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CLSA Philippines, Inc.

Financial Statements
As at and for the years ended December 31, 2021 and 2020

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholder of
CLSA Philippines, Inc.
19th Floor, Tower 2, The Enterprise Center
6766 Ayala Avenue, Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CLSA Philippines, Inc. (the "Company") as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of total comprehensive income for the years ended December 31, 2021 and 2020;
- the statements of changes in equity for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 1775-A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024
financial statements
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
May 24, 2022

CLSA Philippines, Inc.

Statements of Financial Position
December 31, 2021 and 2020
(All amounts in Philippine Peso)

ASSETS

		2021			2020		
			Security valuation			Security valuation	
	Notes	Book value	Long	Short	Book value	Long	Short
CURRENT ASSETS							
Cash	2	478,852,703	-	-	456,707,893	-	-
Financial assets at fair value through profit or loss	3	5,227,355	5,227,355	-	3,766,705	3,766,705	-
Trade receivables							
Customers	4	282,956,100	503,716,602	208,000,750	224,617,712	310,496,142	104,192,369
Clearing House	5	-	-	-	251,288,268	-	-
Due from related parties	16	-	-	-	5,773,791	-	-
Other current assets	8	19,542,853	-	-	5,630,886	-	-
Total current assets		786,579,011	508,943,957	208,000,750	947,785,255	314,262,847	104,192,369
NON-CURRENT ASSETS							
Property and equipment, net	6	15,824,512	-	-	28,568,717	-	-
Trading right, net	7	9,000,000	-	-	8,500,000	-	-
Deferred income tax assets, net	15	23,979,129	-	-	30,698,883	-	-
Rental deposit	13	3,148,848	-	-	3,148,848	-	-
Total non-current assets		51,952,489	-	-	70,916,448	-	-
Total assets		838,531,500	508,943,957	208,000,750	1,018,701,703	314,262,847	104,192,369
SECURITIES							
With Philippine Depository and Trust Corp.				26,014,760,039			23,993,490,865
In transit				178,433,832			(241,588,966)
In vault				-			-

(forward)

CLSA Philippines, Inc.

Statements of Financial Position
December 31, 2021 and 2020
(All amounts in Philippine Peso)

LIABILITIES AND EQUITY

		2021			2020		
			Security valuation			Security valuation	
	Notes	Book value	Long	Short	Book value	Long	Short
CURRENT LIABILITIES							
Trade payables to							
Customers	4	97,543,521	25,978,436,675	86,186,011	459,024,419	24,457,664,251	915,832,830
Clearing House	5	180,068,565	-	-	-	-	-
Due to related parties	16	6,247,117	-	-	-	-	-
Income tax payable		-	-	-	11,078,658	-	-
Accrued expenses and other liabilities	9	57,806,431	-	-	63,541,721	-	-
Total current liabilities		341,665,634	25,978,436,675	86,186,011	533,644,798	24,457,664,251	915,832,830
NON-CURRENT LIABILITIES							
Retirement benefit obligation	10	24,972,691	-	-	32,716,478	-	-
Lease liability	13	-	-	-	4,158,386	-	-
Total non-current liabilities		24,972,691	-	-	36,874,864	-	-
Total liabilities		366,638,325	25,978,436,675	86,186,011	570,519,662	24,457,664,251	915,832,830
EQUITY							
Share capital	11	100,268,734	-	-	100,268,734	-	-
Accumulated other comprehensive loss	10	(11,635,583)	-	-	(17,415,171)	-	-
Retained earnings	11		-	-		-	-
Unappropriated		195,579,022	-	-	179,479,630	-	-
Appropriated		187,681,002	-	-	185,848,848	-	-
Total equity		471,893,175	-	-	448,182,041	-	-
Total liabilities and equity		838,531,500	26,487,380,632	26,487,380,632	1,018,701,703	24,771,927,098	24,771,927,098

(The notes on pages 1 to 37 are integral part of these financial statements)

