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SEC Registration Number

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(Company's Full Name)

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

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

Ms. Catherine L. Ong
(Contact Person)

636-54-11
(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

17-Q
(Form Type)
June 30, 2017

Month *Day*
(Annual Meeting)

Broker
(Secondary License Type, If Applicable)

CFD
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/section

30
Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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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: **June 30, 2017**

2. Commission identification number **A199910065**

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

4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: Postal Code: **1605**
2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

8. Issuer's telephone number, including area code: **(632) 636-5411**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**476,000,000 shares**

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

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

Company Overview

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

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

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

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

Business Model

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

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

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

<u>Industry and Economic Review</u>

After performing poorly during the second half of 2016, the Philippine Stock Exchange Index (PSEi) rebounded, rising by 14.7% for the year to date period to 7,843.16 by the end of June. The market rallied as foreign funds flowed back to emerging markets, triggered by the decline in U.S. bond rates and the weakness of the U.S. dollar. Sentiment improved further towards the latter part of the first half given the strong first quarter earnings results of listed companies and indications that the government's comprehensive tax reform program would be passed soon.

Given the PSEi's strong year to date performance, average daily value turnover increased by 8.5% to ₱8.1 billion compared to the first half of 2016. Foreign investors also turned into net buyers by ₱20.1 billion.

Like the Philippines, the HK stock market rebounded strongly in the first half of 2017 after performing poorly in fourth quarter of 2016. Aside from foreign fund flows, the HK market benefited from signs that both the HK and the Chinese economies continued to recover. Note that HK's GDP growth reached 4.0% in the first half of 2017, faster than the 1.9% increase registered for the whole of 2016. Meanwhile, China's GDP growth reached 6.9% during the first half of 2017, the fastest pace of growth since the third quarter of 2015. As of end June, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) were higher by 17.1%, 11.6% and 10.3% respectively, compared to their end 2016 levels. Average daily turnover improved by 12.4% year-on-year to HKD75.5 billion in the first half of 2017.

<u>Business Review</u>

Key Performance Indicators

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

	June 2017	**June 2016**
Number of Customer Accounts	225,039	182,228
Customers' Net Equity (in millions)	₱69,697.5	₱58,048.7
Revenues (in millions)	₱460.2	₱400.7
Annualized Return on Equity	30.9%	28.4%
Risk Based Capital Adequacy Ratio*	554.0%	538.0%
Liquid Capital** (in millions)	HKD22.5	HKD23.6

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

The number of customer accounts for COL's Philippine operations continued to expand in the first quarter of 2017, rising by 9.7% for the year to date period to almost 225,000 accounts as of end June 2017. COL's client base continued to grow as the Parent Company remained active in educating and encouraging Filipinos to save and invest. It also continued to benefit from the heightened interest among Filipinos to invest outside of traditional fixed income instruments brought about by the low interest rate environment.

Net equity of retail customers also continued to grow, increasing to ₱69.7 billion as of end June 2017 from ₱58.0 billion during the same period in 2016. This included net new flows amounting to ₱8.1 billion during the twelve- month period.

The strong growth in COL's client base and client equity was reflected in the significant improvement of revenues during the first half of 2017. During the said period, revenues jumped by 14.8% to ₱460.2 million. Growth was led by the 10.1% increase in commission revenues from Philippine operations to ₱318.4 million.

The strong growth of revenues coupled with the slower increase of total costs led to the 17.1% jump in net income to ₱214.6 million. Return on average equity (ROE) improved to 30.9% in the first half of 2017 from 28.4% during the same period in 2016 as a result of COL's stronger profitability.

During the first half of 2017, both the Parent Company and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end June 2017, the Parent company's Risk Based Capital Adequacy Ratio (RBCA) reached 482%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD22.4 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

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

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

COL's asset base was up 9.0% at ₱9.7 billion compared to its end 2016 level.

Cash and cash equivalents composed mainly of cash in banks and short-term placements was higher by 6.0% at ₱7.7 billion as of end June 2017.

Cash in a segregated account booked by COL's HK Subsidiary increased by 28.9% to ₱173.9 million as clients liquidated their position to take advantage of the bullish run in the HK market during the first half.

Trade receivables increased by 24.6% to ₱1.5 billion mainly due to higher amount of selling transactions booked within the settlement cut off period as customers took profit following the strong gains during the period. Consequently, receivable from clearing house increased by 91.2% to ₱363.0 million. Margin loan availment likewise increased to ₱786.3 million as of end March from ₱691.7 million as of end 2016.

Other receivables went up 18.7% to ₱18.0 million due to the booking of the receivable from the fund houses as a result of the mutual fund redemptions of customers that are yet to be settled on scheduled dates after the cut-off period.

Prepayments increased by 87.5% to ₱4.1 million on account of higher local taxes paid in January 2017.

Property and equipment increased by 21.7% to ₱73.8 million due to the planned purchase of additional tower and rack servers and software licenses amounting to almost ₱17.3 million during the first half of the year to ensure the optimum performance of COL's trading platform in spite of the increase in the number of new customers and the anticipated surge in the trading levels and user utilization due to the improvement of the market condition.

Pending the actual turn over of the office space located at the PSE One Bonifacio in Taguig City, the payment of ₱17.5 million was classified under Other noncurrent assets which posted an increase of 129.5% to ₱34.0 million. Upon completion, the office space will be used either as an additional Investor Center or as an extension office for COL's Sales Team.

Trade payables, which account for more than 90% of total liabilities, increased by 12.2% to ₱8.2 billion. The strong growth in COL's client base led to an increase in clients' total equity portfolio including cash balance. This in turn resulted to an expansion in trade payables.

Other current liabilities fell by 40.1% to ₱54.4 million as a result of the payment of performance bonuses accrued in 2016 and the remittance of the corresponding withholding taxes in January 2017.

Income tax payable was up 131.7% to ₱23.6 million in line with the increase in the taxable income recorded by the Parent Company during the first half of 2017.

Stockholders' equity fell by 4.9% or ₱69.1 million to ₱1.4 billion largely due to declaration of ₱285.6 million worth of cash dividends to shareholders, partly offset by the booking of ₱214.6 million in net income during the first half of 2017.

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

COL's consolidated revenues during the first half of 2017 rose by 14.8% to ₱460.2 million largely due to the strong growth in commissions and the booking of ₱23.4 million worth of other income. Cost of services was up by 8.1% to ₱105.4 million largely due to the 22.8% increase in personnel costs to ₱28.8 million and the 19.8% jump in central depositary fees to ₱5.3 million. Operating expenses, which are largely fixed in nature, rose by 17.8% to ₱76.0 million while provision for income taxes increased by a slightly slower pace of 15.7% to ₱64.2 million. As a result of the foregoing movements, net income was up by 17.1% to ₱214.6 million on a year-on-year basis.

