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COVER SHEET

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SEC Registration Number

CITISECONLINE.COM, INC. AND SUBSIDIARY

(Company‟s Full Name)

2401B Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

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

Ms. Catherine L. Ong
(Contact Person)

635-5735
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Calendar Year)

17-Q
(Form Type)
September 30, 2011

Month *Day*
(Annual Meeting)

Broker
(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/section

Total Amount of Borrowings

37
Total No. of Stockholders

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, 2011**

2. Commission identification number **A199910065**

3. BIR Tax Identification No. **203-523-208-000**

4. Exact name of issuer as specified in its charter: **CITISECONLINE.COM, 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	**458,550,000 shares**

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

    Yes [**x**] 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 [x] No [ ]

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

    Yes [x] 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 CitisecOnline.com, Inc. (CitisecOnline, COL or the Parent Company) and COL Securities (HK) Limited (COLHK or the HK Subsidiary) 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

CitisecOnline.com, Inc. is a Filipino-owned corporation incorporated on August 16, 1999 primarily to engage in the business of broker and/or dealer of securities and to provide stock brokerage services through Internet technology.

CitisecOnline has gained its status as the Number One online stockbrokerage firm in the Philippines, with a market share of 25% of all transactions executed in the Philippine Stock Exchange (PSE). It is the first and only online stockbroker to list in PSE.

CitisecOnline is guided by its vision of providing unparalleled service to its customers by empowering them with knowledge, tools and wealth building programs to help them achieve their financial goals.

It is committed to its mission of making successful investors out of every Filipino by empowering them to take control of their financial lives. It aims to achieve this by delivering the most useful and ethical financial products and services driven by its core competence in technology and market expertise, and guided by its core values of customer focus, innovation, leadership, and teamwork; thereby increasing shareholder value for the investors.

Its proprietary online trading platform, www.citiseconline.com, has set the standards for online stock investing, with a full sweep of features, including up-to-date and comprehensive research and analysis, streaming market information and superior online tools and functionalities catered for both first-time investors and even the more sophisticated active market players. Over the years, it has also launched innovative products and services such as the COL X2 Margin Facility Account, COL Easy Investment Program (EIP), COL Quote, COL Pro and COL Trader to further provide online tools and actionable investment programs to its customers, thus allowing them to take advantage of opportunities in the market and conveniently monitor their stock investments.

Through its investor education campaigns with the PSE and its own COL Seminar Series, COL has educated over 30,000 Filipinos from all over the country on the basics of stock market investing. With over 15,000 customers and ₱12.0 billion in customer assets, CitisecOnline is expected to continue to grow exponentially in the coming years.

COL owns 100% of COLHK which was incorporated on June 20, 2001 and commenced its operations on May 29, 2002. On May 24, 2011, the Companies Registry of the Securities and Futures Commission approved COLHK‟s amended articles of incorporation changing its corporate name to COL Securities (HK) Limited. COLHK is a registered owner of a HKEx Trading right and as such, is a member of the Hong Kong Exchanges (HKEx). In August 2010, COLHK successfully upgraded and launched its new online trading platform. This is in line with COL‟s commitment of empowering its customers by providing them with the tools and functionalities online to enable them to make sound investment decisions.

On July 12, 2006, CitisecOnline completed its Initial Public Offering (IPO) of 110,000,000 common shares, thus raising its paid-up capital from ₱320.0 million to ₱463.7 million. Today, COL‟s market capitalization stands at ₱5.7 billion allowing it to remain well positioned to stay ahead of its competitors, backed up with the necessary resources to strengthen its product and service delivery platform to all its customers.

On August 15, 2006, the Board of Directors (BOD) of CitisecOnline has approved the acquisition of the Trading Right of Mark Securities Corporation for an aggregate purchase price of ₱5.0 million. The acquisition is for the purpose of making CitisecOnline a Trading Participant in the PSE.

On December 13, 2006, the BOD of the PSE approved the application of CitisecOnline as a Corporate Trading Participant in the PSE through the transfer of the Trading Right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant.

On October 20, 2008, the Parent Company became a clearing member of the Securities Clearing Corporation of the Philippines (SCCP) and commenced trading directly with the PSE on February 16, 2009.

CitisecOnline is composed of a strong and respectable team of professionals and entrepreneurs with decades of experience and knowledge in the fields of financial services and information technology. Its Chairman, Edward K. Lee, served as Governor and Head of the computerization committee of the PSE. Its President, Conrado F. Bate, who has over 25 years of experience in fund management and stockbroking, heads its Management Team.

Business Model

The business model of COL has four major revenue streams, primarily derived from the trading-related revenues of both its Philippine and HK operations:

1. Commission generated from trades;
2. Interest income from margin financing;
3. Interest income from short-term placements; and
4. Investments made in financial assets.

Firmly believing that customer satisfaction is key to sustained business growth and success, CitisecOnline is committed to continuously improve its products and services to help its customers achieve their financial goals the best way possible.

Industry and Economic Review

US and European markets performed poorly during the third quarter of 2011 as risk aversion increased due to concerns of sovereign defaults in Europe and a double dip recession in the US. The Philippine market initially benefited as investors switched their investments to countries that were considered to be relatively resilient to developments in the US and Europe. The PSEi climbed to a high of 4,563.65 during the third quarter, bringing total gains for the year to date period to 8.6%. However, the steep drop in US and European financial markets eventually fueled panic selling in all markets globally, including the Philippines. Consequently, despite its strong performance initially, the PSEi ended the quarter down by 6.8% compared to end June 2011 level to close at 3,999.65. All gains were erased as the benchmark index closed lower by 4.8% for the year to date period.

Notwithstanding the weak close of the index, average daily turnover remained strong at ₱6.1 billion during the third quarter. This brought the nine month average to ₱5.5 billion, higher by 25.4% on a year-on-year basis. Foreign investors also remained net buyer during the third quarter, at ₱896.0 million, as their significant net buying of ₱9.6 billion in July more than offset their net selling of ₱8.7 billion for the months of August and September.

The Hong Kong market also performed poorly during the third quarter. In fact, it registered an even sharper decline compared to the Philippines, with the Hang Seng Index losing 23.6% the Hang Seng China Enterprises Index falling by 29.7%, and the Hang Seng China Affiliate Corp. Index dropping by 18.7%. Aside from being more sensitive to weakness in the US and European economies, the HK market fell due to concerns that China would suffer from a hard landing.

Business Review

Key Performance Indicators

CitisecOnline recognizes the importance of its shareholders. Thus, it is committed to maximizing profitabillionity through the efficient use of the Group"s capital resources with the ultimate objective of increasing shareholder value. Given this, the Group 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 30, 2011	September 30, 2010
Number of Customer Accounts	25,662	12,712
Customers" Net Equity (in millions)	₱15,642.4	₱10,452.1
Net Revenues (in millions)	₱513.6	₱335.1
Return on Equity	24.5%	18.9%
Risk Based Capital Adequacy Ratio*	1,191.0%	1,079.0%
Liquid Capital** (in millions)	HKD70.8	HKD67.3

**Parent Company only*
*** HK Subsidiary*

The number of **Customer accounts** posted a remarkable increase of 12,945 new accounts, up 101.8% year-on-year, mostly from the Group"s local operations as it benefits from the steady flow of customer referrals, the aggressive effort to convert leads from the regular seminars conducted and from endorsements of its happy and satisfied customers.

Net revenues, increased by 53.3% while **Return on equity (ROE)** computed as net income divided by average equity increased by 5.6 percentage points. The growth in consolidated net revenues is largely due to the strong performance of the Philippine operations which more than offset the negative slowdown of its Hong Kong operations.

Customers' net equity (customers" deposited cash and stocks), posted an increase of ₱5,190.3 million or 49.7% year-on-year due to the remarkable increase in the number of new individual and institutional accounts and as existing customers added cash and transferred stocks to their portfolio as a result of their increasing confidence in the Group‟s trading platform and in online investing in general.

