 vs September, 2016)

COL's consolidated revenues during the first nine months of 2017 rose by 7.6% to ₱710.7 million largely due to the strong growth in interest income and the booking of ₱26.6 million worth of other income. Cost of services was up by 3.6% to ₱157.6 million led by the 22.7% increase in personnel costs to ₱41.5 million and the 15.8% jump in central depository fees to ₱8.1 million.

Operating expenses rose by 14.9% to ₱113.1 million while provision for income taxes increased by a slightly slower pace of 8.1% to ₱100.3 million. Because of the foregoing movements, net income was up by 7.2% to ₱339.7 million on a year-on-year basis.

COL's revenues increased by 7.6% as all line items improved, led by interest and other income.

Interest income grew by 8.2% to ₱178.0 million as COL benefited from the higher utilization of its margin lending facility. Average daily margin loans increased by 41.2% to ₱834.8 million during the first nine months of 2017 from ₱591.2 million during the same period in 2016. As a result, the Parent Company generated a margin interest of ₱51.2 million during the nine-month period or a growth of 12.1% compared to the ₱45.7 million interest booked in 2016. Meanwhile, interest income from cash placements grew by 6.7% year-on-year to ₱126.8 million from the ₱118.8 million booked in 2016 as COL benefited from the placement of ₱403.0 million in long-term deposit instruments with higher interest rates, bigger investible funds and rising yields on deposits in general.

COL also booked ₱26.6 million worth of other income, more than five times the ₱4.9 million booked in the first nine months of 2016. During the first nine months of 2017, COL earned a

₱17.6 million gain from the sale of unexercised stock rights. It also booked ₱7.4 million worth of trailer fees from the growing size of mutual fund assets under administration, almost double the ₱3.8 million booked in the same period last year. As of end September, COL already has around ₱2.0 billion of total assets under administration, up by 63.7% from the ₱1.2 billion recorded in the same period in 2016.

Commission revenues grew by 3.1% to ₱506.1 million as average daily trading activity of COL's retail clients picked up, partly offset by the reduction in the number of trading days year-on-year. Commission revenues from Philippine operations increased by only 2.5% after coming from a high base in the previous year and the marked slowdown in the activity from the Private Clients Group which provides agency and advisory services to a select group of high net worth individuals and financial institutions. HK revenues, on the other hand, rebounded after consistently falling since the start of 2016. During the third quarter of the year, HK commissions almost doubled to ₱6.6 million from ₱3.4 million during the same period last year, bringing its nine-month commission revenues to ₱10.7 million, or an increase of 44.3% from its year-ago level.

Cost of services was up 3.6% to ₱157.6 million as personnel costs increased by 22.7% to ₱41.5 million and as central depository fees rose by 15.8% to ₱8.1 million. Personnel costs grew mainly due to the alignment of pay of the key management personnel within the organization and the hiring of additional personnel to man the newly opened Investor Centers and to complement the demands of a growing client base. Communications, likewise, increased by 5.5% to ₱23.6 million due to the subscription to additional internet bandwidth to support the increase in utilization as a consequence of the growth in the number of users. Nevertheless, these increases were largely offset by the 7.1% drop in commissions paid to agents to ₱70.0 million which account for around 44% of cost of services.

Meanwhile, operating expenses posted a net increase of 14.9% to ₱113.1 million.

Personnel costs and professional fees, which together account for close to half of total operating expenses, grew by 16.6% to ₱47.4 million. The hiring of additional personnel and the across the board adjustment caused the 20.6% rise in the personnel costs chargeable to operating costs. Professional fees, likewise, was up 13.0% to ₱24.0 million mainly due to the 25.0% adjustment in IT consultancy fees.

Rentals which account for 10.9% of operating expenses significantly increased by 17.1% to ₱12.3 million due to the escalation clauses in the existing lease contracts entered into by the Parent Company. On the average, rent increased by 15.0% and 5.0% for office and parking spaces, respectively. Due to the growing operations and business of the Parent Company, it also rented additional office space for Davao during the last quarter of 2016 and for Cebu and Iloilo during the second quarter of 2017. These Investor Centers will serve as touchpoints to customers and prospective clients in those key cities.

Depreciation expense also increased significantly by 22.6% to ₱16.2 million as capital expenditures reached ₱32.5 million during the first nine months of the year, also in line with efforts to improve customer service and reach.

Meanwhile, advertising and marketing went down by 27.5% to ₱6.0 million due to fewer marketing events held during the nine-month period and the completion of the Richer Life Campaign in 2016. Instead of conducting local roadshows similar to the ones held in the year prior, marketing efforts for 2017 were also concentrated in the establishment and promotions of the Investor Centers and the hosting of exclusive lifestyle and market-driven events to build stronger and deeper relationships with the Premium segment.

Repairs and maintenance also increased by 64.6% to ₱2.8 million due to additional maintenance costs of hardwares purchased during the period and the cost of minor upgrades to the back office

systems that were charged to operations.

Due to the said factors, operating income improved by 7.4% to ₱440.0 million. Net profits increased by a slightly slower pace of 7.2% to ₱339.7 million as provision for income taxes rose by 8.1% to ₱100.3 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
November 14, 2017



Catherine L. Ong
Senior Vice President and Chief Finance Officer
November 14, 2017



Lorena E. Velarde
Vice President and Financial Controller
November 14, 2017

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

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	₱8,549,404,016			₱7,225,603,984		
Cash in a segregated account (Note 5)	209,250,773			134,918,294		
Financial assets at fair value through profit or loss (Note 6)	877,971	₱877,971		2,102,563	₱2,102,563	
Trade receivables (Note 7)	1,372,177,025	4,411,960,760		1,188,644,329	6,261,145,183	
Other receivables (Note 7)	33,081,537			15,160,682		
Prepayments	6,607,256			2,189,572		
Total Current Assets	10,171,398,578			8,568,619,424		
Noncurrent Assets						
Long-term time deposit (Note 4)	200,000,000			200,000,000		
Held-to-maturity financial asset (Note 8)	203,025,961			–		
Property and equipment (Note 9)	76,875,867			60,667,539		
Intangibles (Note 10)	25,856,220			25,483,628		
Deferred tax assets (Note 18)	35,891,024			35,146,805		
Other noncurrent assets (Note 11)	34,678,396			14,824,086		
Total Noncurrent Assets	576,327,468			336,122,058		
TOTAL ASSETS	₱10,747,726,046			₱8,904,741,482		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			₱64,854,530,473			₱54,516,942,193

(Forward)