COL's revenues increased by 14.8% as all line items improved, led by commissions and other income. Commission revenues grew by 10.0% to ₱322.5 million as trading activity picked up along with the increase in COL's client base and improving market conditions. Interest income also grew by 8.9% to ₱114.3 million as COL benefited from the higher utilization of its margin lending facility. Average daily margin loans increased by 50.7% to ₱800.3 million in the first half of 2017 from ₱530.8 million during the first half of 2016. Interest income from cash placements likewise grew as COL benefited from the increase in its average cash position and the placement of ₱200.0 million in a higher yielding long term deposit instrument. COL also booked ₱23.4 million worth of other income, more than double the ₱2.6 million booked in the first half of 2016. During the first half of 2017, COL incurred a ₱16.3 million gain from the sale of clients' unexercised stock rights. It also booked ₱4.8 million worth of trailer fees from the growing size of mutual fund assets under administration, more than double the ₱2.1 million booked in the same period last year.

Cost of services was up by 8.1% to ₱105.4 million as personnel costs increased by 22.8% to ₱28.8 million and as central depository fees rose by 19.8% to ₱5.3 million. Personnel costs grew in line with the expansion in COL's client base and as the Company continued to take steps to improve customer service. Nevertheless, the increase in personnel costs was offset by the flattish commission expenses of ₱46.9 million which account for around 45% of cost of services.

Meanwhile, operating expenses increased by 17.8% to ₱76.0 million. Personnel costs and professional fees, which together account for close to half of total operating expenses, grew by 12.2% to ₱32.6 million. Depreciation expense also increased significantly by 22.0% to ₱63.5 million as capital expenditures reached ₱24.0 million during the first half of the year, also in line with efforts to improve customer service.

Due to the strong growth in revenues and the slower increase in costs, operating income improved by 16.8% to ₱278.8 million. Net profits increased by a slightly faster pace of 17.1% to ₱183.4 million as provision for income taxes rose by a slower 15.7% to ₱64.2 million.

Other Matters

a. COL is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group has not defaulted in paying its obligations, which arise mostly from withdrawals made by customers. In addition, obligations of the Parent Company are fully funded in compliance with the Securities Regulation Code (SRC) Rule 49.2 while COLHK Subsidiary maintains a fund for the exclusive benefit of its customers in compliance with the regulations of the Securities and Futures Commission of Hong Kong.

b. COL is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

c. COL is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.

d. COL is not aware of any material commitments for capital expenditures.

e. COL is not aware of any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Group.

f. COL is not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.

g. COL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

PART II – OTHER INFORMATION

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

SIGNATURES

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

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

By:

Conrado F. Bate
President and Chief Executive Officer
August 17, 2017

Catherine L. Ong
Senior Vice President and Chief Finance Officer
August 17, 2017

Lorena E. Velarde
Vice President and Financial Controller
August 17, 2017

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱7,660,757,196**			₱7,225,603,984		
Cash in a segregated account (Note 5)	**173,918,315**			134,918,294		
Financial assets at fair value through profit or loss (FVPL; Note 6)	**467,613**	**₱467,613**		2,102,563	₱2,102,563	
Trade receivables (Note 7)	**1,481,228,117**	**4,677,654,121**		1,188,644,329	6,261,145,183	
Other receivables (Note 7)	**17,997,295**			15,160,682		
Prepayments	**4,105,410**			2,189,572		
Total Current Assets	**9,338,473,946**			8,568,619,424		
Noncurrent Assets						
Long-term time deposit (Note 4)	**200,000,000**			200,000,000		
Property and equipment (Note 8)	**73,842,791**			60,667,539		
Intangibles (Note 9)	**25,624,945**			25,483,628		
Deferred income tax assets-net (Note 17)	**36,839,146**			35,146,805		
Other noncurrent assets (Note 10)	**34,024,556**			14,824,086		
Total Noncurrent Assets	**370,331,438**			336,122,058		
TOTAL ASSETS	**₱9,708,805,384**			₱8,904,741,482		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱62,478,762,297**			₱54,516,942,193

(Forward)

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	Long	Short	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Note 11)	**₱8,249,576,255**	**₱57,800,640,563**		₱7,353,292,239	₱48,253,694,447	
Other current liabilities (Note 12)	**54,433,657**			90,926,071		
Income tax payable	**23,590,785**			10,181,427		
Total Current Liabilities	**8,327,600,697**			7,454,399,737		
Noncurrent Liability						
Retirement obligation (Note 16)	**26,826,298**			26,826,298		
Total Liabilities	**8,354,426,995**			7,481,226,035		
Equity (Notes 13 and 16)						
Capital stock	**476,000,000**			476,000,000		
Capital in excess of par value	**53,219,024**			53,219,024		
Accumulated translation adjustment	**11,236,161**			9,375,669		
Loss on remeasurement of retirement obligation	**(880,074)**			(880,074)		
Retained earnings:						
Appropriated	**235,590,919**			198,811,471		
Unappropriated	**579,212,359**			686,989,357		
Total Equity	**1,354,378,389**			1,423,515,447		
TOTAL LIABILITIES AND EQUITY	**₱9,708,805,384**	**₱62,478,762,297**	**₱62,478,762,297**	₱8,904,741,482	₱54,516,942,193	₱54,516,942,193

See accompanying Notes to Consolidated Financial Statements.