The Parent Company and the HK Subsidiary maintain stockbroker licenses which subject both to the stringent rules of regulators in the Philippines and Hong Kong. As such, the Parent Company is required to maintain a minimum **Risk based capital adequacy ratio** (RBCA) or the ratio of total measured risk to liquid capital of 110% while the HK Subsidiary is required to maintain a **Liquid capital** of HKD3.0 million or 5% of its adjusted liabilities, whichever is higher. The RBCA ratio of the Parent Company and the liquid capital of the HK Subsidiary both consistently exceeded the minimum statutory requirement.

Material Changes in the Financial Position (September 30, 2011 vs December 31, 2010)

Total assets of the Group increased by ₱1,506.2 million or 61.1 % while **total liabilities** increased by ₱1,394.9 million or 103.6 %, respectively, principally because of the following changes:

Cash and cash equivalents increased by ₱2,127.0 million or 326.0 % as the net result of the following movements in related accounts: (a) **Receivables** balance posted a net decrease of ₱475.3 million or 33.3 % as most of the Parent Company‟s margin customers liquidated their positions during the third quarter of 2011 as markets weakened towards the end of the quarter. Another factor is the decrease in the receivable from clearing house which went down by ₱289.2 million from ₱305.5 million to ₱16.3 million largely due to the collection of the settlement amounts for the net selling transactions of the Parent Company‟s customers during the last trading days of 2010 which were included in the settlement cut-off; and (b) **Held-to-Maturity investments** representing the Parent Company‟s investment in a 5-year Fixed Rate Treasury Note with a face value of ₱100.0 million was sold on March 14, 2011 at a net gain of ₱4.0 million to fund the working capital requirements of the growing local operations.

On the other hand, **Cash in segregated account** which represents funds held by HK Subsidiary in behalf of its customers and is solely used for the settlement of the trading transactions posted an increase of ₱43.0 million or 29.9% as clients used their deposits to buy stocks to take advantage of the volatility of the HK markets.

Property and Equipment grew by ₱13.0 million or 48.7 % as the Parent Company invested in new hardware and software requirements for its secondary back-up facility to ensure non-disruption of the services it is providing to its customers. Moreover, the Parent Company leased additional spaces for its Disaster Recovery Site and also to house its Private Clients Group and to expand the Business and Training Centers to better serve its customers. Total costs of renovation and provision of office furnitures and equipments amounted to ₱11.4 million.

Deferred tax assets decreased by ₱19.4 million due to the exercise of 15,900,000 SOP shares during the period, thus, reducing the tax benefits it can claim in the future.

Meanwhile, the increase in Liabilities is largely due to the upward movement in the **Payable to customers** account which posted an increase of ₱1,288.8 million or 104.0 % coming mostly from the deposit of trading funds of the Parent Company‟s customers. The increase is also due to the net selling transactions at the end of the period in review of the local customers, thus causing the increase in the **Payable to clearing house and other brokers** account by ₱113.0 million or 347.0 %

Accounts payable and accrued expenses decreased by ₱23.8 million or 38.2 % primarily due to the settlement of the Group‟s outstanding obligations during the last quarter of 2010.

Income tax payable was higher by ₱15.3 million or 166.0% mainly due to the accrual of higher corporate income tax liability of the Parent Company for the 3rd quarter of 2011 as a result of the increase in its taxable income.

Material Changes in the Results of Operations (September 30, 2011 vs September 30, 2010)

The Group‟s **Consolidated Income** jumped from ₽335.1 million to ₽513.6 or a growth of ₽178.5 million or 53.3% million. **Expenses,** likewise, grew but at a much slower pace posting an increase of ₽39.9 million or 34.6% from ₽115.1 million to ₽155.0 million. These movements resulted in a **Net Income** growth of ₽99.5 million or 52.7% from ₽188.8 million to ₽288.3 million year-on-year.

Commissions which account for 67.0% and 78.0% of the consolidated revenues in 2011 and 2010, respectively, was up 33.0% for the nine-month period of 2011 or ₽85.8 million from ₽260.3 million last year to ₽346.1 million this year. This remarkable increase is driven primarily by the surge in trading volumes experienced in the Philippine operations which grew by more than two-fold. The Parent Company was successful not only in growing its retail customer base but also in growing the institutional accounts and penetrating the high-net worth individuals category through its Private Clients Group. The Philippine average daily turn-over increased significantly by ₽287.2 million from ₽212.9 million to ₽500.1 million.

Hong Kong commissions, on the other hand, fell by 70.3% year-on-year from ₽158.0 million to ₽92.8 million in 2011. Despite the recovery of the Hong Kong stock market, customers remained cautious, staying out of the HK market, as they largely focused on the Chinese government‟s continuous efforts to cool down the economy. Average daily turn-over fell by 56.8% from HKD69.0 million to HKD44.0 million. It is worth noting, however, that in spite of the steep drop in its commission revenues, Hong Kong operations remained profitable.

Another strong driver in the Group‟s revenues is the **Interest** income, mostly from margin financing, which reached an all-time high at ₽119.0 million during the first nine months of 2011, which is now 44.0% higher than the ₽82.8 million it generated for full year 2010. This strong performance is a solid proof of the local customers‟ appreciation of the advantages in using the margin facility in enhancing their trading capabilities. Average monthly margin utilization posted a remarkable increase of 167.9% or ₽747.7 million from ₽445.3 million to ₽1,193.0 million.

The increase in Expenses**,** on the other hand, is primarily driven by the increase in the amount of **Commissions** paid to the Private Clients Group handling the high net worth and institutional accounts and the incentives given to the sales team for facilitating the opening of new accounts. Commission and referral fees amounted to ₽42.8 million during the first nine months of 2011 versus ₽8.5 million during the same period last year.

Meanwhile, **Personnel costs** increased by 9.9% or ₽3.4 million due to the hiring of additional manpower to complement the increase in the local operations starting in the second quarter of 2010. Although it is still a major expense item, its percentage share to the total expenses (after deducting the provisions for possible impairment) decreased from 36.0% during the first nine months of 2010 to 24.5% this year.

Membership fees and dues recorded an increase of ₽5.3 million or 96.2% due to the increase in the trading-related fees paid by the Parent Company as a result of the significant increase in its trading volume.

Computer services grew by ₽2.2 million or 27.2% primarily due to the additional subscription costs incurred by the HK Subsidiary for the trading and market data being provided to its customers thru the Infocast system and due to the Parent Company‟s upgrade in the bandwidth requirements of its online trading platform.

Depreciation also increased by ₱1.8 million or 29.5% as the costs of the leasehold improvements and additional IT equipments and facilities are charged to operations.

Similarly, **Stock option expense** increased by ₱4.4 million or 316.9% due to the acceleration of the booking of the cost of SOP shares exercised during the period.

For the year 2011**,** no additional **Provision for impairment losses** was booked due to the reduction of the amount of receivables that are subject to the mandatory 2% provision.