CLSA Philippines, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
REVENUE			
Commission	16	581,220,256	587,577,879
COST OF SERVICES			
Compensation and fringe benefits	12	104,104,589	101,992,637
Exchange fees	12	32,151,603	30,277,442
Telephone and postage		13,011,613	13,288,640
Research		9,741,575	9,163,063
Others		3,782,660	3,911,423
		162,792,040	158,633,205
GROSS PROFIT		418,428,216	428,944,674
GENERAL AND OPERATING EXPENSES			
Allocated regional expenses	16	323,849,128	291,671,186
Depreciation	6	15,491,022	15,483,115
Compensation and fringe benefits	12	15,144,669	15,315,299
Taxes and licenses		9,765,026	1,369,753
Repairs and maintenance		7,534,847	8,187,454
Occupancy costs		5,283,436	7,191,666
Transportation and travel		2,351,231	2,124,369
Professional fees		1,624,984	2,312,675
Office supplies		481,536	563,040
Others		14,163,663	4,174,094
		395,689,542	348,392,651
OPERATING PROFIT		22,738,674	80,552,023
OTHER INCOME, NET			
Interest and other income, net	14	4,839,927	6,453,120
Net change in fair value of financial assets at fair value through profit or loss	3	1,460,609	(531,547)
		6,300,536	5,921,573
PROFIT BEFORE INCOME TAX		29,039,210	86,473,596
INCOME TAX EXPENSE	15		
Current		7,973,028	27,899,849
Deferred		3,134,636	(674,137)
		11,107,664	27,225,712
PROFIT FOR THE YEAR		17,931,546	59,247,884
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) of defined benefit plan, net of tax effect	10	5,779,588	(4,711,502)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,711,134	54,536,382

(The notes on pages 1 to 37 are integral part of these financial statements)

CLSA Philippines, Inc.

Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Share capital (Note 11)				Accumulated other comprehensive (loss) income (Note 10)	Retained earnings (Note 11)			
	Preferred	Common	Treasury	Total		Unappropriated	Appropriated	Total	Total equity
Balance at January 1, 2020	95,000,000	5,269,400	(666)	100,268,734	(12,703,669)	126,117,535	179,963,059	306,080,594	393,645,659
Comprehensive income									
Profit for the year	-	-	-	-	-	59,247,884	-	59,247,884	59,247,884
Other comprehensive loss for the year	-	-	-	-	(4,711,502)	-	-	-	(4,711,502)
Total comprehensive income for the year	-	-	-	-	(4,711,502)	59,247,884	-	59,247,884	54,536,382
Transaction with owner									
Appropriation to legal reserve	-	-	-	-	-	(5,885,789)	5,885,789	-	-
Balance at December 31, 2020	95,000,000	5,269,400	(666)	100,268,734	(17,415,171)	179,479,630	185,848,848	365,328,478	448,182,041
Comprehensive income									
Profit for the year	-	-	-	-	-	17,931,546	-	17,931,546	17,931,546
Other comprehensive income for the year	-	-	-	-	5,779,588	-	-	-	5,779,588
Total comprehensive income for the year	-	-	-	-	5,779,588	17,931,546	-	17,931,546	23,711,134
Transaction with owner									
Appropriation to legal reserve	-	-	-	-	-	(1,832,154)	1,832,154	-	-
Balance at December 31, 2021	95,000,000	5,269,400	(666)	100,268,734	(11,635,583)	195,579,022	187,681,002	383,260,024	471,893,175

(The notes on pages 1 to 37 are integral part of these financial statements)

CLSA Philippines, Inc.

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		29,039,210	86,473,596
Adjustments for:			
Depreciation	6	15,491,022	15,483,115
Interest expense on tax deficiencies	15	6,891,373	-
Retirement expense	10	5,179,197	8,214,572
Interest expense on lease liability	13	491,414	1,006,331
Unrealized fair value (gain) loss	3	(1,460,650)	531,547
Unrealized foreign exchange (gain) loss	14	(1,201,330)	56,623
Reversal of allowance for impairment	7,14	(500,000)	-
Dividend income	3,14	(192,369)	(2,033)
Interest income	2,14	(125,044)	(1,160,233)
Operating income before changes in operating assets and liabilities		53,612,823	110,603,518
Changes in operating assets and liabilities			
(Increase) decrease in:			
Trade receivables from			
Customers		(58,338,388)	228,131,899
Clearing house		251,288,268	(160,105,895)
Due from related parties		5,773,791	(5,771,181)
Other current assets		(14,483,103)	1,610,111
Increase (decrease) in:			
Trade payables to			
Customers		(361,480,898)	(71,293,170)
Clearing house		180,068,565	-
Due to related parties		7,523,458	(19,416,750)
Accrued expenses and other liabilities		1,910,394	(13,902,831)
Cash generated from operations		65,874,910	69,855,701
Interest received	2,14	125,044	1,160,233
Dividend received	3,14	192,369	2,033
Interest paid on lease liability	13	(491,414)	(1,006,331)
Interest paid on tax deficiencies	15	(6,891,373)	-
Contributions to plan assets	10	(3,558,278)	(3,629,238)
Income tax paid		(18,480,551)	(5,667,102)
Net cash from operating activities		36,770,707	60,715,296
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisition of property and equipment	6	(2,746,817)	(889,974)
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of principal portion of lease liability	13	(11,804,068)	(11,655,660)
NET INCREASE IN CASH AND CASH EQUIVALENTS		22,219,822	48,169,662
CASH	2		
January 1		456,707,893	408,597,464
Effect of exchange rate changes on cash		(75,012)	(59,233)
December 31		478,852,703	456,707,893

(The notes on pages 1 to 37 are integral part of these financial statements)

CLSA Philippines, Inc.