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

	For the Six Months Ended June 30		For the Quarter Ended June 30	
	2017	2016	**2017**	2016
REVENUES				
Commissions	**₱322,508,616**	₱293,209,552	**₱183,316,103**	₱174,970,938
Others:				
Interest income (Note 14)	**114,297,150**	104,926,804	**58,660,435**	52,832,535
Gain on financial assets at FVPL - net (Note 6)	**17,842,856**	49,862	**1,565,268**	39,749
Others	**5,525,882**	2,546,610	**3,070,640**	1,575,838
	460,174,504	400,732,828	**246,612,446**	229,419,060
COST OF SERVICES				
Commission expense (Note 18)	**46,911,611**	46,768,059	**28,230,193**	25,898,423
Personnel costs (Note 15)	**28,835,208**	23,485,907	**15,744,627**	11,307,434
Stock exchange dues and fees	**7,625,534**	7,162,376	**4,191,135**	4,216,120
Central depository fees	**5,290,574**	4,414,723	**2,852,400**	2,405,444
Others:				
Communications	**15,413,752**	14,488,461	**7,642,607**	7,407,704
Others	**1,299,693**	1,154,786	**643,213**	580,635
	105,376,372	97,474,312	**59,304,175**	51,815,760
GROSS PROFIT	**354,798,132**	303,258,516	**187,308,271**	177,603,300
OPERATING EXPENSES				
Administrative expenses:				
Professional fees (Note 18)	**16,745,853**	14,532,695	**7,717,038**	6,975,281
Personnel costs (Note 15)	**15,869,920**	14,546,257	**9,231,964**	7,772,159
Rentals (Note 19)	**7,993,336**	6,918,103	**4,125,820**	3,450,263
Advertising and marketing	**3,728,686**	3,385,313	**1,811,260**	1,909,556
Security and messengerial services	**3,296,021**	2,159,663	**1,530,166**	1,169,816
Taxes and licenses	**2,459,719**	2,291,314	**1,232,118**	1,141,076
Power, light and water	**2,107,961**	1,998,801	**1,113,124**	1,046,029
Office supplies	**1,636,970**	1,168,572	**831,850**	708,338
Insurance and bonds	**1,588,983**	1,559,455	**706,255**	765,833
Repairs and maintenance	**1,503,030**	1,124,540	**876,673**	585,839
Condominium dues	**1,286,902**	1,242,263	**649,008**	620,691
Communications	**1,077,292**	309,803	**761,396**	35,763
Trainings, seminars and meetings	**946,181**	752,764	**165,279**	229,807
Membership fees and dues	**896,890**	409,969	**691,251**	191,420
Representation and entertainment	**470,083**	543,005	**215,152**	255,430
Transportation and travel	**469,673**	372,048	**200,592**	131,662
Directors' fees	**230,000**	270,000	**70,000**	90,000
Bank charges	**44,876**	403,847	**15,754**	–
Others	**1,109,795**	1,195,401	**502,990**	687,628
	63,462,171	55,183,813	**32,447,690**	27,766,591
Depreciation and amortization (Note 8)	**10,779,841**	8,836,021	**5,220,470**	4,555,012
Provision for credit losses	**1,768,608**	532,518	**1,768,608**	129,433
	76,010,620	64,552,352	**39,436,768**	32,451,036
INCOME BEFORE INCOME TAX	**278,787,512**	238,706,164	**147,871,503**	145,152,264
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)				
Current				
Regular corporate income tax	**50,176,523**	44,828,967	**26,707,045**	26,618,581
Final income tax	**16,279,871**	14,787,569	**8,337,761**	7,735,338
Deferred	**(2,271,332)**	(4,163,064)	**(1,400,511)**	(1,855,010)
	64,185,062	55,453,472	**33,644,295**	32,498,909
NET INCOME	**₱214,602,450**	₱183,252,692	**₱114,227,208**	₱112,653,355

See accompanying Notes to Consolidated Financial Statements.

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

	For the Six Months Ended June 30		For the Quarter ended June 30	
	2017	2016	**2017**	2016
NET INCOME	**₱214,602,450**	₱183,252,692	**₱114,227,208**	₱112,653,355
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to profit or loss:				
Translation adjustments- net of tax	**1,860,492**	(1,588,585)	**186,709**	4,813,053
TOTAL COMPREHENSIVE INCOME	**₱216,462,942**	₱181,664,107	**₱114,413,917**	₱117,466,408
Earnings Per Share (Note 24)				
Basic	**₱0.45**	₱0.39	**₱0.24**	₱0.24
Diluted	**0.45**	0.38	**0.24**	0.24

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017

(With Comparative Figures for the Six Months Ended June 30, 2016)

	Capital Stock	Capital in Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2017	**₱476,000,000**	**₱53,219,024**	**₱–**	**₱9,375,669**	**(₱880,074)**	**₱198,811,471**	**₱686,989,357**	**₱1,423,515,447**
Cost of share-based payment (Note 16)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Declaration of cash dividend (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(285,600,000)**	**(285,600,000)**
Net income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**214,602,450**	**214,602,450**
Other comprehensive income (loss)	**–**	**–**	**–**	**1,860,492**	**–**	**–**	**–**	**1,860,492**
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**1,860,492**	**–**	**–**	**214,602,450**	**216,462,942**
Appropriation of retained earnings (Note 13)	**–**	**–**	**–**	**–**	**–**	**36,779,448**	**(36,779,448)**	**–**
Balances at June 30, 2017	**₱476,000,000**	**₱53,219,024**	**₱–**	**₱11,236,161**	**(₱880,074)**	**₱235,590,919**	**₱579,212,359**	**₱1,354,378,389**
Balances at January 1, 2016	₱475,000,000	₱53,219,024	₱4,031,571	(₱5,241,859)	(₱4,836,196)	₱169,021,759	₱625,796,719	₱1,316,991,018
Cost of share-based payment (Note 16)	–	–	(19,826)	–	–	–	–	(19,826)
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(237,500,000)	(237,500,000)
Net income for the period	–	–	–	–	–	–	183,252,692	183,252,692
Other comprehensive income (loss)	–	–	–	(1,588,585)	–	–	–	(1,588,585)
Total comprehensive income (loss) for the period	–	–	–	(1,588,585)	–	–	183,252,692	181,664,107
Appropriation of retained earnings (Note 13)	–	–	–	–	–	29,789,712	(29,789,712)	–
Balances at June 30, 2016	₱475,000,000	₱53,219,024	₱4,011,745	(₱6,830,444)	(₱4,836,196)	₱198,811,471	₱541,759,699	₱1,261,135,299

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱278,787,512**	₱238,706,164
Adjustments for:		
Interest income (Note 14)	**(114,297,150)**	(104,926,804)
Depreciation and amortization (Note 8)	**10,873,688**	8,933,894
Provision for (recovery from) credit losses (Note 7)	**1,768,608**	532,518
Dividend income (Note 6)	**(229,976)**	(26,390)
Unrealized loss (gain) on financial assets at FVPL	**(156,551)**	(130,153)
Gain on disposal of property and equipment	**–**	(4,365)
Operating income before working capital changes	**176,746,131**	143,084,864
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	**(39,000,021)**	101,403,346
Financial assets at FVPL	**1,791,502**	7,634
Trade receivables	**(290,679,953)**	(193,086,627)
Other receivables	**13,791,904**	9,295,063
Prepayments	**(1,915,094)**	(2,754,013)
Other noncurrent assets	**(24,074,265)**	(4,702,798)
Increase (decrease) in:		
Trade payables	**895,206,654**	2,701,505,383
Other current liabilities	**(36,617,330)**	4,672,269
Net cash generated from operations	**695,249,528**	2,759,425,121
Interest received	**97,466,964**	84,755,372
Dividends received	**229,976**	26,390
Income taxes paid	**(48,146,931)**	(42,416,313)
Net cash flows from operating activities	**744,799,537**	2,801,790,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to long-term time deposits (Note 10)	**–**	(200,000,000)
Acquisition of property and equipment (Note 8)	**(24,046,325)**	(9,673,027)
Proceeds from disposal of property and equipment	**–**	7,142
Net cash flows used in investing activities	**(24,046,325)**	(209,665,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends declared and paid	**(285,600,000)**	(237,500,000)
Proceeds from issuance of shares	**–**	–
Net cash flows used in investing activities	**(285,600,000)**	(237,500,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**435,153,212**	2,354,624,685
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,225,603,984**	6,493,600,095
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱7,660,757,196**	₱8,848,224,780

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments. Unless otherwise indicated, these standards and amendments have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2017, the accounting policies adopted are consistent with those of the previous financial year.