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Notes 12 and 19)	₱9,164,345,239	₱60,441,691,742		₱7,353,292,239	₱48,253,694,447	
Other current liabilities (Note 13)	49,327,311			90,926,071		
Income tax payable	24,637,884			10,181,427		
Total Current Liabilities	9,238,310,434			7,454,399,737		
Noncurrent Liability						
Retirement obligation (Note 17)	26,826,298			26,826,298		
Total Liabilities	9,265,136,732			7,481,226,035		
Equity (Notes 14 and 17)						
Capital stock	476,000,000			476,000,000		
Capital in excess of par value	53,219,024			53,219,024		
Accumulated translation adjustment	14,308,751			9,375,669		
Loss on remeasurement of retirement obligation	(880,074)			(880,074)		
Retained earnings:						
Appropriated	235,590,917			198,811,471		
Unappropriated	704,350,696			686,989,357		
Total Equity	1,482,589,314			1,423,515,447		
TOTAL LIABILITIES AND EQUITY	₱10,747,726,046	₱64,854,530,473	₱64,854,530,473	₱8,904,741,482	₱54,516,942,193	₱54,516,942,193

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2017	2016	2017	2016
REVENUES				
Commissions	₱506,146,276	₱490,849,878	₱183,637,660	₱197,640,326
Others:				
Interest income (Note 15)	177,995,870	164,503,344	63,698,720	59,576,540
Gain (loss) on financial assets at FVPL - net (Note 6)	17,602,381	(293,928)	(240,475)	(343,790)
Others	8,985,154	3,377,162	3,459,272	1,363,071
	710,729,681	658,436,456	250,555,177	258,236,147
COST OF SERVICES				
Commission expense (Note 19)	69,997,190	75,373,943	23,085,579	28,605,884
Personnel costs (Note 16)	41,471,384	33,799,543	12,636,176	10,313,635
Stock exchange dues and fees	12,563,935	11,913,610	4,451,413	4,751,234
Central depository fees	8,105,196	6,996,989	2,814,622	2,582,266
Others:				
Communications	23,579,100	22,358,210	8,165,348	7,869,749
Others	1,882,424	1,701,737	582,731	546,952
	157,599,229	152,144,032	51,735,869	54,669,720
GROSS PROFIT	553,130,452	506,292,424	198,819,308	203,566,427
OPERATING EXPENSES				
Administrative expenses:				
Professional fees (Note 19)	24,034,883	21,269,765	7,289,030	6,737,070
Personnel costs (Note 16)	23,383,683	19,385,933	7,513,763	4,839,676
Rentals (Note 20)	12,299,691	10,503,055	4,306,355	3,584,953
Advertising and marketing	6,032,376	8,318,260	2,303,690	4,932,947
Security and messengerial services	4,799,617	3,532,682	1,503,596	1,373,019
Taxes and licenses	3,670,879	3,424,698	1,211,160	1,133,384
Power, light and water	3,316,770	3,079,355	1,208,809	1,080,554
Repairs and maintenance	2,780,933	1,690,031	1,277,903	565,491
Insurance and bonds	2,573,636	2,456,440	984,653	896,985
Office supplies	2,560,036	1,983,265	923,066	814,693
Condominium dues	1,919,985	1,844,381	633,083	602,117
Communications	1,560,803	518,167	483,511	208,364
Trainings, seminars and meetings	1,184,175	1,002,173	237,994	249,409
Representation and entertainment	902,876	745,863	432,793	202,858
Transportation and travel	825,503	529,528	355,830	157,481
Membership fees and dues	657,075	605,272	247,173	195,303
Directors' fees	330,000	350,000	100,000	80,000
Bank charges	89,118	431,063	44,242	27,216
Others	1,825,217	1,700,511	715,423	505,110
	94,747,256	83,370,442	31,772,074	28,186,630
Depreciation and amortization (Note 9)	16,219,779	13,225,021	5,439,938	4,388,999
Provision for credit losses	2,152,924	–	384,315	–
	113,119,959	96,595,463	37,596,327	32,575,629
INCOME BEFORE INCOME TAX	440,010,493	409,696,961	161,222,981	170,990,798
PROVISION FOR (BENEFIT FROM) INCOME TAX				
(Note 18)				
Current				
Regular corporate income tax	76,814,640	74,914,977	26,638,117	30,086,010
Final income tax	25,745,584	23,767,672	9,465,713	8,980,103
Deferred	(2,290,516)	(5,912,089)	(19,184)	(1,749,025)
	100,269,708	92,770,560	36,084,646	37,317,088
NET INCOME	₱339,740,785	₱316,926,401	₱125,138,335	₱133,673,710

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2017	2016	2017	2016
NET INCOME	₱339,740,785	₱316,926,401	₱125,138,335	₱133,673,710
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified subsequently to profit or loss:				
Translation adjustments – net of tax	4,933,082	5,936,651	3,072,590	7,525,236
TOTAL COMPREHENSIVE INCOME	₱344,673,867	₱322,863,052	128,210,925	₱141,198,946
Earnings Per Share (Note 24)				
Basic	₱0.71	₱0.67	₱0.26	₱0.28
Dilluted	0.71	0.67	0.26	0.28

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(With Comparative Figures for the Nine Months Ended September 30, 2016)

	Capital Stock	Capital in Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
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	-	-	-	-	-	-	339,740,785	339,740,785
Other comprehensive income (loss)	-	-	-	4,933,082	-	-	-	4,933,082
Total comprehensive income (loss) for the period	-	-	-	4,933,082	-	-	339,740,785	344,673,867
Appropriation of retained earnings (Note 14)	-	-	-	-	-	36,779,446	(36,779,446)	-
Balances at September 30, 2017	₱476,000,000	₱53,219,024	₱-	₱14,308,751	(₱880,074)	₱235,590,917	₱704,350,696	₱1,482,589,314
Balances at January 1, 2016	₱475,000,000	₱53,219,024	₱4,031,571	(₱5,241,859)	(₱4,836,196)	₱169,021,759	₱625,796,719	₱1,316,991,018
Cost of share-based payment (Note 17)	-	-	(4,031,571)	-	-	-	-	(4,031,571)
Issuance of shares	1,000,000	-	-	-	-	-	-	1,000,000
Declaration of cash dividend (Note 14)	-	-	-	-	-	-	(237,500,000)	(237,500,000)
Net income for the period	-	-	-	-	-	-	316,926,401	316,926,401
Other comprehensive income (loss)	-	-	-	5,936,651	-	-	-	5,936,651
Total comprehensive income (loss) for the period	-	-	-	5,936,651	-	-	316,926,401	322,863,052
Appropriation of retained earnings (Note 14)	-	-	-	-	-	29,789,712	(29,789,712)	-
Balances at September 30, 2016	₱476,000,000	₱53,219,024	₱-	₱694,792	(₱4,836,196)	₱198,811,471	₱675,433,408	₱1,399,322,499