Other Matters

a. We are 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 the HK 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. We are 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. We are 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. We are not aware of any material commitments for capital expenditures.

e. We are 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. We are not aware of any significant elements of income or loss that did not arise from the Group‟s continuing operations.

g. We are 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 **CITISECONLINE.COM, INC.**

By:

Conrado F. Bate
President and Chief Executive Officer
November 16, 2011

Catherine L. Ong
Senior Vice President and Chief Finance Officer
November 16, 2011

Lorena E. Velarde
Vice President and Financial Controller
November 16, 2011

CITISECONLINE.COM, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2011 (Unaudited)			December 31, 2010 (Audited)		
	Money	**Security Valuation**		Money	Security Valuation	
	Balance	**Long**	**Short**	Balance	Long	Short
ASSETS						
Cash and cash equivalents (Notes 4 and 22)	**₱2,779,460,835**			₱652,454,563		
Cash in a segregated account (Notes 4, 11, and 22)	**100,722,331**			143,755,312		
Financial assets at fair value through profit or loss (Notes 5 and 22)	**2,599,654**	**₱2,599,654**		779,800	₱779,800	
Receivables –net (Notes 6 and 22)	**952,965,932**	**3,376,884,356**		1,428,220,974	4,111,767,365	
Held-to-maturity investment (Notes 7 and 22)	–			102,456,071		
Property and equipment - net (Note 8)	**39,653,510**			26,674,510		
Exchange trading rights- net (Note 9)	**22,865,914**			22,989,686		
Deferred tax assets – net (Note 17)	**60,414,543**			79,806,548		
Other assets –net (Note 10)	**13,055,830**			8,354,096		
TOTAL ASSETS	**₱3,971,738,549**			₱2,465,491,560		
Securities in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱14,041,988,483**			₱12,474,285,648
LIABILITIES AND EQUITY						
Liabilities						
Payable to customers (Notes 11 and 22)	**₱2,528,144,334**	**₱10,662,504,473**		₱1,239,346,027	₱8,361,738,483	
Payable to clearing house and other brokers (Note 22)	**145,517,643**			32,551,799		
Accounts payable and accrued expenses (Notes 12 and 22)	**39,912,448**			62,028,315		
Retirement obligation	**3,134,824**			3,134,824		
Income tax payable	**24,446,412**			9,190,638		
Total Liabilities	**2,741,155,661**			1,346,251,603		
Equity (Notes 13 and 16)						
Capital stock	**458,550,000**			442,650,000		
Capital in excess of par value	**44,899,024**			35,539,024		
Cost of share-based payment	**48,522,705**			71,073,568		
Accumulated translation adjustment	**(28,892,604)**			(26,873,680)		
Retained earnings						
Appropriated	**45,004,197**			26,881,330		
Unappropriated	**662,499,566**			569,969,715		
Total Equity	**1,230,582,888**			1,119,239,957		
TOTAL LIABILITIES AND EQUITY	**₱3,971,738,549**	**₱14,041,988,483**	**₱14,041,988,483**	₱2,465,491,560	₱12,474,285,648	₱12,474,285,648

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2011	2010	**2011**	2010
INCOME				
Commission	**₱346,094,657**	₱260,307,034	**₱136,980,440**	₱96,714,616
Interest (Notes 4,6, 7 and 14)	**141,967,760**	68,208,997	**49,235,281**	28,697,889
Gain on sale of financial assets at fair value through profit or loss	**19,549,068**	2,552,547	**5,567,140**	402,858
Others	**5,957,866**	4,008,895	**1,068,954**	1,086,934
	513,569,351	335,077,473	**192,851,815**	126,902,297
EXPENSES				
Commission and referral fees (Note 18)	**42,789,655**	8,476,833	**18,790,961**	7,764,306
Personnel costs (Note 15)	**37,975,240**	34,556,082	**11,462,685**	10,132,293
Membership fees and dues	**10,937,919**	5,574,439	**4,403,783**	2,487,584
Computer services (Note 12)	**10,448,757**	8,217,655	**3,935,108**	2,851,144
Management fees (Note 18)	**8,559,816**	8,038,823	**2,338,841**	2,492,089
Depreciation (Note 8)	**8,212,262**	6,343,162	**3,275,092**	2,294,127
Professional fees (Note 12)	**6,034,943**	5,817,147	**2,228,153**	1,971,708
Rentals (Note 19)	**6,001,606**	3,757,266	**2,209,692**	1,379,186
Stock option expense (Note 16)	**5,772,000**	1,384,500	**4,888,000**	461,500
Marketing and advertising	**2,473,624**	1,990,729	**1,613,143**	977,866
Taxes and licenses	**2,271,012**	1,382,346	**738,070**	406,556
Power, light and water	**2,047,826**	1,801,366	**774,714**	635,483
Office supplies	**1,298,853**	1,126,645	**623,902**	449,886
Security and messengerial services	**1,268,626**	992,299	**485,351**	343,193
Communications	**1,234,387**	1,184,521	**506,652**	435,909
Insurance and bonds	**1,216,218**	602,991	**593,146**	250,109
Condominium dues	**1,109,097**	628,236	**430,434**	213,273
Trainings, seminars and meetings	**913,681**	453,758	**169,497**	54,658
Interest expense	**426,667**	1,284,722	**15,556**	342,639
Provision for impairment losses (Note 6)	**–**	19,211,580	**–**	5,510,287
Others	**4,024,045**	2,314,257	**1,484,992**	1,048,948
	155,016,234	115,139,357	**60,967,772**	42,502,744
INCOME BEFORE INCOME TAX	**358,553,117**	219,938,116	**131,884,043**	84,399,553
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**68,946,002**	35,057,010	**26,851,296**	6,987,364
Deferred	**1,294,397**	(3,926,263)	**(974,791)**	(1,801,258)
	70,240,399	31,130,748	**25,876,505**	5,186,106
NET INCOME	**288,312,718**	188,807,368	**106,007,538**	79,213,447
OTHER COMPREHENSIVE INCOME (LOSS)				
Translation adjustments-net of tax	**(2,018,924)**	(16,751,645)	**898,943**	(15,881,477)
TOTAL COMPREHENSIVE INCOME	**₱286,293,794**	₱172,055,723	**₱106,906,481**	₱63,331,970
Earnings Per Share (Note 24)				
Basic	**₱0.64**	₱0.43	₱0.24	₱0.18
Diluted	**₱0.62**	₱0.40	₱0.23	₱0.17

See accompanying notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱358,553,117**	₱219,938,116
Adjustments for:		
Depreciation (Note 8)	**8,212,262**	6,343,162
Unrealized loss (gain) on financial assets	**416,707**	662,358
Gain on disposal of HTM investment	**(3,974,316)**	–
Provision for (recovery from) impairment losses	**(763,256)**	19,211,580
Cost of share-based payment (Note 16)	**5,772,000**	1,384,500
Interest income (Note 14)	**(141,967,760)**	(68,208,997)
Dividend income	**(27,359)**	(410)
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Financial assets at fair value though profit or loss	**(2,236,561)**	1,685,731
Receivables	**472,635,330**	(786,234,095)
Other assets	**(6,468,534)**	(10,435,425)
Increase (decrease) in:		
Cash in a segregated account	**43,032,981**	195,660,267
Payable to clearing house and other brokers	**113,189,544**	27,579,266
Payable to customers	**1,289,682,466**	337,859,156
Accounts payable and accrued expenses	**(22,460,840)**	16,276,049
Net cash from (used in) operations	**2,113,595,781**	(38,278,742)
Interest received	**142,301,990**	70,412,447
Income taxes paid	**(52,392,470)**	(23,759,275)
Dividend received	**27,359**	410
Net cash from operating activities	**2,203,532,660**	8,374,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from termination of HTM investment	**106,474,792**	–
Additions to property and equipment (Note 8)	**(21,241,180)**	(6,032,456)
Net cash from (used in) investing activities	**85,233,612**	(6,032,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan	**80,000,000**	–
Payment of short-term loan	**(80,000,000)**	–
Payment of cash dividends	**(177,660,000)**	(86,960,000)
Proceeds from issuance of additional shares	**15,900,000**	6,750,000
Net cash used in financing activities	**(161,760,000)**	(80,210,000)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,127,006,272**	(77,867,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**652,454,563**	905,963,791
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱2,779,460,835**	₱828,096,175

See accompanying Notes to Consolidated Financial Statements.