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

Standards and Interpretations Issued but not yet Effective

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

Effective beginning on or after January 1, 2018

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

- PFRS 9, *Financial Instruments*

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

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

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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

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

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

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments

clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

Summary of Significant Accounting Policies

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets are classified as non-current assets.

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

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

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

Initial Recognition and Classification of Financial Instruments
All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period. The Group's financial assets include financial assets at FVPL and loans and receivables. As at June 30, 2017 and December 31, 2016, the Group has no HTM investments and AFS financial assets.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at June 30, 2017 and December 31, 2016 are in the nature of other financial liabilities.

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

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

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

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

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

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

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

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

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in 'Foreign exchange gains - net' account in the consolidated statement of income.

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

Fair Value Measurement
The Group measures financial instruments, such as financial assets at FVPL, at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

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

a. the amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

Offsetting of Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

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

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment losses, if any. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged against income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

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

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

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

Intangibles

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

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

Impairment of Non-Financial Assets
The Group assesses at each end of the reporting period whether there is an indication that its prepayments, property and equipment, intangibles and other noncurrent assets may be impaired. If any such indication exists or when the annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's value-in-use (VIU) or its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset at an arm's-length transaction, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where the carrying amount of an asset exceeds its

recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount in the year in which it arises.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

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

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

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

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

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

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

<u>Capital Stock and Capital in Excess of Par Value</u>
The Parent Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of any related tax benefit, from the proceeds.

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

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

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

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

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

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

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

Cash Dividend
The Group recognizes a liability to make cash distributions to equity holders of the parent when distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized in equity.

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

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

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

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

Other Income
Revenue is recognized in the consolidated statement of income as they are earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when the related revenue is earned or when the service is rendered. The majority of cost and expenses incurred by the Group such as commissions, personnel costs, professional fees, and computer services, are overhead in nature and are recognized with regularity as the Group continues its operations.

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

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

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

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.
Where the terms of an equity-settled award are modified, as a minimum, expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has applied PFRS 2, only to equity-settled awards granted after November 7, 2002 that had not vested on or before January 1, 2005.

Prior to January 1, 2005, the Group did not recognize any expense for share options granted but disclosed required information for such options (Note 16). The Group recognizes capital stock upon the exercise of the stock options.

The dilutive effect of outstanding stock options is reflected as additional share dilution in the computation of diluted earnings per share (EPS) (Note 23).

Retirement Costs

Defined Benefit Plan
The Parent Company has a noncontributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements recognized in OCI after the initial adoption of the Revised PAS 19 are retained in OCI which is presented as 'Gain (loss) on remeasurement of retirement obligation' under equity.

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

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

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

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

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

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options. Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

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

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

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

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

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

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

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

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

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

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.

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

Segment Reporting
The Group’s operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and serves different markets. Financial information on geographical segments is presented in Note 24. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments and estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be PHP and HK$, respectively. PHP and the HK$ are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate. They are the currencies that mainly influence the revenue and expenses of the Parent Company and COLHK.

Assessing Whether an Agreement is a Finance or Operating Lease

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

Operating Lease Commitments - Group as a Lessee

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

Classifying Financial Assets at FVPL

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

Estimates and Assumptions

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

Estimating Impairment of Trade Receivables and Other Receivables

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

As at June 30, 2017 and December 31, 2016, the carrying amounts of trade receivables and other receivables and the allowance for credit losses on trade receivables and other receivables are disclosed in Note 7.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. There are no changes in useful lives as at June 30, 2017 and December 31, 2016. The net book values of property and equipment are disclosed in Note 8.

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

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

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and VIU. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

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

As at June 30, 2017 and December 31, 2016, the Group has no allowance for impairment losses on prepayments, property and equipment and other noncurrent assets. The net book values of property and equipment and other noncurrent assets are disclosed in Notes 8 and 10, respectively.

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

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

The key assumptions used to determine the recoverable amount of the Group's exchange trading rights are further explained in Note 9. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at June 30, 2017 and December 31, 2016, the carrying values of intangibles are disclosed in Note 9.

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting

period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The deferred income tax assets as at June 30, 2017 and December 31, 2016, are disclosed in Note 17.

Determining Share-Based Payment
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment are disclosed in Note 16.

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

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

Further details about the assumptions used are provided in Note 16.

Determining Fair Values of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 22).

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

Cash and Cash Equivalents

	June 30, 2017 (Unaudited)	December 31,2016 (Audited)
Cash on hand and in banks	**₱1,120,995,598**	₱703,440,138
Short-term cash investments	**6,539,761,598**	6,522,163,846
	₱7,660,757,196	₱7,225,603,984

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group’s immediate cash requirements, and earn interest at 1.0% to 2.3% per annum in 2017 and 0.94% to 2.73% per annum in 2016. The Parent Company has United States dollar (US$)-denominated cash in banks amounting to US$24,310 and US$15,974 as at June 30, 2017 and December 31, 2016, respectively, while COLHK has US$-denominated cash in banks amounting to US$264,051 and US$262,068 as at June 30, 2017 and December 31, 2016, respectively (see Note 21).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱7,373,337,815 and ₱6,951,037,917 as at June 30, 2017 and December 31, 2016, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at June 30, 2017 and December 31, 2016, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

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

Interest income of the Group from cash and cash equivalents, cash in segregated account and long-term time deposit amounted to ₱81,400,305 and ₱73,939,890 in June 30, 2017 and 2016, respectively (Note 14).

5. Cash in a Segregated Account

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

The Group has classified the clients' monies under current assets in the consolidated statement of financial position and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients' monies (Note 11). The Group is not allowed to use the clients' monies to settle its own obligations.

As of June 30, 2017 and December 31, 2016, cash in a segregated account for COLHK amounted to ₱173,918,315 and ₱134,918,294, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE. As at June 30, 2017 and December 31, 2016, financial assets at FVPL amounted to ₱467,613 and ₱2,102,563, respectively.

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

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Trading gain (loss) from sale	**₱17,686,305**	(₱80,291)
Unrealized trading gain (loss)	**156,551**	130,153
	₱17,842,856	₱49,862

Dividend income included under other revenues amounted to ₱229,976 and ₱26,390 in June 30, 2017 and 2016, respectively.