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱440,010,493	₱409,696,961
Adjustments for:		
Interest income (Note 15)	(177,995,870)	(164,503,344)
Depreciation and amortization (Note 9)	16,346,339	13,373,410
Provision for credit losses (Note 7)	2,152,924	–
Dividend Income	(230,444)	(26,629)
Unrealized gain on financial assets at FVPL	(164,264)	(180,534)
Gain on disposal of property and equipment	–	(4,365)
Operating income before working capital changes	280,119,178	258,355,499
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	(74,332,479)	59,946,484
Financial assets at FVPL	1,388,856	(229,526)
Trade receivables	(175,924,141)	(159,177,163)
Other receivables	13,551,561	20,614,561
Prepayments	(4,415,721)	(2,350,899)
Other noncurrent assets	(27,090,951)	(10,034,183)
Increase (decrease) in:		
Trade payables	1,808,212,460	2,306,212,978
Other current liabilities	(41,959,378)	(12,046,954)
Net cash generated from operations	1,779,549,385	2,461,290,797
Interest received	145,991,739	134,354,850
Dividends received	230,444	26,629
Income taxes paid	(80,797,758)	(75,779,874)
Net cash flows from operating activities	1,844,973,810	2,519,892,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Held-to-maturity financial assets (Note 8)	(203,025,961)	–
Property and equipment (Note 9)	(32,547,817)	(37,844,514)
Addition to long-term time deposits (Note 4)	–	(200,000,000)
Proceeds from disposal of property and equipment	–	7,144
Net cash flows used in investing activities	(235,573,778)	(237,837,370)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends declared and paid	(285,600,000)	(237,500,000)
Proceeds from issuance of shares	–	1,000,000
Net cash flows used in investing activities	(285,600,000)	(236,500,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,323,800,032	2,045,555,032
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,225,603,984	6,493,600,095
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱8,549,404,016	₱8,539,155,127

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

COL Financial Group, Inc. (COL Financial, 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, Subsidiary), a wholly-owned foreign subsidiary, was domiciled and incorporated in Hong Kong, primarily to act as stockbroker and 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, Hong Kong.

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 (FVPL) which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine peso (PHP), 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 PHP 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 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 standards and amendments. Unless otherwise indicated, these standards and amendments have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2017, the accounting policies adopted are consistent with those of the previous financial year.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

Standards and Interpretations Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group unless otherwise stated.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the amount of the Group's credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not

itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation International Financial Reporting Interpretations Committee 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting this standard.

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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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 statements of profit or loss are 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 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.

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 and financial liabilities 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 and loans and receivables. As at September 30, 2017 and December 31, 2016, the Group has ₱203,025,961 and nil HTM financial asset, respectively, and no AFS financial assets.

Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at September 30, 2017 and December 31, 2016 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 Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, financial assets and financial liabilities designated upon by management at initial recognition as at FVPL, and derivative instruments (including bifurcated embedded derivatives). Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Financial assets or financial liabilities are designated as at FVPL on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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 - 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 September 30, 2017 and December 31, 2016, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at September 30, 2017 and December 31, 2016, the Group has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

HTM Financial asset

HTM financial asset 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 financial assets, 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.

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. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, designated as AFS financial assets or HTM financial assets.

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 to 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.

When the Group continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. Despite the other measurement requirements in PFRS, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

- a. the amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or
- b. equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis, if the transferred asset is measured at fair value.

The Group shall continue to recognize any income arising on the transferred asset to the extent of its continuing involvement and shall recognize any expense incurred on the associated liability.

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 loans and receivables 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 financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle 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 Noncurrent Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid rent and other prepayments. Other noncurrent assets are composed of deposit to CTGF, refundable deposits and input value-added tax (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:

<u>Category</u>	<u>Number of Years</u>
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

Costs related to software purchased by the Group for use in operations are included in the 'Property and equipment' account and 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 noncurrent 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 statement of financial position date 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 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 effect of changes in accounting policy as may be required by the standard's 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.

Dividend

Dividend income is recognized when the right to receive payment is established, which is the date of declaration.

Other Income

Revenue is 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 and expenses are recognized when the related revenue is earned or when the service is rendered. The majority of cost and expenses incurred by the Group such as commissions, personnel costs, professional fees, and computer services, are overhead in nature and are recognized with regularity as the Group continues its operations.

Share-Based Payment Transactions

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest. The fair value is determined using an appropriate pricing model, further details of which are given in Note 16 to the notes to consolidated financial statements.

The cost of equity-settled transactions is recognized in the consolidated statement of income, together with a corresponding increase in equity, over the period in which service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the number of awards, based on the best available estimate of number of equity instruments in the opinion of the management of the Group, will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The Group has applied PFRS 2, only to equity-settled awards granted after November 7, 2002 that had not vested on or before January 1, 2005.

Prior to January 1, 2005, the Group did not recognize any expense for share options granted but disclosed required information for such options (Note 17). The Group recognizes capital stock upon the exercise of the stock options plan (SOP) shares.

The dilutive effect of outstanding SOP shares is reflected as additional share dilution in the computation of diluted earnings per share (EPS) (Note 24).

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 after the initial adoption of the Revised PAS 19 are retained in OCI which is 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.

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. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

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.

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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency

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 PHP and HK\$, respectively. PHP and the HK\$ are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate. They are the currencies that mainly influence the revenue and expenses of the Parent Company and COLHK.

Assessing Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for as operating lease.

Operating Lease Commitments - Group as a Lessee

The Group has entered into commercial property leases on its facility and administrative office locations. The Group has determined that these are operating leases since they do not retain all the significant risks and rewards of ownership of these properties.

Classifying Financial Assets at FVPL

The Group classifies financial assets that are held for trading as financial assets at FVPL. These financial assets are held for the purpose of selling in the short-term. Details of financial assets at FVPL are disclosed in Note 6.

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.

Estimating Impairment of Trade Receivables and Other Receivables

The Group reviews its receivables at each end of the reporting period to assess whether provision for credit losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. The Group individually assesses receivables when the value of the collateral falls below the management-set level. When no payment is received within a specified timeframe, the outstanding balance is deemed impaired. Collective assessment is based on the age of the financial assets and historical expected losses adjusted for current conditions.