Notes to Financial Statements
As at and for the years ended December 31, 2021 and 2020
(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

Corporate profile

CLSA Philippines, Inc. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 10, 1997 primarily to engage in the business of stockbrokerage and dealing in securities.

The Company is a wholly-owned subsidiary of CLSA B.V. (the "Parent Company"), a company incorporated in the Netherlands. The Company's ultimate holding company is CITIC Securities Company Limited, incorporated in the People's Republic of China.

The Company's registered office address, which is also its principal place of business, is located at the 19th Floor, Tower 2, The Enterprise Center, 6766 Ayala Avenue, Makati City.

The Company has 28 regular officers and employees in 2021 (2020 - 28).

COVID-19 pandemic in the Philippines

In 2020, the COVID-19 pandemic impacted both the Philippine and global economy and markets and to a certain extent, impacted the Company's financial results. This pandemic continued to pose challenges in the local and global economy and markets in 2021.

Despite the various changes in quarantine restrictions, the Company's management continuously took necessary actions to mitigate the impact of COVID-19, including adequate provisions to address the work from home arrangements and protect the welfare of its employees. While the management cannot quantify the direct and indirect effects of the COVID-19 pandemic, the Company is still expected to continue on a going concern basis for the foreseeable future.

Approval and authorization for issuance of the audited financial statements

These financial statements have been approved and authorized for issuance by the Company's Board of Directors on May 24, 2022.

Note 2 - Cash

The account as at December 31 consists of:

	2021	2020
Cash in banks	478,842,703	456,667,893
Cash on hand	10,000	40,000
	478,852,703	456,707,893

Cash in banks carry average annual interest rate of 0.125% in 2021 (2020 - 0.13%). Interest income recognized for the year ended December 31, 2021 amounts to P125,044 (2020 - P1,160,233) (Note 14).

In compliance with the Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Company maintains special reserve bank accounts (included in cash in banks) for the exclusive benefit of its customers as at December 31, 2021 amounting to P6,546,069 (2020 - P10,000,000). The Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2021 and 2020, the Company's reserve accounts are adequate to cover its reserve requirements.

Note 3 - Financial assets at fair value through profit or loss

The account as at December 31 consists of investments in listed equity securities as follows:

	2021	2020
PSE	5,160,000	3,693,600
Others	67,355	73,105
	5,227,355	3,766,705

In April 2021, the Company received cash dividends of P8 per share from its investment in PSE shares. No similar dividend transaction for its investment in PSE shares occurred in 2020.

Total dividend income earned for the year ended December 31, 2021 amounts to P192,369 (2020 - P2,033) (Note 14).

The net change in fair value of financial assets at fair value through profit and loss for the years ended December 31 is shown below:

	2021	2020
Unrealized fair value gain (loss), net	1,460,650	(531,547)
Realized loss, net	(41)	-
	1,460,609	(531,547)

Note 4 - Trade receivables from/payables to customers

Trade receivables from customers at December 31 and its security valuation are as follows:

	2021		2020	
	Book value	Security valuation	Book value	Security valuation
Cash and fully secured accounts	31,483,008	69,611,932	38,097,679	38,563,000
Partly secured accounts	251,473,092	226,103,920	186,520,033	167,740,773
	282,956,100	295,715,852	224,617,712	206,303,773

The account includes amounts due on cash transactions. Securities owned by customers are held as collateral for amounts due from customers.

There was no provision for impairment required and recognized in 2021 and 2020.

Information on offsetting of financial assets and liabilities is further disclosed in Note 18.6.

Trade payables to customers and brokers at December 31 and its security valuation are as follows:

	2021		2020	
	Book value	Security valuation	Book value	Security valuation
With money balances	97,543,521	22,598,679,045	459,024,419	18,735,134,808
Free balances	-	3,293,571,619	-	4,806,696,613
	97,543,521	25,892,250,664	459,024,419	23,541,831,421

The outstanding balances are collectible/ payable three trading days from the date of trade transactions.

Note 5 - Trade receivables from/payables to clearing house

This account represents net receivable/payable from Securities Clearing Corporation of the Philippines arising from selling/buying transactions in the last three trading days of the year.

As at December 31, 2021, the Company's net payable to clearing house amounts to P180,068,565 (2020 - P251,288,268 net receivable).