7. Trade Receivables and Other Receivables

Trade Receivables

	June 30, 2017 (Unaudited)	December 31,2016 (Audited)
Customers (Note 18)	**₱1,022,435,472**	₱908,222,913
Clearing house	**363,341,577**	190,079,112
Other brokers	**99,501,946**	92,827,821
Trail fee receivables	**877,775**	674,528
	1,486,156,770	1,191,804,374
Less allowance for credit losses on trade receivables from customers	**4,928,653**	3,160,045
	₱1,481,228,117	₱1,188,644,329

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

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Money Balance	**Security Valuation**	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	**₱623,912,060**	**₱4,049,690,017**	₱610,583,117	₱5,779,311,438
Between 200% and 250%	**126,835,918**	**293,501,740**	104,818,123	247,666,968
Between 150% and 200%	**62,445,675**	**115,833,176**	47,052,658	90,090,020
Between 100% and 150%	**124,278,118**	**134,768,089**	82,904,042	96,073,905
Less than 100%	**84,963,640**	**83,861,099**	48,038,401	48,002,852
Unsecured accounts	**61**	**–**	14,826,572	–
	1,022,435,472	**4,677,654,121**	908,222,913	6,261,145,183
Less allowance for credit losses on receivable from customers	**4,928,653**	**–**	3,160,045	–
	₱1,017,506,819	**₱4,677,654,121**	₱905,062,868	₱6,261,145,183

The Parent Company has a credit line facility (involving margin accounts) for qualified customers with the outstanding balance subject to an interest rate ranging from 1.00% to 1.50% per month until April 2016 and from 0.67% to 0.83% per month beginning May 2016. Total credit line offered by the Parent Company amounted to ₱5,298,253,000 and ₱5,106,458,000 as of June 30, 2017 and December 31, 2016, respectively.

Interest income from customers amounted to ₱32,896,845 and ₱30,986,914 in June 30, 2017 and 2016, respectively (Note 14).

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at June 30, 2017 and December 31, 2016, ₱937,471,771 and ₱845,357,940, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at June 30, 2017 and December 31, 2016 were fully collected subsequently in July and January 2017, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

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

Other Receivables

	June 30, 2017 (Unaudited)	December 31,2016 (Audited)
Accrued interest	**₱12,830,603**	₱12,280,288
Advances to officers and employees (Note 18)	**384,954**	511,326
Others	**13,741,983**	11,329,313
	26,957,540	24,120,927
Less allowance for credit losses on other receivables	**8,960,245**	8,960,245
	₱17,997,295	₱15,160,682

Allowance for Credit Losses

	June 30, 2017 (Unaudited)			December 31, 2016 (Audited)		
	Customers	**Others**	**Total**	Customers	Others	Total
Balances at beginning of year	**₱3,160,045**	**₱8,960,245**	**₱12,120,290**	₱1,274,357	₱8,960,245	₱10,234,602
Provision for (recovery from) credit losses	**1,768,608**	**–**	**1,768,608**	1,885,688	–	1,885,688
Balances at end of year	**₱4,928,653**	**₱8,960,245**	**₱13,888,898**	₱3,160,045	₱8,960,245	₱12,120,290

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

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

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

8. Property and Equipment

June 30, 2017 (Unaudited)

	Online Trading Equipment and Facilities	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Total**
Cost:					
At beginning of the period	**₱144,779,038**	**₱24,362,094**	**₱29,059,344**	**₱–**	**₱198,200,476**
Additions	**21,577,547**	**872,963**	**565,369**	**1,030,446**	**24,046,325**
Disposals	**–**	**–**	**–**	**–**	**–**
Translation adjustments	**52,800**	**20,986**	**6,340**	**–**	**80,126**
At end of the period	**166,409,385**	**25,256,043**	**29,631,053**	**1,030,446**	**222,326,927**
Accumulated depreciation and amortization:					
At beginning of the period	**89,874,351**	**21,004,655**	**26,653,931**	**–**	**137,532,937**
Depreciation and amortization	**9,800,819**	**747,407**	**325,462**	**–**	**10,873,688**
Disposals	**–**	**–**	**–**	**–**	**–**
Translation adjustments	**52,800**	**18,371**	**6,340**	**–**	**77,511**
At end of the period	**99,727,970**	**21,770,433**	**26,985,733**	**–**	**148,484,136**
Net book value	**₱66,681,415**	**₱3,485,610**	**₱2,645,320**	**₱1,030,446**	**₱73,842,791**

December 31, 2016 (Audited)

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
Cost					
At beginning of year	₱110,941,161	₱30,122,088	₱28,009,979	₱–	₱169,073,228
Additions	33,481,684	1,020,831	1,001,347	–	35,503,862
Disposals	(46,085)	(7,317,714)	–	–	(7,363,799)
Translation adjustments	402,278	536,889	48,018	–	987,185
At end of year	144,779,038	24,362,094	29,059,344	–	198,200,476
Accumulated depreciation and amortization					
At beginning of year	74,541,138	25,457,626	24,806,052	–	124,804,816
Depreciation and amortization	14,977,020	2,349,483	1,799,861	–	19,126,364
Disposals	(43,889)	(6,968,599)	–	–	(7,012,488)
Translation adjustments	400,082	166,145	48,018	–	614,245
At end of year	89,874,351	21,004,655	26,653,931	–	137,532,937
Net book value	₱54,904,687	₱3,357,439	₱2,405,413	₱–	₱60,667,539

As at June 30, 2017 and December 31, 2016, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱90,284,688.

The above depreciation and amortization were distributed as follows:

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Cost of services	**₱93,847**	₱97,873
Operating expenses	**10,779,841**	8,836,021
	₱10,873,688	₱8,933,894

9. Intangibles

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. As at June 30, 2017 and December 31, 2016 the fair value less costs to sell of the said exchange trading right amounted to ₱8,500,000, representing the transacted price of the exchange trading right of the most recent sale approved by the PSE on December 14, 2011.

Hong Kong Operations
COLHK's exchange trading right is carried at its cost of HKD3,190,000. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The said exchange trading right is non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the HK Stock Exchange in its continuing operation. As at June 30, 2017 and December 31, 2016, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱20,624,945 and ₱20,483,628, respectively.

The Group performed its annual impairment test in December 2016. The Group considers each location as a separate cash-generating unit (CGU) and the historical experience of each CGU, among other factors, when reviewing for indicators of impairment.

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

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

The VIU calculation for the COLHK CGU is most sensitive to the following assumptions:
- Discount rate (2016: 1.73%; 2015: 1.40%) – This is based on the specific circumstances of the CGU and is derived from its weighted average cost of capital (WACC), taking into consideration the time value of money and individual risks of the underlying assets. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the bond market index in HK. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data on similar stockbrokers in HK.
- Revenue growth rate (2.00% in 2016 and 2015) – This is based on average revenue in the three years preceding the financial year and the plans of COLHK.