CITISECONLINE.COM, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

(With Comparative Figures for the Nine Months Ended September 30, 2010)

	Capital Stock (Note 13)	Capital In Excess of Par Value (Note 13)	Cost of Share-Based Payment (Note 16)	Accumulated Translation Adjustment	Retained Earnings Appropriated (Note 13)	Retained Earnings Unappropriated (Note 13)	Total
Balances at December 31, 2009	₱433,000,000	₱34,759,024	₱64,822,146	(₱9,858,282)	₱13,733,597	₱412,190,889	₱948,647,374
Issuance of shares upon exercise of stock options	6,750,000	–	–	–	–	–	6,750,000
Cost of share-based payment	–	–	9,777,473	–	–	–	9,777,473
Declaration of cash dividends	–	–	–	–	–	(86,960,000)	(86,960,000)
Net income for the period	–	–	–	–	–	188,807,368	188,807,368
Other comprehensive income (loss)	–	–	–	(16,751,645)	–	–	(16,751,645)
Total comprehensive income for the period	–	–	–	(16,751,645)	–	188,807,368	172,055,723
Appropriation of retained earnings	–	–	–	–	13,147,733	(13,147,733)	–
Balances at September 30, 2010	₱439,750,000	₱34,759,024	₱74,599,619	(₱26,609,927)	₱26,881,330	₱500,890,524	₱1,050,270,570
Balances at December 31, 2010	₱442,650,000	₱35,539,024	₱71,073,568	(₱26,873,680)	₱26,881,330	₱569,969,715	₱1,119,239,957
Issuance of shares upon exercise of stock options	15,900,000	9,360,000	–	–	–	–	25,260,000
Cost of share-based payment	–	–	(22,550,863)	–	–	–	9,777,473
Declaration of cash dividends	–	–	–	–	–	(177,660,000)	(177,660,000)
Net income for the period	–	–	–	–	–	288,312,718	288,312,718
Other comprehensive income (loss)	–	–	–	(2,018,924)	–	–	(2,018,924)
Total comprehensive income (loss) for the period	–	–	–	(2,018,924)	–	288,312,718	286,293,794
Appropriation of retained earnings	–	–	–	–	18,122,867	(18,122,867)	–
Balances at September 30, 2011	₱458,550,000	₱44,899,024	₱48,522,705	(₱28,892,604)	₱45,004,197	₱662,499,566	₱1,230,582,888

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

CitisecOnline.com, Inc. (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1999, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. In the normal course of business, the Parent Company and its wholly-owned subsidiary, COL Securities (HK) Limited (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. On May 24, 2011, the Companies Registry of the Securities and Futures Commission approved COLHK‟s amended articles of incorporation changing its corporate name to COL Securities (HK) Limited from CitisecOnline.com Hong Kong Limited. The registered address of the Parent Company is 2401-B Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. 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 consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The Group‟s consolidated financial statements are presented in Philippine pesos, which is the presentation currency under Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong dollar, respectively. All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with the PFRS.

Basis of Consolidation

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

The subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

Summary of Significant Accounting Policies

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to consolidated statement of comprehensive income.

The financial statements of a foreign consolidated subsidiary are translated at closing exchange rates with respect to the consolidated statement of financial position, and at the average exchange rates for the year with respect to the consolidated statement of comprehensive income. Resulting translation differences are included in equity (under accumulated translation adjustment). Upon disposal of the foreign subsidiary, accumulated exchange differences are recognized in the consolidated statement of comprehensive income as a component of the gain or loss on disposal.

<u>Cash and Cash Equivalents</u>
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 months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
Financial instruments are recognized in the statement of financial condition 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 of financial instruments
All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for securities valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, HTM investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and 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 gain on financial assets in the consolidated statement of comprehensive income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right of the payment has been established.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group"s management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

The amortization is included in „Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income. The effects of restatement on foreign currency denominated HTM investments are recognized in the consolidated statement of comprehensive income.

Loans and receivables
These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as „financial assets held for trading", designated as „AFS investments" or „financial assets designated at FVPL".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. 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. The amortization is included in the „interest income" in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in „Provision for impairment losses" in the consolidated statement of comprehensive income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. AFS investments are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS investments include equity investments, money market papers and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. The unrealized gains and losses arising from
the fair valuation of AFS investments are excluded, net of tax, from reported earnings and will be reported as „Net unrealized gain (loss) on AFS investments" in the equity section of the statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of comprehensive income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the consolidated statement of comprehensive income when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income. As of September 30, 2011 and December 31, 2010, the Group has no AFS investments.

Fair value
The fair value of investments that are actively traded in organized financial markets is determined by

reference to quoted market close prices at the close of business on reporting date.

For investments 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.

Receivable from and Payable to Customers, Clearing House and Other Brokers

Receivable from customers, which include margin accounts, and payables to clearing house and other brokers arise from securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. 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 on the reporting date. Refer to the accounting policy for „*Loans and Receivables*‟ and „*Other Financial Liabilities*‟ for recognition and measurement.

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 where:

- 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.

Where 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group‟s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group‟s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

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 comprehensive income.

Impairment of Financial Assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost. 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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in consolidated statement of comprehensive income.

The Group first assesses 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, 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 comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment 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 use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

AFS financial assets. If an AFS asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in income. Reversals of impairment losses on debt instruments are reversed through consolidated statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of comprehensive income.

Offsetting

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Exchange Trading Rights

Exchange trading rights are carried at cost less 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 Group does not intend to sell the exchange trading rights in the near future.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT is stated at its estimated net realizable values.

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. 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, nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. 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 is computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Online trading equipment and facilities	3-10
Office furniture, fixtures and equipment	3-5

Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements of five years or the term of the 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 comprehensive income in the year the asset is derecognized.

The asset"s residual values, useful lives and methods are reviewed and adjusted if appropriate, at each financial year end.

Impairment of Nonfinancial Assets
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. An asset"s recoverable amount is the higher of the asset"s value in use or its fair value less cost to sell. 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 charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset and any excess is charged to consolidated statement of comprehensive income.

A previously recognized impairment loss is reversed by a credit to a current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) 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) had no impairment loss been recognized for the asset in prior years.

Leases

Determination of Whether an Arrangement Contains a Lease

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 comprehensive 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 comprehensive income, net of any reimbursement.

Capital Stock and Additional Paid-in Capital

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

Where the Group purchases the Group‟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 Group‟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 attributable to the Group‟s stockholders. Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital 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 deducted from equity when they are approved by the Group‟s BOD and stockholders, respectively. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard‟s transitional provisions.

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. 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 based on a flat rate for every trade transaction.

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

- *Gain on financial assets*
  Results arising from trading activities include all gains and losses from changes in fair value of financial assets at FVPL as of the statement of financial position date.

Expenses
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. Expenses are recognized when the related revenue is earned or when the service is incurred. The majority of expenses incurred by the Group such as 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 instrument that will vest.

The cost of equity-settled transactions is recognized in the consolidated statement of comprehensive 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 reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the management of the Parent Company at the date, based on the best available estimate of number of equity instruments, 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 recognized as if the terms had not been modified. In additional, 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, *Share-based Payment*, 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 (see Note 16).

Retirement Cost

The Parent Company has a noncontributory defined benefit retirement plan.

The retirement cost of the Parent Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the statement of financial condition in respect of defined benefit retirement plan is the present value of the defined benefit retirement obligation at the statement of financial position date less the fair value of any plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit retirement obligation is calculated annually, as necessary, by an independent actuary using the projected unit credit method. The present value of the defined benefit retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit retirement obligation and the fair value of plan assets, if any, at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit retirement obligation less past service costs not yet recognized and less the fair value of any plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

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

Earnings Per Share (EPS)

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

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, 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 have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date 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, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences 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.

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.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 reporting date 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 tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of comprehensive income.

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.

<u>Contingencies</u>
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 disclosed when an inflow of economic benefits is probable.

<u>Segment Reporting</u>
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.

<u>Events After Balance Sheet Date</u>
Post-year-end events that provide additional information about the Group‟s position at the statement of financial position date (adjusting events) are reflected in the Group‟s financial statements. Post-year-end events that are not adjusting events are disclosed when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the 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 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 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.

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 Philippine peso and Hong Kong dollar, respectively. The Philippine peso and the Hong Kong dollar are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate. These are the currencies that mainly influence the revenues and expenses of the Group.