As at September, 2017 and December 31, 2016, the carrying amounts of trade receivables and other receivables and the allowance for credit losses on trade receivables and other receivables are disclosed in Note 7.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. There are no changes in useful lives as at September 30, 2017 and December 31, 2016. The net book values of property and equipment are disclosed in Note 9.

Assessing Impairment of Prepayments, Property and Equipment and Other Noncurrent Assets

The Group assesses impairment on prepayments, property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and VIU. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal 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.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

Based on management's assessment, there are no indications of impairment on the Group's prepayments, property and equipment and other noncurrent assets as at September 30, 2017 and December 31, 2016.

No impairment loss was recognized as of September 30, 2017 and December 31, 2016 for prepayments, property and equipment and other noncurrent assets.

As at September 30, 2017 and December 31, 2016, the Group has no allowance for impairment losses on prepayments, property and equipment and other noncurrent assets. The net book values of property and equipment and other noncurrent assets are disclosed in Notes 9 and 11, respectively.

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 Parent Company's exchange trading right is based on the available market value while COLHK's exchange trading right is based on VIU calculation that uses a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used.

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 September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016, are disclosed in Note 18.

Determining Share-Based Payment

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment are disclosed in Note 17.

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.

Determining Fair Values of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 23).

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

Cash and Cash Equivalents

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand and in banks	₱914,790,228	₱703,440,138
Short-term cash investments	7,634,613,788	6,522,163,846
	₱8,549,404,016	₱7,225,603,984

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 1.50% to 2.30% per annum in 2017 and 0.94% to 2.73% per annum in 2016. The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$12,623 and US\$15,974 as at September 30, 2017 and December 31, 2016, respectively, while COLHK has US\$-denominated cash in banks amounting to US\$63,873 and US\$262,068 as at September 30, 2017 and December 31, 2016, 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 ₱8,223,479,232 and ₱6,951,037,917 as at September 30, 2017 and December 31, 2016, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at September 30, 2017 and December 31, 2016, 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 ₱126,700,763 and ₱118,840,976 in September 30, 2017 and 2016, respectively (Note 15).

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 September 30, 2017 and December 31, 2016, cash in a segregated account for COLHK amounted to ₱209,250,773 and ₱134,918,294, respectively.

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 September 30, 2017 and December 31, 2016, financial assets at FVPL amounted to ₱877,971 and ₱2,102,563, respectively.

The Group's net trading gains (losses) follow:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Trading gains (losses) from sale	₱17,438,117	(₱474,462)
Unrealized trading gains	164,264	180,534
	₱17,602,381	(₱293,928)

Dividend income included under other revenues amounted to ₱230,444 and ₱26,629 in September 30, 2017 and 2016, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Customers (Note 18)	₱1,182,891,582	₱908,222,913
Clearing house	148,368,403	190,079,112
Other brokers	45,230,270	92,827,821
Trail fee receivables	999,739	674,528
	1,377,489,994	1,191,804,374
Less allowance for credit losses on trade receivables from customers	5,312,969	3,160,045
	₱1,372,177,025	₱1,188,644,329

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

	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	₱590,433,157	₱3,275,116,602	₱610,583,117	₱5,779,311,438
Between 200% and 250%	416,779,267	928,081,297	104,818,123	247,666,968
Between 150% and 200%	39,144,208	69,001,465	47,052,658	90,090,020
Between 100% and 150%	58,144,487	62,696,900	82,904,042	96,073,905
Less than 100%	78,374,004	77,064,496	48,038,401	48,002,852
Unsecured accounts	16,459	-	14,826,572	-
	1,182,891,582	4,411,960,760	908,222,913	6,261,145,183
Less allowance for credit losses on receivable from customers	5,312,969	-	3,160,045	-
	₱1,177,578,613	₱4,411,960,760	₱905,062,868	₱6,261,145,183

As at September 30, 2017 and December 31, 2015, the Parent Company offered a credit line facility amounting to ₱5,379,871,000 and ₱5,106,458,000, respectively, to its customers who qualified for margin account. The outstanding balance of utilized margin is being charged an interest rate ranging from 1.00% to 1.50% per month until April 2016 and from 0.67% to 0.83% per month beginning May 2016.

Interest income from customers amounted to ₱51,192,977 and ₱45,662,368 in September 30, 2017 and 2016, 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 September 30, 2017 and December 31, 2016, ₱1,104,501,119 and ₱845,357,940, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at September 30, 2017 and December 31, 2016 were fully collected subsequently in October and January 2017, 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

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Accrued interest	₱18,538,836	₱12,280,288
Advances to officers and employees (Note 18)	594,117	511,326
Others	22,908,829	11,329,313
	42,041,782	24,120,927
Less allowance for credit losses on other receivables	8,960,245	8,960,245
	₱33,081,537	₱15,160,682

Allowance for Credit Losses

	September 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	₱3,160,045	₱8,960,245	₱12,120,290	₱1,274,357	₱8,960,245	₱10,234,602
Provision for (recovery from) credit losses	2,152,924	-	2,152,924	1,885,688	-	1,885,688
Balances at end of year	₱5,312,969	₱8,960,245	₱14,273,214	₱3,160,045	₱8,960,245	₱12,120,290

Included in 'Others' account as at September 30, 2017 and December 31, 2016 are lodgment fees and advances to legal counsels and the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009 which was fully provided with allowance for impairment losses. For the first, second and third quarters of the taxable year 2009, the Parent Company used the itemized method of deduction in determining its income tax payable for the same period. In its final adjusted income tax return, it opted to use the forty percent (40%) optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008. However on March 14, 2010, RR No. 2-2010 became effective and amended Section 7 of RR No. 16-08, which required taxpayers to signify the election to claim either the OSD or

itemized deduction during the filing of the first quarter income tax return which must be consistently applied for all succeeding quarterly returns and in the final income tax returns for the taxable year. Likewise, Revenue Memorandum Circular (RMC) No. 16-2010 was issued on February 26, 2010, giving retroactive application to RR No. 2-2010.

The additional income tax paid under protest is for the sole purpose of avoiding any interest or penalty which may be subsequently imposed in erroneously applying RR No. 2-2010 and RMC No. 16-2010 retroactively in violation of Section 246 of the 1997 Tax Code, as amended. Payment of the additional income tax does not constitute an admission of any deficiency tax liability for the taxable year 2009 nor shall the same be construed as a waiver of the right to apply for and secure a refund of the tax erroneously paid for the period. Hence, on April 3, 2012, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review asking the CTA to require the Bureau of Internal Revenue (BIR) to refund or issue a Tax Credit Certificate (TCC) for the aforementioned amount representing excess income tax paid for taxable year 2009.