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

Movements in exchange trading rights follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Beginning balance	**₱25,483,628**	₱24,413,383
Translation adjustment	**141,317**	1,070,245
Ending balance	**₱25,624,945**	₱25,483,628

10. **Other Noncurrent Assets**

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Deposit to CTGF	**₱13,724,200**	₱13,724,200
Refundable deposits:		
Rental deposits	**5,606,854**	5,100,348
Other refundable deposits	**3,215,576**	3,334,697
	8,822,430	8,435,045
Input VAT	**7,692,390**	6,389,041
Deposit for asset purchase	**17,509,736**	–
	47,748,756	28,548,286
Less allowance for impairment losses on other noncurrent assets	**13,724,200**	₱13,724,200
	₱34,024,556	₱14,824,086

The Parent Company made an initial contribution on October 20, 2008 to the Clearing and Trade Guaranty Fund (CTGF) of the SCCP amounting to ₱8,200,000 as a prerequisite to its accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made an additional contribution amounting to ₱5,524,200 to top-up the deficiency in the initial contribution.

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

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

11. **Trade Payables**

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Customers	**₱8,241,621,386**	₱7,307,047,860
Clearing house	**7,954,869**	46,244,379
	₱8,249,576,255	₱7,353,292,239

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

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱8,241,621,386**	**₱55,811,618,642**	₱7,307,047,860	₱46,490,317,991
No money balances	–	**1,989,021,921**	–	1,763,376,456
	₱8,241,621,386	**₱57,800,640,563**	₱7,307,047,860	₱48,253,694,447

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

Payable to customers with money balances amounting to ₱185,559,301 and ₱156,161,596 as at June 30, 2017 and December 31, 2016, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at June 30, 2017 and December 31, 2016 were fully paid subsequently in July 2017 and January 2017, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

12. **Other Current Liabilities**

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Accrued expenses	**₱14,815,289**	₱28,426,679
Due to BIR	**17,231,897**	23,957,778
Trading fees	**4,117,473**	2,136,692
Accrued management bonus	**–**	21,126,958
Others	**18,268,998**	15,277,964
	₱54,433,657	₱90,926,071

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

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

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

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

13. **Equity**

Capital Stock

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

	June 30, 2017 (Unaudited)		December 31, 2016 (Audited)	
	Shares	**Amount**	Shares	Amount
Common Stock - ₱1 per share				
Authorized	**1,000,000**	**₱1,000,000**	1,000,000	₱1,000,000
Issued and Outstanding				
Balances at beginning of the period	**476,000**	**476,000**	475,000	475,000
Issuance of common shares upon exercise of stock options	**–**	**–**	1000	1000
Balances at end of the period	**476,000**	**₱476,000**	476,000	₱476,000

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As at June 30, 2017 and December 31, 2016, there are 30 holders of the listed shares of the Parent Company, with share price closed at ₱16.30 and ₱16.10 per share, respectively.

The history of share issuance during the last five years follows:

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

Retained Earnings

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

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

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

14. Interest Income

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Customers (Note 7)	**₱32,896,845**	₱30,986,914
Banks (Note 4)	**81,400,305**	73,939,890
	₱114,297,150	₱104,926,804

15. Personnel Costs

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Salaries and wages	**₱39,898,064**	₱32,869,514
Other benefits	**4,807,064**	5,162,650
	₱44,705,128	₱38,032,164

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

The above accounts were distributed as follows:

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Cost of services	**₱28,835,208**	₱23,485,907
Operating expenses	**15,869,920**	14,546,257
	₱44,705,128	₱38,032,164

16. **Employee Benefits**

Stock Option Plan (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 June 30, 2017.

There have been no cancellations or modifications to the plan in June 30, 2017 and 2016.

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

1st Tranche

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Outstanding at beginning of period	–	1,000,000
Exercised during the period (see Note 13)	–	(1,000,000)
Outstanding at end of period	–	**–**

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

All remaining 5,500,000 SOP shares in the 2nd tranche were exercised in 2014. These SOP shares were recognized and accounted for in accordance with PFRS 2, *Share-Based Payment*.

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

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

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

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Since the stock is not quoted at the time of grant date, the Group used the historical volatility of the nearest market comparable available.
Risk-free interest rate is the equivalent ten (10)-year zero coupon rate at the time of grant date.

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balances at beginning of the period	**₱–**	₱4,031,571
Movement on deferred tax asset on intrinsic value of outstanding options	–	(4,031,571)
Cost of share-based payment recognized as capital in excess of par value	–	–
Stock option expense (Note 18)	–	–
Movements during the period	–	(4,031,571)
Balances at end of the period	**₱–**	₱–

Retirement Benefits
The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of June 30, 2017 and December 31, 2016.

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 ₱161,883 and ₱143,460 in June 30, 2017 and 2016, respectively.

17. Income Taxes

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

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Regular corporate income tax	**₱50,176,523**	₱44,828,967
Final income tax	**16,279,871**	14,787,569
	₱66,456,394	₱59,616,536

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Unused tax losses of COLHK	**₱31,980,965**	₱29,971,201
Retirement obligation	**8,228,617**	8,047,889
Accumulated translation adjustment	**(4,815,498)**	(4,018,144)
Allowance for credit losses on trade receivables from customers	**1,478,596**	948,014
Unrealized trading (gain) loss	**(28,181)**	18,783
Unrealized foreign exchange (gain) loss	**(5,353)**	(1,667)
Unamortized past service cost	–	180,729
Cost of share-based payment	–	–
	₱36,839,146	₱35,146,805

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

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

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

18. Related Party Disclosures

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

Category	Commission income	Interest income	Commission expense	Professional fees
Key management personnel				
June 30, 2017	**₱1,525,559**	**₱157,003**	**₱ –**	**₱–**
June 30, 2016	596,134	298,944	–	–
(Forward)				
Other related parties:				
Affiliates with common officers, directors and stockholders				
June 30, 2017	**₱2,412,583**	**₱1,176,445**	**₱–**	**₱2,743,020**
June 30, 2016	1,251,338	428,089	1,422	2,577,364
Directors				
June 30, 2017	**2,008,713**	**294,558**	**–**	**–**
June 30, 2016	3,665,766	99,371	–	–

Category	Trade payables	Trade receivables	Terms	Conditions
Key management personnel				
June 30, 2017	**₱83,223,658**	**₱1,380,587**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2016	63,175,974	7,740,894		
Other related parties:				
Affiliates with common officers, directors and stockholders				
June 30, 2017	**18,054,462**	**41,667,192**	3-day; non-interest bearing/ Collectible or payable on demand;interest bearing/Payable upon billing;non-interest bearing	Secured;no impairment;no guarantee
December 31, 2016	3,077,633	67,255,659		
Directors, officers and employees				
June 30, 2017	**41,117,749**	**4,339,414**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2016	30,538,410	10,993,195		

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

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Short-term employee benefits	**₱17,202,160**	₱16,507,201
Retirement costs	**57,815**	54,324
	₱17,259,975	₱16,561,525

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 ₱7,993,336 and ₱6,918,103 in June 30, 2017 and 2016, respectively.

The future minimum lease payments are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Within one (1) year	**₱15,064,094**	₱14,606,358
After one (1) year but not more than five (5) years	**14,135,753**	17,519,383
	₱29,199,847	₱32,125,741

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 June 30, 2017 and December 31, 2016.