Operating Lease Commitments - Group as 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 Held-to-Maturity (HTM) investments. The Group follows the guidance of PAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances explained in PAS 39, it will be required to reclassify the whole class as AFS investments. The investments would therefore be measured at fair value, not amortized cost. If the class of HTM investments is tainted, its fair value would change with a corresponding entry in the fair value reserve in equity.

Deferred Income Tax Assets. The Group reviews the carrying amounts of deferred income tax assets at each statement of financial position date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group experiences fluctuations in earnings from year to year. Based on this experience, the Group believes that it is highly probable that certain temporary differences will not be realized in the future.

Determining Useful Lives of the Exchange Trading Rights. Exchange trading rights are carried at cost less 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 Group does not intend to sell the exchange trading rights in the near future.

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.

Pension Benefits. The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of statement of financial position dates.

Estimating impairment of receivables and HTM investment. The Group reviews its receivables and HTM investment at each reporting date to assess whether provision for impairment losses should be recorded in the consolidated statement of comprehensive 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.

4. Cash on Hand and in Banks

Cash and Cash Equivalents

	September 30, 2011 (Unaudited)	December 31,2010 (Audited)
Cash on hand and in banks	**₱520,152,046**	₱384,825,918
Short-term cash investments	**2,259,308,789**	267,628,645
	₱2,779,460,835	₱652,454,563

In compliance with Securities Regulation Code (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 ₱2,364,610,713 and ₱327,053,167 as of September 30, 2011 and December 31, 2010, respectively. The Parent Company"s reserve requirement is determined based on the SEC"s prescribed computations. As of September 30, 2011 and December 31, 2010, the Parent Company"s reserve accounts are adequate to cover its reserve requirements.

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 1.9% to 4.5625% per annum. Interest income of the Group amounted to ₱21,696,939 and ₱14,098,106 in September 30, 2011 and 2010, respectively. The Parent Company has U.S dollar-denominated cash as of September 30, 2011 and December 31, 2010 (see Note 21).

Cash in a Segregated Account

COLHK maintains segregated account with a licensed bank to hold clients‟ monies arising from its normal course of business. The Group has classified the clients‟ monies as cash in a segregated account in the consolidated statements of financial condition and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients‟ monies. The Group is not allowed to use the clients‟ monies to settle its own obligations. As of September 30, 2011 and December 31, 2010, cash in a segregated account amounted to ₱100,722,331 and ₱ 143,755,312, respectively.

5. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in shares of stocks of companies listed in the PSE and Hong Kong Exchanges. The Group recognized from fair value changes of these financial instruments a gain of ₱19,549,068 and ₱2,552,547 in September 30, 2011 and 2010, respectively.

6. Receivables

	September 30, 2011 (Unaudited)	December 31,2010 (Audited)
Customers	**₱925,177,607**	₱1,114,084,041
Clearing house	**16,345,026**	305,500,961
Other broker	**5,314,617**	4,909,619
Provisional income tax of HK Subsidiary	**3,148,489**	2,770,780
Accrued interest	**1,346,205**	1,680,435
Others	**13,580,147**	11,984,553
	964,912,091	1,440,930,389
Less allowance for impairment losses	**11,946,159**	12,709,415
	₱952,965,932	₱1,428,220,974

In November 2006, the Parent Company introduced a credit line facility (involving margin accounts) to qualified customers with the outstanding balance subject to an interest rate ranging from 1.0% to 1.5% per month. Total credit line offered by the Parent Company amounted to ₱3,946,130,000 and ₱3,102,065,000 as of September 30, 2011 and December 31, 2010, respectively. Interest income from customers amounted to ₱119,007,101 and ₱49,305,851 in September 30, 2011 and 2010, respectively.

Other receivables as of September 30, 2011 and December 31, 2010 include the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009. 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 40% optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act (RA) No. 9504 effective July 7, 2008, as implemented by Revenue Regulations No. (RR) 16-08 dated November 26, 2008 (see Note 18). However on March 14, 2010, RR No. 2-2010 became effective and amended Section 7 of RR No. 16-08 which now requires 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 return for the taxable year. Likewise, Revenue Memorandum Circular 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. Pending the outcome of the payment under protest, a 100% allowance for impairment loss was set up.

The Group‟s receivable from customers, arising mostly from the availment of its credit line facility, and the security valuation follows:

	September 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	Money Balance	**Security Valuation**	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	**₱414,256,207**	**₱2,502,855,689**	₱705,634,047	₱3,421,549,419
Between 200% and 250%	**216,706,720**	**504,115,937**	218,784,229	505,599,160
Between 150% and 200%	**108,528,738**	**201,077,439**	54,021,731	102,098,358
Between 100% and 150%	**132,613,614**	**138,758,225**	4,714,382	5,272,000
Less than 100%	**40,253,405**	**30,077,066**	130,927,166	77,248,428
Unsecured accounts	**12,818,923**	**–**	2,486	–
	925,177,607	**3,376,884,356**	1,114,084,041	4,111,767,365
Less allowance for impairment losses	**11,946,159**	**–**	3,749,170	–
	₱913,231,448	**₱3,376,884,356**	₱1,110,334,871	₱4,111,767,365

Receivable from 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 stocks to cover their account balance. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As of September 30, 2011 and December 31, 2010, ₱872,105,279 and ₱983,154,389, respectively, of the total receivables are fully covered by collateral.

Receivable from clearing house was fully collected in October and January 2011.

Movements in the allowance for impairment losses on receivables are as follows:

	September 30, 2011 (Unaudited)			December 31, 2010 (Audited)		
	Customers	**Others**	**Total**	Customers	Others	Total
Balances at beginning of period	**₱3,749,170**	**₱8,960,245**	**₱12,709,415**	₱802,175	₱–	₱802,175
Provisions (reversals) for the period	**(763,256)**	**–**	**(763,256)**	2,946,995	8,960,245	11,907,240
Balances at end of period	**₱2,985,914**	**₱8,960,245**	**₱11,946,159**	₱3,749,170	₱8,960,245	₱12,709,415

The table below shows the aging of receivables:

September 30, 2011 (Unaudited)

	Total	6 Months and less	Over 6 months to 1 year	Over 1 year
Customers	**₱925,177,607**	**₱899,237,143**	**₱25,860,704**	**₱79,760**
Clearing house	**16,345,026**	**16,345,026**	**–**	**–**
Other broker	**5,314,617**	**5,314,617**	**–**	**–**
Provisional income tax of HK Subsidiary	**3,148,489**	**3,148,489**	**–**	**–**
Accrued interest	**1,346,205**	**1,346,205**	**–**	**–**
Others	**13,580,147**	**13,580,147**	**–**	**–**
	₱964,912,091	**₱938,971,627**	**₱25,860,704**	**₱79,760**

December 31, 2010 (Audited)

	Total	6 Months and less	Over 6 months to 1 year	Over 1 year
Customers	₱1,114,084,041	₱1,113,436,338	₱256,272	₱391,431
Clearing house	305,500,961	305,500,961	–	–
Other broker	4,909,619	4,909,619	–	–
Provisional income tax of HK Subsidiary	2,770,780	2,770,780	–	–
Accrued interest	1,680,435	1,680,435	–	–
Others	11,984,553	3,024,308	8,960,245	–
	₱1,440,930,389	₱1,431,322,441	₱9,216,517	₱391,431

7. Held-to-Maturity Investment

HTM investment represents the Parent Company‟s investment in a 5-year Fixed Rate Treasury Note, with face value of ₱100,000,000, purchased on October 3, 2008 at a premium of ₱5,006,606 and with coupon rate of 8.75% per annum. This was sold on March 14, 2011 at a gain of ₱3,974,316. Interest income earned from this investment amounted to ₱1,249,960 and ₱4,783,849 in September 30, 2011 and 2010, respectively.