On April 6, 2016, the Supreme Court denied the Petition for Review on Certiorari filed by the Commissioner of Internal Revenue (CIR), effectively upholding the decision of the CTA ordering the CIR to issue a TCC in favor of COL Financial in the amount of ₱8,960,245. Said decision became final and executory on September 22, 2016. Pending the receipt of the writ of execution from the CTA, no reversal of allowance for impairment losses was made as of September 30, 2017.

8. HTM Financial Asset

This account consists of an investment in a government security with face value amounting to ₱200,000,000, purchased on September 25, 2017 at a premium of ₱3,041,866 and with a coupon rate of 4.25% per annum, payable on a quarterly basis. This security will mature on April 11, 2020. Interest income earned from this investment amounted to ₱102,130 in September 30, 2017.

As at September 30, 2017, the carrying amount of HTM financial asset of the Group is ₱203,025,961 with an EIR of 3.62%.

9. Property and Equipment

	September 30, 2017 (Unaudited)				
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost:					
At beginning of the period	₱144,779,038	₱24,362,094	₱29,059,344	₱-	₱198,200,476
Additions	29,024,845	1,117,603	630,262	1,775,107	32,547,817
Disposals	-	-	-	-	-
Translation adjustments	139,210	55,331	16,717	-	211,258
At end of the period	173,943,093	25,535,028	29,706,323	1,775,107	230,959,551
Accumulated depreciation and amortization:					
At beginning of the period	89,874,351	21,004,655	26,653,931	-	137,532,937
Depreciation and amortization	14,742,294	1,094,698	509,347	-	16,346,339
Disposals	-	-	-	-	-
Translation adjustments	139,210	48,481	16,717	-	204,408
At end of the period	104,755,855	22,147,834	27,179,995	-	154,083,684
Net book value	₱69,187,238	₱3,387,194	₱2,526,328	₱1,775,107	₱76,875,867

December 31, 2016 (Audited)					
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
At beginning of year	P110,941,161	P30,122,088	P28,009,979	P-	P169,073,228
Additions	33,481,684	1,020,831	1,001,347	-	35,503,862
Disposals	(46,085)	(7,317,714)	-	-	(7,363,799)
Translation adjustments	402,278	536,889	48,018	-	987,185
At end of year	144,779,038	24,362,094	29,059,344	-	198,200,476
Accumulated depreciation and amortization					
At beginning of year	74,541,138	25,457,626	24,806,052	-	124,804,816
Depreciation and amortization	14,977,020	2,349,483	1,799,861	-	19,126,364
Disposals	(43,889)	(6,968,599)	-	-	(7,012,488)
Translation adjustments	400,082	166,145	48,018	-	614,245
At end of year	89,874,351	21,004,655	26,653,931	-	137,532,937
Net book value	P54,904,687	P3,357,439	P2,405,413	P-	P60,667,539

As at September 30, 2017 and December 31, 2016, the cost of the Group's fully depreciated property and equipment still in use amounted to P108,975,194 and P90,284,688, respectively.

The above depreciation and amortization were distributed as follows:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of services	P126,560	P148,389
Operating expenses	16,219,779	13,225,021
	P16,346,339	P13,373,410

10. Intangibles

Philippine Operations

On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to P5,000,000. As discussed in Note 1, on December 13, 2006, the BOD of the PSE, in its regular meeting approved the application of the Parent Company as a Corporate Trading Participant in the PSE. As at September 30, 2017 and December 31, 2016 the fair value less costs to sell of the said 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 September 30, 2017 and December 31, 2016, the carrying value of COLHK exchange trading right in Philippine peso amounted to P20,856,220 and P20,483,628, respectively.

The Group performed its annual impairment test in December 2016. 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 (2016: 1.73%; 2015: 1.40%) – 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 (2.00% in 2016 and 2015) – This is based on average revenue in the three years preceding the financial year and the plans of COLHK.

Management believes that any reasonably possible change in the key assumptions on which the exchange trading right’s recoverable amount is based would not cause its carrying amount to exceed its recoverable amount. As a result of this analysis, management has determined that there was no impairment loss in 2016 since the VIU exceeds the carrying value of the exchange trading right.

Movements in exchange trading rights follow:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	₹25,483,628	₹24,413,383
Translation adjustment	372,592	1,070,245
Ending balance	₹25,856,220	₹25,483,628

11. Other Noncurrent Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Deposit to CTGF	₹13,724,200	₹13,724,200
Refundable deposits:		
Rental and utility deposits	5,685,183	5,100,348
Other refundable deposits	3,766,290	3,334,697
	9,451,473	8,435,045
Input VAT	7,717,187	6,389,041
Deposit for asset purchase	17,509,736	–
	48,402,596	28,548,286
Less allowance for impairment losses on other noncurrent assets	13,724,200	13,724,200
	₹34,678,396	₹14,824,086

The Parent Company made an initial contribution on October 20, 2008 to the Clearing and Trade Guaranty Fund (CTGF) of the SCCP amounting to ₹8,200,000 as a prerequisite to its 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 SCCP 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 SCCP. Such amendment is subject to approval of the SEC. Pending the approval of the SEC on such amendment, the Parent Company provided a full allowance for impairment losses on the deposit to CTGF.

The payment of ₱17,509,736 made on February 15, 2017 for the purchase of one (1) unit of office space and one (1) unit of parking slot located at the PSE One Bonifacio in Taguig City was classified under 'Other noncurrent assets' pending the actual turn over of the assets.

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.

12. Trade Payables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Customers	₱8,662,477,277	₱7,307,047,860
Clearing house	501,815,919	46,244,379
Dividends	52,043	–
	₱9,164,345,239	₱7,353,292,239

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

	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱8,662,477,277	₱58,945,738,395	₱7,307,047,860	₱46,490,317,991
No money balances	–	1,495,953,347	–	1,763,376,456
	₱8,662,477,277	₱60,441,691,742	₱7,307,047,860	₱48,253,694,447

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

Payable to customers with money balances amounting to ₱209,541,505 and ₱156,161,596 as at September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016 were fully paid subsequently in October 2017 and January 2017, respectively. 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.

13. Other Current Liabilities

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Due to BIR	₱14,538,117	₱23,957,778
Accrued expenses	10,697,155	28,426,679
Trading fees	3,716,469	2,136,692
Accrued management bonus	–	21,126,958
Others	20,375,570	15,277,964
	₱49,327,311	₱90,926,071

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 which were received after the cut-off time for the processing of collections and which were credited to the clients' trading accounts on the next business day following the end of the reporting period.