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

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

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer’s total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least 110% and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%)

of its NLC. In the event that the minimum RBCA ratio of 110% or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As of June 30, 2017 and December 31, 2016, the Parent Company is compliant with the said requirement.

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

The RBCA ratio of the Parent Company as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Equity eligible for net liquid capital	**₱1,097,855,509**	₱1,160,280,925
Less: Ineligible Assets	**256,902,636**	224,083,771
NLC	**₱840,952,873**	₱936,197,154
Position risk	**₱489,616**	₱1,301,878
Operational risk	**151,250,612**	145,843,377
Counterparty risk	**60**	1,536
Total Risk Capital Requirement (TRCR)	**₱151,740,288**	₱147,146,791
AI	**₱7,976,088,808**	₱7,173,174,849
5% of AI	**₱398,804,440**	₱358,658,742
Required NLC	**398,804,440**	₱358,658,742
Net Risk-Based Capital Excess	**442,148,433**	₱577,538,412
Ratio of AI to NLC	**948%**	766%
RBCA ratio (NLC/TRCR)	**554%**	636%

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

1. Ineligible assets
   These pertain to fixed assets and assets which cannot be readily converted into cash.

2. Operational risk requirement
   The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

3. Position risk requirement
   The amount necessary to accommodate a given level of position risk which is a risk to which a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

4. Aggregate indebtedness
   Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the

exclusions provided in the said SEC Memorandum.

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

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

COLHK monitors capital using liquid capital as provided for under Hong Kong's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of HK$3,000,000 and computed variable required capital. As of June 30, 2017 and December 31, 2016, COLHK is compliant with the said requirement.

21. **Financial Risk Management Objectives and Policies**

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below:

Credit risk

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

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

Aging Analyses of Financial Assets
The aging analyses of the Group's financial assets as at June 30, 2017 and December 31, 2016 are summarized in the following tables:

June 30, 2017 (Unaudited)

	Neither past due nor impaired	Past due but not impaired: 4-14 days	15-31 days	More than 31 days	Impaired	Total
Cash and cash equivalents*	**₱7,660,707,800**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,660,707,800**
Cash in segregated account	**173,918,315**	**–**	**–**	**–**	**–**	**173,918,315**
Loans and receivables:						
Trade receivables	**629,145,740**	**246,432,640**	**105,588,549**	**504,989,841**	**–**	**1,486,156,770**
Other receivables	**17,997,295**	**–**	**–**	**–**	**–**	**17,997,295**
Long-term time deposit	**200,000,000**	**–**	**–**	**–**	**–**	**200,000,000**
Refundable deposits	**8,822,430**	**–**	**–**	**–**	**–**	**8,822,430**
Financial assets at FVPL	**467,613**	**–**	**–**	**–**	**–**	**467,613**
	₱8,691,059,193	**₱246,432,640**	**₱105,588,549**	**₱504,989,841**	**₱–**	**₱9,548,070,223**

**Excluding cash on hand*

December 31, 2016 (Audited)

	Neither past due nor impaired	Past due but not impaired: 4-14 days	15-31 days	More than 31 days	Impaired	Total
Cash and cash equivalents*	₱7,225,559,720	₱–	₱–	₱–	₱–	₱7,225,559,720
Cash in segregated account	134,918,294	–	–	–	–	134,918,294
Loans and receivables:						
Trade receivables	404,004,758	158,002,260	124,835,327	504,962,029	–	1,191,804,374
Other receivables	15,160,682	–	–	–	–	15,160,682
Long-term time deposit	200,000,000	–	–	–	–	200,000,000
Refundable deposits	8,435,045	–	–	–	–	8,435,045
Financial assets at FVPL	2,102,563	–	–	–	–	2,102,563
	₱7,990,181,062	₱158,002,260	₱124,835,327	₱504,962,029	₱–	₱8,777,980,678

**Excluding cash on hand*

Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 12% to 18%. The account has no due date and becomes demandable only when equity percentage of the customers falls below 33.33%.

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

June 30, 2017 (Unaudited)

	Neither Past Due nor Specifically Impaired: High Grade	Standard Grade	Past due but not impaired	Total
Cash and cash equivalents*	**7,660,707,800**	**₱–**	**₱–**	**₱7,660,707,800**
Cash in a segregated account	**173,918,315**	**–**	**–**	**173,918,315**
Loans and receivables:				
Trade receivables	**629,145,740**	**–**	**857,011,030**	**1,486,156,770**
Other receivables		**17,997,295**	**–**	**17,997,295**
Long-term time deposit	**200,000,000**	**–**	**–**	**200,000,000**
Refundable deposits	**8,822,430**	**–**	**–**	**8,822,430**
	8,672,594,285	**17,997,295**	**857,011,030**	**9,547,602,610**
Financial assets at FVPL	**467,613**	**–**	**–**	**467,613**
	₱8,673,061,898	**₱17,997,295**	**₱857,011,030**	**₱9,548,070,223**

December 31, 2016 (Audited)

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

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

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

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

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at June 30, 2017 and December 31, 2016, ₱1,022,435,411 and ₱893,396,340 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱4,677,654,121 and ₱6,261,145,183, respectively (see Note 7). Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

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

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

Financial Assets at FVPL
High grade
Companies that are consistently profitable, have strong fundamentals and pays out dividends.

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

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.

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash and cash equivalents (Note 4)*	**₱7,660,707,800**	₱7,225,559,720
Cash in a segregated account (Note 5)	**173,918,315**	134,918,294
Financial assets at FVPL (Note 6)	**467,613**	2,102,563
Trade receivables (Note 7)	**1,102,602**	14,862,121
Other receivables (Note 7)	**17,997,295**	15,160,682
Long-term time deposit (Note 4)	**200,000,000**	200,000,000
Refundable deposits (Note 10)	**8,822,430**	8,435,045
	8,063,016,055	7,601,038,425
Unutilized margin trading facility	**4,511,987,849**	4,414,796,195
	₱12,575,003,904	₱12,015,834,620

**Excluding cash on hand*

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

Liquidity Risk

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

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

As at June 30, 2017 and December 31, 2016, all of the Group's financial liabilities, which consist of trade payables and other current liabilities, are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at June 30, 2017 and December 31, 2016 consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL and trade receivables.

Market Risk

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

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVPL which pertain to investments in shares of stock of companies listed in the PSE and in mutual fund shares.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, management believes that disclosure of equity price risk sensitivity analysis as at June 30, 2017 and December 31, 2016 is not significant.

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

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash in banks amounting to US$288,361 and US$278,042 as at June 30, 2017 and December 31, 2016, respectively.

Since the amount of US$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis as at June 30, 2017 and December 31, 2016 is not significant.