8. Property and Equipment

September 30, 2011 (Unaudited)

	Online Trading Equipment and Facilities	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in progress	Total
Cost					
At beginning of period	**₱45,161,145**	**₱15,978,525**	**₱16,326,279**	**₱–**	**₱77,465,949**
Additions	**9,811,569**	**4,662,294**	**6,767,317**	**–**	**21,241,180**
Translation adjustments	**(41,233)**	**(54,995)**	**(5,553)**	**–**	**(101,781)**
At end of period	**54,931,481**	**20,585,824**	**23,088,043**	**–**	**98,605,348**
Accumulated depreciation					
At beginning of period	**28,076,501**	**11,928,176**	**10,786,762**	**–**	**50,791,439**
Depreciation for the period	**4,556,863**	**1,448,064**	**2,207,335**	**–**	**8,212,262**
Translation adjustments	**1,083**	**(47,393)**	**(5,553)**	**–**	**(51,863)**
At end of period	**32,634,447**	**13,328,847**	**12,988,544**	**–**	**58,951,838**
Net book values	**₱22,297,034**	**₱7,256,977**	**₱10,099,499**	**₱–**	**₱39,653,510**

December 31, 2010 (Audited)

	Online Trading Equipment and Facilities	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:				
At beginning of year	₱40,605,520	₱14,658,511	₱15,010,653	₱70,274,684
Additions	4,906,070	1,792,960	1,363,974	8,063,004
Translation adjustments	(350,445)	(472,946)	(48,348)	(871,739)
At end of year	45,161,145	15,978,525	16,326,279	77,465,949
Accumulated depreciation:				
At beginning of year	23,206,257	10,777,066	8,192,644	42,175,967
Depreciation for the year	4,887,212	1,612,957	2,642,465	9,142,634
Translation adjustments	(16,968)	(461,847)	(48,347)	(527,162)
At end of year	28,076,501	11,928,176	10,786,762	50,791,439
Net book values	₱17,084,644	₱4,050,349	₱5,539,517	₱26,674,510

9. Exchange Trading Rights

Philippine Operations

On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to ₱5,000,000. 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.

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 and cannot be sold to any third party independent of the total assets and liabilities of COLHK.

The recoverable amount of exchange trading rights of COLHK has been determined based on a value in use calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five-year period, and a discount rate ranging from 8.38% to 11.50%. Management believes that any reasonably possible change in the key assumptions on which the exchange trading rights" recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Movements in exchange trading rights follow:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Beginning balance	**₱22,989,686**	₱24,067,268
Translation adjustment	**(123,772)**	(1,077,582)
Ending balance	**₱22,865,914**	₱22,989,686

10. Other Assets

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Deposit to CTGF	**₱13,724,200**	₱13,724,200
Rental and other deposits	**5,292,408**	5,047,760
Prepayments	**4,594,762**	1,449,050
Input VAT	**3,168,660**	1,857,286
	26,780,030	22,078,296
Less allowance for impairment losses	**13,724,200**	13,724,200
	₱13,055,830	₱8,354,096

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. The CTGF is a risk management tool of SCCP, whose primary purpose is to protect the settlement system from any default by a clearing member. The amount of contribution was computed based on the previous six months trading data and a calculation for the ideal fund level using the Value at Risk (VAR) Model. The said amount was recalculated after six (6) months based on the effective rate of eleven per cent (11%) applied to the actual netted trade value of the clearing member. 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.

In addition to the collection of the initial contribution and as part of the build-up plan for the CTGF, SCCP collects a monthly contribution at the rate of 1/500 of 1% of the clearing member‟s gross trade value less block sales and cross transactions of the same flag.

Under SCCP Rule 5.2, the cash contributions made by the clearing members to the CTGF are non-refundable. However, in consideration of the 100% increase in the CTGF contributions which took effect on August 1, 2007, the BOD of SCCP has approved 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 has been submitted for the further approval of the SEC. Pending the approval of the SEC, the rule on non-refundability still applies. In view of this, the Parent Company made a provision for impairment losses amounting to ₱5,524,200 and ₱8,200,000 in 2009 and 2008, respectively.

11. Payable to Customers

	September 30, 2011 (Unaudited)		December 31, 2010 (Audited)	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
With money balances	**₱2,528,144,334**	**₱10,402,316,583**	₱1,239,346,027	₱8,059,410,037
No money balances	–	**260,187,890**	–	302,328,446
	₱2,528,144,334	**₱10,662,504,473**	₱1,239,346,027	₱8,361,738,483

Payable to customers with money balances amounting to ₱109,743,359 and ₱128,508,340 as of September 30, 2011 and December 31, 2010, 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 4).

12. Accounts Payable and Accrued Expenses

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Withholding taxes payable	**₱18,355,925**	₱10,566,763
Accrued expenses and other current liabilities	**9,930,615**	41,285,616
Trading fees	**5,199,430**	6,235,537
Output VAT payable	**4,550,333**	3,771,223
Others	**1,876,145**	169,176
	₱39,912,448	₱62,028,315

Accrued expenses and other current liabilities mainly include accruals for employees‟ performance bonus, professional fees, computer services and other operating expenses and 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.

Computer services mainly include internet connection fees, internet leasedline charges and payments to PSE and Hong Kong SFC for terminal fee.

Professional fees include payment made to the Parent Company‟s IT consultant.

13. **Equity**

Capital Stock

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

	September 30, 2011 (Unaudited)		December 31, 2010 (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	**442,650**	**₱442,650**	433,000	₱433,000
Issuance of common shares upon exercise of stock options	**15,900**	**15,900**	9,650	9,650
Balances at end of the period	**458,550**	**₱458,550**	442,650	₱442,650

As of September 30, 2011 and December 31, 2010, the Parent Company has 37 and 35 stockholders, respectively.

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 December 11, 2006, the BOD approved the annual appropriation commencing on the year 2006. Total appropriated retained earnings amounted to ₱45,004,197 and ₱26,881,330 as of September 30, 2011 and December 31, 2010, respectively while total unappropriated retained earnings amounted to ₱662,499,566 and ₱569,969,715 as of September 30, 2011 and December 31, 2010, respectively.

During the BOD meeting on April 26, 2007, the BOD of the Parent Company approved a policy of declaring an annual regular cash dividend of twenty percent (20%) of its net earnings.

The table below shows the cash dividends declared from COL‟s unappropriated retained earnings for the years 2011 and 2010:

2011

Cash Dividend	**Declaration Date**	**Ex-date**	**Record Date**	**Payment Date**
Regular				
₱0.07 per share	**March 31, 2011**	**April 11, 2010**	**April 14, 2011**	**April 29, 2011**
Special				
₱0.33 per share	**March 31, 2011**	**April 11, 2010**	**April 14, 2011**	**April 29, 2011**

2010

Cash Dividend	Declaration Date	Ex-date	Record Date	Payment Date
Regular				
₱0.05 per share	March 30, 2010	April 13, 2010	April 16, 2010	May 4, 2010
Special				
₱0.15 per share	March 30, 2010	April 13, 2010	April 16, 2010	May 4, 2010

On December 11, 2008, the Hong Kong Securities and Futures Commission (SFC) approved the increase in the authorized capital stock of COLHK from 20,000,000 shares to 50,000,000 shares at HK$1 par value. On February 19, 2009, the COLHK"s BOD declared a scrip dividend corresponding to 23,000,005 shares at HK$1 par value to its existing stockholders as of December 31, 2008.

On December 31, 2009, the Hong Kong SFC approved the increase in the authorized capital stock of COLHK from 50,000,000 shares to 150,000,000 shares at HK$1 par value. On March 1, 2010, the COLHK"s BOD declared a scrip dividend corresponding to 21,999,995 shares at HK$1 par value to its existing stockholders as of December 31, 2010.

On February 3, 2011, COLHK"s BOD approved to pay a final dividend of HK$13,000,000 (65,000,000 shares multiplied by HK$0.20 scrip dividend per share) to stockholders as of record date of February 3, 2011.