14. Equity

Capital Stock

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

	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	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 the period	476,000	476,000	475,000	475,000
Issuance of common shares upon exercise of stock options	–	–	1000	1000
Balances at end of the period	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 September 30, 2017 and December 31, 2016, there are 30 holders of the listed shares of the Parent Company, with share price closed at ₱15.92 and ₱16.10 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 annually appropriate 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 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 as of record date of April 28, 2017. These dividends were paid on May 12, 2017.

On March 31, 2016, the BOD declared a regular and a special dividend amounting to ₱0.11 per share held or ₱52,250,000 (475,000,000 shares multiplied by ₱0.11 cash dividend per share) and ₱0.39 per share held or ₱185,250,000 (475,000,000 shares multiplied by ₱0.39 cash dividend per share), respectively, to stockholders as of record date of April 15, 2016. These dividends were paid on April 22, 2016.

As of September 30, 2017 and December 31, 2016, the consolidated retained earnings includes the retained earnings of COLHK amounting to ₱236,981,187 and ₱245,665,894, respectively, which are not available for dividend declaration.

15. Interest Income

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Banks (Note 4)	₱126,700,763	₱118,840,976
Customers (Note 7)	51,192,977	45,662,368
HTM financial asset (Note 8)	102,130	–
	₱177,995,870	₱164,503,344

16. Personnel Costs

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Salaries and wages	₱58,798,434	₱46,714,516
Other benefits	6,056,633	6,470,960
	₱64,855,067	₱53,185,476

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

The above accounts were distributed as follows:

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Cost of services	₱41,471,384	₱33,799,543
Operating expenses	23,383,683	19,385,933
	₱64,855,067	₱53,185,476

17. Employee Benefits

SOP

On July 12, 2000 (1st tranche) and July 3, 2006 (2nd tranche), the Group granted 27,250,000 and 18,750,000 SOP shares, respectively, in favor of directors, senior managers and officers of the Group as well as other qualified individuals determined by a Committee constituted by the BOD to administer the SOP.

The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All SOP shares are exercisable one and a half years (1½) from July 12, 2006, the effective date of listing of the Parent Company's shares at the PSE, and will terminate ten (10) years from the said date.

There were no new SOP granted in September 30, 2017 and 2016. There were no cancellations or modifications to the SOP in September 30, 2017 and 2016.

The following tables illustrate the number of and movements in SOP shares under the 1st tranche:

	December 31, 2016 (Audited)
Outstanding at beginning of period	1,000,000
Exercised during the period (see Note 13)	(1,000,000)
Outstanding at end of period	—

These stock options have not been recognized in accordance with PFRS 2, Share-Based Payment, as these options were granted on or before November 7, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with PFRS 2.

The options have a contractual term of 10 years. All shares under the plan have been exercised as of September 30, 2017. These SOP shares were recognized and accounted for in accordance with PFRS 2, *Share-Based Payment*.

The fair value of each option is estimated on the date of grant using the Black-Scholes Merton option pricing model, taking into account the terms and conditions upon which the SOP shares were granted. The fair value of the SOP shares granted on July 3, 2006 amounted to ₱1.04 per share.

The assumptions used to determine the fair value of the 18,750,000 SOP shares granted on July 3, 2006 were:

- share price of ₱1.36 as the latest valuation of stock price at the time of the initial public offering;
- exercise price of ₱1.00;
- expected volatility of 24.00%;
- option life of ten (10) years; and
- risk-free interest rate of 11.04%.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Since the stock is not quoted at the time of grant date, the Group used the historical volatility of the nearest market comparable available.

Risk-free interest rate is the equivalent ten (10)-year zero coupon rate at the time of grant date.

Movements in the cost of share-based payment included in equity are as follows:

	December 31, 2016 (Audited)
Balances at beginning of the period	₱4,031,571
Movements during the period:	
Movement on deferred tax asset on intrinsic value of outstanding options	(4,031,571)
Balances at end of the period	₱—

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 September 30, 2017 and December 31, 2016.

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 P238,062 and P214,444 in September 30, 2017 and 2016, respectively.

18. Income Taxes

Current Income Taxes

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

	September 30, 2017	September 30, 2016
	(Unaudited)	(Unaudited)
Regular corporate income tax	P76,814,640	P74,914,977
Final income tax	25,745,584	23,767,672
	P102,560,224	P98,682,649

Deferred Income Taxes

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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Unused tax losses of COLHK	P32,234,049	P29,971,201
Retirement obligation	8,047,889	8,047,889
Accumulated translation adjustment	(6,132,322)	(4,018,144)
Allowance for credit losses on trade receivables from customers	1,593,890	948,014
Unamortized past service cost	180,729	180,729
Unrealized trading gain (loss)	(30,496)	18,783
Unrealized foreign exchange gain	(2,715)	(1,667)
	P35,891,024	P35,146,805

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 of COLHK can be carried forward indefinitely to offset future profits.

In 2017 and 2016, the Parent Company availed of the optional standard deduction (OSD) method in claiming its deductions.

As of September 30, 2017 and December 31, 2016, the Parent Company has temporary difference arising from allowance for credit losses on other noncurrent assets amounting to ₱13,724,200 for which no deferred tax asset was recognized since management believes that it is probable that this temporary difference will not be realized in the future.

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
<i>Key management personnel</i>				
September 30, 2017	₱2,131,198	₱207,043	₱ –	₱–
September 30, 2016	875,366	412,822	–	–
<i>Companies with common officers, directors and stockholders</i>				
September 30, 2017	₱5,762,848	₱1,670,664	₱–	₱3,581,255
September 30, 2016	2,096,894	1,102,320	1,422	3,356,246
<i>Directors</i>				
September 30, 2017	5,463,393	446,165	–	–
September 30, 2016	5,858,719	108,619	–	–
Category	Trade payables	Trade receivables	Terms	Conditions
<i>Key management personnel</i>				
September 30, 2017	₱38,985,956	₱5,703,384	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2016	63,175,974	7,740,894		
<i>Companies with common officers, directors and stockholders</i>				
September 30, 2017	16,297,187	41,635,405	3-day; non-interest bearing/Collectible or payable on demand; interest bearing/Payable upon billing; non-interest bearing	Secured; no impairment; no guarantee
December 31, 2016	3,077,633	67,255,659		
<i>Directors</i>				
September 30, 2017	27,415,274	3,225,240	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2016	30,538,410	10,993,195		

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

	September 30, 2017	September 30, 2016
	(Unaudited)	(Unaudited)
Short-term employee benefits	₱24,853,591	₱19,894,015
Retirement costs	87,096	81,624
	₱24,940,687	₱19,975,639

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 ₱12,299,691 and ₱10,503,055 in September 30, 2017 and 2016, respectively.