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

June 30, 2017 (Unaudited)

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	**₱1,022,435,472**	**₱–**	**1,022,435,472**	**₱66,091,383**	**₱–**	**₱956,344,089**
Receivable from clearing house	**363,341,577**	**–**	**363,341,577**	**–**	**–**	**363,341,577**
	₱1,385,777,049	**₱–**	**₱1,385,777,049**	**₱66,091,383**	**₱–**	**₱1,319,685,666**
Financial Liabilities						
Payable to customers	**₱8,241,621,386**	**₱–**	**8,241,621,386**	**₱66,091,383**	**₱–**	**₱8,175,530,003**
Payable to clearing house	**7,954,869**	**–**	**7,954,869**	**–**	**–**	**7,954,869**
	₱8,249,576,255	**₱–**	**₱8,249,576,255**	**₱66,091,383**	**₱–**	**₱8,183,484,872**

December 31, 2016 (Audited)

Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Consolidated Statements of Financial Position	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
	[a]	[b]	[c] = [a-b]	[d]	[e]	[f] = [c-d]
Financial Assets						
Receivable from customers	₱908,222,912	₱–	₱908,222,912	₱31,734,077	₱–	₱876,488,835
Receivable from clearing house	190,079,112	–	190,079,112	46,244,379	–	143,834,733
	₱1,098,302,024	₱–	₱1,098,302,024	₱77,978,456	₱–	₱1,020,323,568
Financial Liabilities						
Payable to customers	₱7,307,047,860	₱–	₱7,307,047,860	₱31,734,077	₱–	₱7,275,313,783
Payable to clearing house	46,244,379	–	46,244,379	46,244,379	–	–
	₱7,353,292,239	₱–	₱7,353,292,239	₱77,978,456	₱–	₱7,275,313,783

22. Fair Value Measurement

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

	Carrying Values		Fair Values	
	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)	**June 30, 2017 (Unaudited)**	December 31, 2016 (Audited)
Financial Assets				
Loans and receivables:				
Refundable deposits	**₱8,822,430**	₱8,435,045	**₱7,684,625**	₱6,958,345

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

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

Financial Assets at FVPL
The Group's financial assets at FVPL are carried at their fair values as at June 30, 2017 and December 31, 2016. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE. Fair value of mutual funds is based on net asset values computed and published by the mutual fund providers.

Refundable Deposits
The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 2.8% as at June 30, 2017 and December 31, 2016, respectively. There are no changes in the valuation techniques in 2017 and 2016.

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

June 30, 2017 (Unaudited)

	Level 1	**Level 2**	**Level 3**
Asset measured at fair value:			
Financial assets at FVPL	**₱467,613**	**₱–**	**₱–**
Asset for which fair values are disclosed:			
Refundable deposits	**–**	**–**	**7,684,625**

December 31, 2016 (Audited)

	Level 1	Level 2	Level 3
Asset measured at fair value:			
Financial assets at FVPL	₱1,329,760	₱772,803	₱–
Asset for which fair values are disclosed:			
Refundable deposits	–	–	6,958,345

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

23. EPS Computation

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Net income	**₱214,602,450**	₱183,252,692
Weighted average number of shares for basic earnings per share	**476,000,000**	475,000,000
Dilutive shares arising from stock options	**–**	1,000,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	**476,000,000**	476,000,000
Basic earnings per share	**₱0.45**	₱0.39
Diluted earnings per share	**₱0.45**	₱0.38

24. Segment Information

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

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

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

June 30, 2017 (Unaudited)

	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commissions	**₱318,411,273**	**₱4,097,343**	**₱–**	**₱322,508,616**
Interest	**114,296,945**	**205**	**–**	**114,297,150**
Others	**23,041,305**	**327,433**	**–**	**23,368,738**

	Philippines	**Hong Kong**	**Elimination**	**Total**
Inter-segment revenue	**–**	**–**	**–**	**–**
Segment revenue	**455,749,523**	**4,424,981**	**–**	**460,174,504**
Cost of services	**(95,211,695)**	**(10,164,677)**	**–**	**(105,376,372)**
Operating expenses	**(60,140,885)**	**(5,089,894)**	**–**	**(65,230,779)**
Depreciation and amortization	**(10,765,965)**	**(13,876)**	**–**	**(10,779,841)**
Income (loss) before income tax	**289,630,978**	**(10,843,466)**	**–**	**278,787,512**
Benefit from (provision for) income tax	**(65,976,462)**	**1,791,400**	**–**	**(64,185,062)**
Net income (loss)	**₱223,654,516**	**(₱9,052,066)**	**₱–**	**₱214,602,450**
Segment assets	**₱9,274,857,530**	**₱568,747,854**	**(₱134,800,000)**	**₱9,708,805,384**
Segment liabilities	**8,168,208,417**	**186,218,578**	**–**	**8,354,426,995**
Capital expenditures:				
Fixed assets	**24,046,325**	**–**	**–**	**24,046,325**
Cash flows arising from:				
Operating activities	**1,571,854,711**	**(827,055,174)**	**–**	**744,799,537**
Investing activities	**(24,046,325)**	**–**	**–**	**(24,046,325)**
Financing activities	**(284,600,000)**	**(1,000,000)**	**–**	**(285,600,000)**

December 31, 2016 (Audited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱595,534,589	₱10,023,539	₱–	₱605,558,128
Interest	220,385,620	1,563	–	220,387,183
Others	7,220,436	553,821	–	7,774,257
Inter-segment revenue	29,473,688	–	(29,473,688)	–
Segment revenue	852,614,333	10,578,923	(29,473,688)	833,719,568
Cost of services	(208,175,796)	(15,021,405)	–	(223,197,201)
Operating expenses	(140,795,699)	(42,467,227)	29,352,973	(153,909,953)
Depreciation and amortization	(18,898,938)	(26,417)	–	(18,925,355)
Income (loss) before income tax	484,743,900	(46,936,126)	(120,715)	437,687,059
Benefit from (provision for) income tax	(116,949,430)	7,744,721	–	(109,204,709)
Net income (loss)	₱367,794,470	(₱39,191,405)	(₱120,715)	₱328,482,350
Segment assets	₱8,492,075,405	₱550,070,769	(₱137,404,692)	₱8,904,741,482
Segment liabilities	7,323,480,806	160,313,706	(2,568,477)	7,481,226,035
Capital expenditures:				
Fixed assets	35,469,907	33,955	–	35,503,862
Cash flows arising from:				
Operating activities	1,177,985,576	26,015,032	–	1,204,000,608
Investing activities	(235,462,764)	(33,955)	–	(235,496,719)
Financing activities	(236,500,000)	–	–	(236,500,000)

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

	June 30, 2017	June 30, 2016
Profitability ratios:		
Return on assets	**2%**	2%
Return on equity (annualized)	**31%**	28%
Net profit margin	**47%**	46%
Solvency and liquidity ratios:		
Current ratio	**1.12:1**	1.10:1
Debt to equity ratio	**6.01:1**	7.26:1
Quick ratio	**1.12:1**	1.10:1
Asset to equity ratio	**6.99:1**	8.23:1