14. **Interest Income**

	September 30, 2011 (Unaudited	September 30, 2010 (Unaudited)
Customers (Note 6)	**₱119,007,101**	₱49,305,851
Banks – net (Note 4)	**21,696,939**	14,098,106
HTM investment – net (Note 7)	**1,249,960**	4,783,849
Others	**13,760**	21,191
	₱141,967,760	₱68,208,997

15. **Personnel Costs**

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Salaries and wages	**₱33,873,035**	₱30,995,431
Other benefits	**4,102,205**	3,600,651
	₱37,975,240	₱34,556,082

16. **Employee Benefits**

SOP

On July 12, 2000 and July 3, 2006, the Group granted stock options 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. As of December 31, 2006, a total of 46,000,000 stock options were granted. The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All options are exercisable one and a half years from July 12, 2006, the effective date of listing of the Parent Company"s shares at the PSE, and will terminate ten years from the said date. There was no new SOP granted as of September 30, 2011.

There have been no cancellations or modifications to the plan in 2011 and 2010.

The following table illustrates the number of and movements in stock options:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Outstanding at beginning of period	**33,350,000**	43,000,000
Exercised during the period	**(15,900,000)**	(9,650,000)
Outstanding at end of period	**17,450,000**	33,350,000

The options have a contractual term of 10 years. The weighted average remaining contractual life of options outstanding is 5.75 years and 6.5 years as of September 30, 2011 and December 31, 2010, respectively.

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 options were granted. The fair value of options granted on July 12, 2000 and July 3, 2006 amounted to ₱0.89 per share and ₱1.04 per share, respectively.

The assumptions used to determine the fair value of the stock options granted on July 12, 2000 were (1) share price of ₱1.07 obtained through the use of the Discounted Cash Flow model since the stock was not quoted at the time; (2) exercise price of ₱1.00; (3) expected volatility of 44%; (4) option life of 10 years; and (5) risk-free interest rate of 15.61%.

The assumptions used to determine the fair value of the stock options granted on July 3, 2006 were (1) share price of ₱1.36 as the latest valuation of stock price at the time of the initial public offering; (2) exercise price of ₱1.00; (3) expected volatility of 24%; (4) option life of 10 years; and (5) 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 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:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Balances at beginning of the period	**₱71,073,568**	₱64,822,146
Deferred tax asset (liability) on intrinsic value of outstanding options	**(18,962,863)**	4,756,422
Stock option expense	**5,772,000**	2,275,000
Cost of share-based payment recognized as capital in excess of par value	**(9,360,000)**	(780,000)
Movements during the period	**(22,550,863)**	6,251,422
Balances at end of period	**₱48,522,705**	₱71,073,568

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, 2011 and December 31, 2010.

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 ₱184,671 and ₱193,326 in September 30, 2011 and 2010, respectively.

17. **Income Taxes**

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

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Cost of share-based payment	**₱44,154,708**	₱63,117,568
Accumulated translation adjustment	**12,382,545**	11,517,292
Stock option expense	**1,310,400**	2,386,800
Accrued retirement costs	**1,545,190**	1,629,993
Allowance for impairment losses	**895,774**	1,124,751
Unrealized (gain) loss in the valuation of FVPL	**128,873**	34,388
Unrealized foreign exchange gains	**(2,947)**	(4,244)
	₱60,414,543	₱79,806,548

Realization of the future tax benefits related to the net deferred income tax assets is dependent on many factors, including the Group"s ability to generate taxable income, within the carryover period. Management has considered these factors in reaching a conclusion that not recognizing a portion of the net deferred income tax assets is necessary for financial reporting purposes.

As of September 30, 2011 and December 31, 2010, the Parent Company has temporary difference arising from allowance for probable losses on other 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.

18. **Related Party Disclosures**

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

a. The Parent Company has a payable balance to Citisecurities, Inc. (CSI) amounting to ₱38,023 and ₱38,098 as of September 30, 2011 and December 31, 2010, respectively, arising from fees for done-through transactions and transfer of shares. Total commission paid to CTS amounted to ₱106,391 and ₱15,246 in September 30, 2011 and 2010, respectively.

b. Lancashire Management Services Limited (Lancashire), a company incorporated in Hong Kong and a related party of COLHK through a common director, provides COLHK accounting services. Total management fee charged to operations amounted to ₱3,558,950 and ₱2,756,687 in September 30, 2011 and 2010, respectively.

c. iGet.com, Limited (iGet), a company incorporated in British Virgin Islands and a related party through common stockholders, provides COLHK financial advisory services including but not limited to research on local and overseas securities. Total financial fee charged to operations amounted to ₱5,000,866 and ₱5,282,135, in September 30, 2011 and 2010, respectively.

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

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Short-term employee benefits	**₱17,258,111**	₱16,862,336
Pension benefits	**100,017**	105,642
Cost of share-based payment	**5,772,000**	1,384,500
	₱23,130,128	₱18,352,478

19. 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 ₱6,001,606 and ₱3,757,266 in September 30, 2011 and 2010, respectively.

The future minimum lease payments are as follows:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Within one (1) year	**₱9,331,128**	₱6,958,542
After one (1) year but not more than five (5) years	**6,840,539**	9,206,808
	₱16,171,667	₱16,165,350

20. 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, 2011 and December 31, 2010.

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, 2011 and December 31, 2010, 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, 2011 and December 31, 2010 are as follows:

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Equity eligible for net liquid capital	**₱830,450,420**	₱724,115,625
Less: Ineligible Assets	**190,948,816**	188,076,569
NLC	**₱639,501,604**	₱536,039,056
Position risk	**₱939,898**	₱4,278,927
Operational risk	**52,746,292**	40,011,909
Counterparty risk	–	–
Total Risk Capital Requirement	**₱53,686,190**	₱44,290,836
AI	**₱2,621,921,503**	₱1,182,677,032
5% of AI	**₱131,096,075**	₱59,133,852
Required NLC	**131,096,075**	59,133,852
Net Risk-Based Capital Excess	**508,405,528**	476,905,204
Ratio of AI to NLC	**410%**	221%
RBCA ratio	**1,191%**	1,210%

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 broker dealer 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, 2011and December 31, 2010.

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 Hong Kong dollar (HK$) 3,000,000 and computed variable required capital. As of September 30, 2011 and December 31, 2010, COLHK is compliant with the said requirement.

21. Financial Risk Management Objectives and Policies

The Group"s principal financial instruments consist of cash and cash equivalents, financial assets at FVPL, receivables, payable to clearing house and other brokers, payable to customers, and accounts payable and accrued expenses, which arise from operations. The Group also has HTM investment acquired for purposes of investing idle funds.

The main risks arising from the Group"s financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency 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, it 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 stocks identified by the Parent Company using a set of criteria.

Cash in banks and short-term placements are deposited to reputable banks duly approved by the BOD.

As of September 30, 2011 and December 31, 2010, ₱912,358,684 and ₱1,114,081,552 of total receivable from customers is secured by collateral comprising of cash and equity securities of listed companies with total market value of ₱3,376,884,356 and ₱4,111,767,365, respectively.

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

As of December 31, 2010, the Parent Company"s HTM investment is classified as high grade since the counter party has no history of default or late payment of interest.

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 (see Note 6).

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

	Notes	**September 30, 2011 (Unaudited)**	December 31, 2010 (Audited)
Cash and cash equivalents	4	**₱2,779,460,835**	₱652,433,141
Cash in a segregated account	4	**100,722,331**	143,755,312
Financial assets at FVPL	5	**2,599,654**	779,800
Receivables	6	**952,965,932**	1,428,220,974
HTM investment	7	−	102,456,071
		3,835,745,752	2,327,645,298
Unutilized margin trading facility		**3,223,395,234**	2,158,432,304
Total credit risk exposure		**₱7,059,143,986**	₱4,486,077,602

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

As of September 30, 2011 and December 31, 2010, the Group has no past due but not impaired financial assets.

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‟s objectives to manage its liquidity profile are: 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 of September 30, 2011 and December 31, 2010, all of the Group‟s financial liabilities are contractually payable on demand.

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.