The future minimum lease payments are as follows:

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Within one (1) year	₱18,292,895	₱14,606,358
After one (1) year but not more than five (5) years	14,735,633	17,519,383
	₱33,028,528	₱32,125,741

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 September 30, 2017 and December 31, 2016.

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 September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity eligible for net liquid capital	₱1,222,390,155	₱1,160,280,925
Less: Ineligible Assets	266,265,237	224,083,771
NLC	₱956,124,918	₱936,197,154
Position risk	₱8,396,438	₱1,301,878
Operational risk	151,250,612	145,843,377
Counterparty risk	60	1,536
Total Risk Capital Requirement (TRCR)	₱159,647,110	₱147,146,791
AI	₱8,843,125,420	₱7,173,174,849
5% of AI	₱442,156,271	₱358,658,742
Required NLC	442,156,271	₱358,658,742
Net Risk-Based Capital Excess	513,968,647	₱577,538,412
Ratio of AI to NLC	925%	766%
RBCA ratio (NLC/TRCR)	599%	636%

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 a risk to which a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

4. Aggregate indebtedness

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.

In addition, SRC Rule 49.1 (B), Reserve Fund of such circular, requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. Minimum appropriation shall be 30%, 20% and 10% of profit after tax for brokers dealers with unimpaired paid up capital of ₱10 million to ₱30 million, between ₱30 million to ₱50 million and more than ₱50 million, respectively.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as of September 30, 2017 and December 31, 2016.

COLHK monitors capital using liquid capital as provided for under Hong Kong'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\$3,000,000 and computed variable required capital. As at September 30, 2017 and December 31, 2016, COLHK is compliant with the said requirement.

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 segregated account, financial assets at FVPL, trade receivables, other receivables, long-term time deposit, refundable deposits under other non-current 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, foreign currency risk and equity price risk. The BOD reviews and agrees 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 by 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 September 30, 2017 and December 31, 2016 are summarized in the following tables:

September 30, 2017 (Unaudited)						
Past due but not impaired						
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Impaired	Total
Cash and cash equivalents*	P8,549,354,403	P-	P-	P-	P-	P8,549,354,403
Cash in segregated account	209,250,773	-	-	-	-	209,250,773
Loans and receivables:						
Trade receivables	410,642,641	265,664,808	123,784,880	577,397,665	-	1,377,489,994
Other receivables	33,081,537	-	-	-	-	33,081,537
Long-term time deposit	200,000,000	-	-	-	-	200,000,000
Refundable deposits	8,900,453	-	-	-	-	8,900,453
Financial assets at FVPL	877,971	-	-	-	-	877,971
HTM financial asset	203,025,961	-	-	-	-	203,025,961
	P9,615,133,739	P265,664,808	P123,784,880	P577,397,665	P-	P10,581,981,092

*Excluding cash on hand

December 31, 2016 (Audited)						
Past due but not impaired						
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Impaired	Total
Cash and cash equivalents*	P7,225,559,720	P-	P-	P-	P-	P7,225,559,720
Cash in segregated account	134,918,294	-	-	-	-	134,918,294
Loans and receivables:						
Trade receivables	404,004,758	158,002,260	124,835,327	504,962,029	-	1,191,804,374
Other receivables	15,160,682	-	-	-	-	15,160,682
Long-term time deposit	200,000,000	-	-	-	-	200,000,000
Refundable deposits	8,435,045	-	-	-	-	8,435,045
Financial assets at FVPL	2,102,563	-	-	-	-	2,102,563
	P7,990,181,062	P158,002,260	P124,835,327	P504,962,029	P-	P8,777,980,678

*Excluding cash on hand

Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 12% to 18%. 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:

September 30, 2017 (Unaudited)				
	Neither Past Due nor Specifically Impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	P8,549,354,403	P-	P-	P8,549,354,403
Cash in a segregated account	209,250,773	-	-	209,250,773
Loans and receivables:				
Trade receivables	410,642,641	-	966,847,353	1,377,489,994
Other receivables	-	33,081,537	-	33,081,537
Long-term time deposit	200,000,000	-	-	200,000,000
Refundable deposits	8,900,453	-	-	8,900,453
	9,378,148,270	33,081,537	966,847,353	10,378,077,160
Financial assets at FVPL	877,971	-	-	877,971
HTM financial asset	203,025,961	-	-	203,025,961
	P9,582,052,202	P33,081,537	P966,847,353	P10,581,981,092

December 31, 2016 (Audited)

	Neither Past Due nor Specifically Impaired		Past due but not impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	P7,225,559,720	P–	P–	P7,225,559,720
Cash in a segregated account	134,918,294	–	–	134,918,294
Loans and receivables:				
Trade receivables	404,004,758	–	787,799,616	1,191,804,374
Other receivables	–	15,160,682	–	15,160,682
Long-term time deposit	200,000,000	–	–	200,000,000
Refundable deposits	8,435,045	–	–	8,435,045
	7,972,917,817	15,160,682	787,799,616	8,775,878,115
Financial assets at FVPL	2,102,563	–	–	2,102,563
	P7,975,020,380	P15,160,682	P787,799,616	P8,777,980,678

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

Loans and Receivables

High grade

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 September 30, 2017 and December 31, 2016, P1,182,875,123 and P893,396,341 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 P4,411,960,760 and P6,261,145,183, respectively (see 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.

Standard grade

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.

Financial Assets at FVPL and HTM financial asset

High grade

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

As at September 30, 2017 and December 31, 2016, the Group's financial assets at FVPL and HTM financial asset are classified as high grade since these are with listed companies of good reputation and the Philippine government.

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:

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Cash and cash equivalents (Note 4)*	₱8,549,354,403	₱7,225,559,720
Cash in a segregated account (Note 5)	209,250,773	134,918,294
Financial assets at FVPL (Note 6)	877,971	2,102,563
Trade receivables (Note 7)	16,459	14,826,572
Other receivables (Note 7)	33,081,537	15,160,682
Long-term time deposit (Note 4)	200,000,000	200,000,000
HTM financial asset (Note 8)	203,025,961	–
Refundable deposits (Note 11)	8,900,453	8,435,045
	9,204,507,557	7,601,002,876
Unutilized margin trading facility (Note 7)	4,372,791,960	4,414,796,195
	₱13,577,299,517	₱12,015,799,071

**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 be able to access funding when needed at the least possible cost.

As at September 30, 2017 and December 31, 2016, 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 September 30, 2017 and December 31, 2016 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 September 30, 2017 and December 31, 2016 is not significant.