Interest Rate Risk
The Group‟s interest rate risk originates primarily from its holdings of HTM investment, which is for a fixed rate and term (see Note 7). The Group‟s policy is to manage its interest income using fixed rate investments or a mix of fixed and variable rate investments. As of September 30, 2011 and December 31, 2010, the Group‟s investment is at a fixed rate of interest.

As of September 30, 2011 and December 31, 2010, changes in interest rates have no impact on the Group‟s profit and loss and equity.

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 amounting to US$8,608 and US$171,070 as of September 30, 2011 and December 31, 2010, respectively.

There is no other impact on the Parent Company‟s equity other than those already affecting the consolidated statement of comprehensive income.

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 pertains to investments in shares of stocks of companies listed in the PSE and major U.S. Stock Exchanges.

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 for 2011 and 2010 is not significant.

22. Financial Instruments

Fair Values
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial Instruments Whose Carrying Amount Approximate Fair Value
The carrying amounts of cash and cash equivalents, receivables, payable to clearing house and other brokers, payable to customers and accounts payable and accrued expenses, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

Financial Assets at FVPL
The Group‟s financial assets at FVPL are carried at their fair values as of September 30, 2011 and December 31, 2010. Fair value of financial assets at FVPL is based on quoted prices of stock investments published by the PSE and major U.S. Stock Exchanges.

HTM Investment
The fair value of the fixed rate interest-bearing HTM investment as of December 31, 2010 is based upon quoted market price.

Categories of Financial Instruments
The carrying values and fair values of the Group‟s financial assets and liabilities per category are as follows:

	Carrying Amount		Fair Value	
	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	**September 30, 2011 (Unaudited)**	December 31, 2010 (Audited)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱2,779,460,835**	₱652,433,141	**₱2,779,460,835**	₱652,433,141
Cash in a segregated account	**100,722,331**	143,755,312	**100,722,331**	143,755,312
Receivables	**952,965,932**	1,428,220,974	**952,965,932**	1,428,220,974
	3,833,149,098	2,224,409,427	**3,833,149,098**	2,224,409,427
Financial assets at FVPL	**2,599,654**	779,800	**2,599,654**	779,800
HTM investment	–	102,456,071	–	125,857,471
	₱3,835,748,752	₱2,327,645,298	**₱3,835,748,752**	₱2,351,046,698
Financial Liabilities				
Other financial liabilities:				
Payable to customers	**₱2,528,144,334**	₱1,239,346,027	**₱2,528,144,334**	₱1,239,346,027
Payable to clearing house and other brokers	**145,517,643**	32,551,799	**145,517,643**	32,551,799

	Carrying Amount		Fair Value	
	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)	**September 30, 2011 (Unaudited)**	December 31, 2010 (Audited)
continuation…				
Accounts payable and accrued expenses	**39,912,448**	47,690,239	**39,912,448**	47,690,239
	₱2,713,574,425	₱1,319,588,065	**₱2,713,574,425**	₱1,319,588,065

23. **Contingency**

On November 11, 2011, the Parent Company received a copy of the Judgement (based on Compromise Agreement) dated October 7, 2011 issued by Branch 149 of the Regional Trial Court of Makati in Civil Case No. 06-537 filed by Citigroup Inc. and Citibank N.A. (collectively, "Plaintiffs") against the Parent Company and Citisecurities, Inc. (collectively, "Respondents") in 2006 for trademark infringement. In the Compromise Agreement, the Plaintiffs acknowledged the terms which Respondents may use and register in the Philippines as well as the terms which Respondents may use in Hong Kong SAR.

In the Judgment, the Regional Trial Court Branch 149 adopted the Compromise Agreement as part of the dispositive portion of the Decision and ordered the parties to comply faithfully with the same. Non-compliance on the part of the Respondents to the terms outlined in the agreement will entitle the Plaintiffs to seek enforcement of the Compromise Agreement from the Honorable Court (Branch 149 of the Regional Trial Court of Makati) by means of an appropriate motion for execution and if found in breach, Plantiffs can seek payment of liquidated amounts of US$25,000 for the first non-cured violation, and US$50,000 for any non-cured violation thereafter.

24. **Earnings Per Share (EPS) Computation**

	September 30, 2011 (Unaudited)	September 30, 2010 (Unaudited)
Net income	**₱288,312,718**	₱188,807,368
Weighted average number of shares for basic earnings per share	**450,600,000**	436,375,000
Dilutive shares arising from stock options	**17,450,000**	36,250,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	**468,050,000**	472,625,000
Basic earnings per share	**₱0.64**	₱0.43
Diluted earnings per share	**₱0.62**	₱0.40

25. **Segment Information**

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

September 30, 2011 (Unaudited)

	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commission	**₱253,308,683**	**₱92,785,974**	**₱–**	**₱346,094,657**
Interest	**141,954,001**	**13,759**	**–**	**141,967,760**
Others	**25,074,031**	**432,903**	**–**	**25,506,934**
Inter-segment revenue	**33,985,624**	**–**	**(33,985,624)**	**–**
Segment revenue	**454,322,339**	**93,232,636**	**(33,985,624)**	**513,569,351**
Operating expenses	**(121,855,610)**	**(58,937,710)**	**33,989,348**	**(146,803,972)**
Depreciation	**(6,588,710)**	**(1,623,552)**	**–**	**(8,212,262)**
Income before income tax	**325,878,019**	**32,671,374**	**3,724**	**358,553,117**
Provision for income tax	**(64,849,622)**	**(5,390,777)**	**–**	**(70,240,399)**
Net income	**₱261,028,397**	**₱27,280,597**	**₱3,724**	**₱288,312,718**

Continuation…	**Philippines**	**Hong Kong**	**Elimination**	**Total**
Segment assets	**₱3,507,002,350**	**₱602,575,276**	**(₱137,839,077)**	**₱3,971,738,549**
Segment liabilities	**2,628,519,932**	**115,675,922**	**(3,040,193)**	**2,741,155,661**
Capital expenditures:				
Tangible fixed assets	**20,573,068**	**668,112**	**–**	**21,241,180**
Cash flows arising from:				
Operating activities	**2,114,182,130**	**89,350,530**	**–**	**2,203,532,660**
Investing activities	**85,901,723**	**(668,111)**	**–**	**85,233,612**
Financing activities	**(161,760,000)**	**–**	**–**	**(161,760,000)**

December 31, 2010 (Audited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commission	₱173,510,163	₱197,838,494	₱–	₱371,348,657
Interest	105,958,978	21,115	–	105,980,093
Gain on financial assets at FVPL	7,055,241	662,014	–	7,717,255
Others	5,118,367	60,245	–	5,178,612
Inter-segment revenue	73,675,902	–	(73,675,902)	–
Segment revenue	365,318,651	198,581,868	(73,675,902)	490,224,617
Operating expenses	(147,830,135)	(104,954,911)	74,041,920	(178,743,126)
Depreciation	(7,883,225)	(1,259,409)	–	(9,142,634)
Income before income tax	209,605,291	92,367,548	366,018	302,338,857
Provision for income tax	(28,376,624)	(16,075,674)	–	(44,452,298)
Net income	₱181,228,667	₱76,291,874	₱336,018	₱257,886,559
Segment assets	1,975,650,015	641,657,368	(151,815,823)	2,465,491,560
Segment liabilities	1,183,245,133	180,132,099	(17,125,629)	1,346,251,603
Capital expenditures:				
Tangible fixed assets	7,823,241	239,763	–	8,063,004
Cash flows arising from:				
Operating activities	(147,531,343)	(15,416,600)	–	(162,947,943)
Investing activities	(13,011,522)	(239,763)	–	(13,251,285)
Financing activities	(77,310,000)	–	–	(77,310,000)

26. Subsequent Event

At the Special Stockholders‟ Meeting of the Parent Company held on November 16, 2011, the change in name of the Parent Company from CitisecOnline.com, Inc. to COL Financial Group, Inc. was ratified by at least two-thirds (2/3) majority vote.