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\$76,496 and US\$278,042 as at September 30, 2017 and December 31, 2016, respectively.

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 September 30, 2017 and December 31, 2016 is not significant.

Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Group to disclose information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar agreements. The effects of these arrangements are disclosed in the succeeding tables:

September 30, 2016 (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]	
Financial Assets							
Receivable from customers	P1,182,891,582	P-	P1,182,891,582	P11,148,861	P-	P1,171,742,721	
Receivable from clearing house	148,368,403	-	148,368,403	-	-	148,368,403	
	P1,331,259,985	P-	P1,331,259,985	P11,148,861	P-	P1,320,111,124	
Financial Liabilities							
Payable to customers	P8,662,477,277	P-	P8,662,477,277	P11,148,861	P-	P8,651,328,416	
Payable to clearing house	501,815,919	-	501,815,919	-	-	501,815,919	
	P9,164,293,196	P-	P9,164,293,196	P11,148,861	P-	P9,153,144,335	

December 31, 2016 (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		
				Financial Instruments	Fair Value of Financial Collateral	Net Exposure
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱908,222,912	₱-	₱908,222,912	₱31,734,077	₱-	₱876,488,835
Receivable from clearing house	190,079,112	-	190,079,112	46,244,379	-	143,834,733
	₱1,098,302,024	₱-	₱1,098,302,024	₱77,978,456	₱-	₱1,020,323,568
(Forward)						
Financial Liabilities						
Payable to customers	₱7,307,047,860	₱-	₱7,307,047,860	₱31,734,077	₱-	₱7,275,313,783
Payable to clearing house	46,244,379	-	46,244,379	46,244,379	-	-
	₱7,353,292,239	₱-	₱7,353,292,239	₱77,978,456	₱-	₱7,275,313,783

23. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at September 30, 2017 and December 31, 2016:

	Carrying Values		Fair Values	
	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
HTM financial asset	₱203,025,961	₱-	₱202,408,979	₱-
Refundable deposits	8,900,453	8,435,045	7,752,585	6,958,345

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 September 30, 2017 and December 31, 2016. 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.

HTM financial asset

The fair value of the Group's HTM financial asset is based on quoted market prices of the security.

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 September 30, 2017 and December 31, 2016, respectively. There are no changes in the valuation techniques in 2017 and 2016.

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:

	September 30, 2017 (Unaudited)		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱877,971	₱–	₱–
<i>Asset for which fair values are disclosed:</i>			
HTM financial asset	202,408,979	–	–
Refundable deposits	–	–	7,752,585
	December 31, 2016 (Audited)		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱1,329,760	₱772,803	₱–
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	–	–	6,958,345

During the period ended September 30, 2017 and the year ended December 31, 2016, there were no transfers among levels 1, 2 and 3 of fair value measurements.

24. EPS Computation

	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Net income	₱339,740,785	₱316,926,401
Weighted average number of shares for basic earnings per share	476,000,000	475,500,000
Dilutive shares arising from stock options	–	–
Adjusted weighted average number of shares of common shares for diluted earnings per share	476,000,000	475,500,000
Basic earnings per share	₱0.71	₱0.67
Diluted earnings per share	₱0.71	₱0.67

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:

	September 30, 2017 (Unaudited)			Total
	Philippines	Hong Kong	Elimination	
Revenue from external customers:				
Commissions	P495,456,371	P10,689,905	P-	P506,146,276
Interest	177,995,585	285	-	177,995,870
Others	25,827,950	759,585	-	26,587,535
Inter-segment revenue	-	-	-	-
Segment revenue	699,279,906	11,449,775	-	710,729,681
Cost of services	(143,086,006)	(14,513,223)	-	(157,599,229)
Operating expenses	(89,718,602)	(7,181,578)	-	(96,900,180)
Depreciation and amortization	(16,205,844)	(13,935)	-	(16,219,779)
Income (loss) before income tax	450,269,454	(10,258,961)	-	440,010,493
Benefit from (provision for) income tax	(101,964,674)	1,694,966	-	(100,269,708)
Net income (loss)	P348,304,780	(P8,563,995)	P-	P339,740,785
Segment assets	P10,161,875,929	P720,650,117	(P134,800,000)	P10,747,726,046
Segment liabilities	8,930,576,552	334,560,180	-	9,265,136,732
Capital expenditures:				
Fixed assets	32,547,817	-	-	32,547,817
Cash flows arising from:				
Operating activities	2,632,807,398	(787,833,588)	-	1,844,973,810
Investing activities	(235,573,778)	-	-	(235,573,778)
Financing activities	(284,600,000)	(1,000,000)	-	(285,600,000)
	December 31, 2016 (Audited)			
	Philippines		Philippines	
Revenue from external customers:				
Commissions	P595,534,589	P10,023,539	P-	P605,558,128
Interest	220,385,620	1,563	-	220,387,183
Others	7,220,436	553,821	-	7,774,257
Inter-segment revenue	29,473,688	-	(29,473,688)	-
Segment revenue	852,614,333	10,578,923	(29,473,688)	833,719,568
Cost of services	(208,175,796)	(15,021,405)	-	(223,197,201)
Operating expenses	(140,795,699)	(42,467,227)	29,352,973	(153,909,953)
Depreciation and amortization	(18,898,938)	(26,417)	-	(18,925,355)
Income (loss) before income tax	484,743,900	(46,936,126)	(120,715)	437,687,059
Benefit from (provision for) income tax	(116,949,430)	7,744,721	-	(109,204,709)
Net income (loss)	P367,794,470	(P39,191,405)	(P120,715)	P328,482,350
Segment assets	P8,492,075,405	P550,070,769	(P137,404,692)	P8,904,741,482
Segment liabilities	7,323,480,806	160,313,706	(2,568,477)	7,481,226,035
Capital expenditures:				
Fixed assets	35,469,907	33,955	-	35,503,862
Cash flows arising from:				
Operating activities	1,177,985,576	26,015,032	-	1,204,000,608
Investing activities	(235,462,764)	(33,955)	-	(235,496,719)
Financing activities	(236,500,000)	-	-	(236,500,000)

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

	September 30, 2017	September 30, 2016
Profitability ratios:		
Return on assets	3%	3%
Return on equity (annualized)	31%	31%
Net profit margin	48%	48%
Solvency and liquidity ratios:		
Current ratio	1.10:1	1.12:1
Debt to equity ratio	6.38:1	6.59:1
Quick ratio	1.10:1	1.12:1
Asset to equity ratio	7.40:1	7.62:1