The reconciliation of gross and net amounts of trade receivables (payables) from clearing house as at December 31 is as follows:

	2021			2020		
	Gross	Offsetting	Net	Gross	Offsetting	Net
Brokerage receivables from clearing house subject to master netting agreements or similar agreements	506,474,742	(686,543,307)	(180,068,565)	1,048,599,084	(797,310,816)	251,288,268

The amount is collectible/ payable three trading days from the date of transaction.

Note 6 - Property and equipment, net

The account as at December 31 consists of:

	Computer equipment	Furniture, fixtures and equipment	Leasehold improvements	Total
Cost				
January 1, 2020	62,170,127	5,576,534	68,403,893	136,150,554
Additions	-	-	889,974	889,974
December 31, 2020	62,170,127	5,576,534	69,293,867	137,040,528
Additions	2,746,817	-	-	2,746,817
Retirement	(96,000)	-	-	(96,000)
December 31, 2021	64,820,944	5,576,534	69,293,867	139,691,345
Accumulated depreciation				
January 1, 2020	48,207,334	5,574,005	39,207,357	92,988,696
Depreciation	4,178,701	2,529	11,301,885	15,483,115
December 31, 2020	52,386,035	5,576,534	50,509,242	108,471,811
Depreciation	4,011,142	-	11,479,880	15,491,022
Retirement	(96,000)	-	-	(96,000)
December 31, 2021	56,301,177	5,576,534	61,989,122	123,866,833
Net book value				
December 31, 2020	9,784,092	-	18,784,625	28,568,717
December 31, 2021	8,519,767	-	7,304,745	15,824,512

As at December 31, 2021, fully depreciated equipment amounting to P85,341,376 (2020 - P85,437,376) are still in use by the Company.

Right-of-use asset

The Company has recognized a right-of-use asset for the lease of its premise (Note 13). Details of such right-of-use asset as at December 31 follow:

	2021	2020
At January 1	17,894,651	29,196,536
Depreciation	(11,301,885)	(11,301,885)
Closing net book value	6,592,766	17,894,651

Right-of-use asset is included as part of leasehold improvement under Property and equipment.

Note 7 - Trading right, net

The Company assessed that the trading right is an intangible asset with an indefinite useful life since it allows the Company to operate as a broker/dealer in securities as long as it is owned by the Company.

The value of the trading right is pledged with the PSE to secure the payment of all debts to other members of the PSE arising out of or in connection with the present or future members' contracts. There are no other assets of the Company pledged as collateral for liabilities.

The account as at December 31 consists of:

	2021	2020
Cost	32,059,524	32,059,524
Allowance for impairment	(23,059,524)	(23,559,524)
	9,000,000	8,500,000

The carrying value of the trading right in 2021 and 2020 is based on its latest sale transacted in the PSE. As at December 31, 2021, the price of the most recent sale of the exchange trading right as approved by the PSE's BOD on September 22, 2021 amounts to P9,000,000 (2020 - P8,500,000). Therefore, the Company recognized a recovery of P500,000 for the year ended December 31, 2021 (2020 - nil) booked under Interest and other income (expenses), net (Note 14) in the statement of total comprehensive income.

Note 8 - Other current assets

The account as at December 31 consists of:

	2021	2020
Creditable withholding taxes	15,478,527	359,601
Prepaid expenses	3,439,733	3,361,719
Dividend receivable	273,689	1,456,568
Others	350,904	452,998
	19,542,853	5,630,886

Others is composed of deposits with suppliers and utilities, and advances for travel and entertainment.

Note 9 - Accrued expenses and other liabilities

The account as at December 31 consists of:

	Note	2021	2020
Accrued expenses			
Provision for bonuses		29,751,881	25,432,603
Other accrued expenses		9,582,291	9,075,987
Withholding tax payable		5,214,871	3,687,569
VAT payable		4,347,400	5,344,772
Sales tax payable		2,868,167	6,161,998
Fees payable		2,682,162	2,947,848
Lease liability	13	3,108,769	10,754,451
Other liabilities		250,890	136,493
		57,806,431	63,541,721

Provision for bonuses is composed of deferred bonus for key employees vesting for three years and staff compensation packages based on performance to be settled the following year.

Other accrued expenses mainly pertain to accrual of professional fees, occupancy and utility costs.

Other liabilities is composed of contributions payable to government agencies.

Note 10 - Retirement plan

The Company's employees participate in its regional head office defined contribution retirement plan. The plan is funded through payments from employees and by the Company. The plan is maintained in Hong Kong.

The valuation and corresponding disclosures were prepared considering the features of both the defined contribution and defined benefit types pursuant to the minimum regulatory benefit under The Retirement Pay Law (Republic Act No. 7641).

The net defined benefit cost and contributions to be paid by the Company are determined by an independent actuary on an annual basis.

The liability recognized in the statement of financial position at December 31 follows:

	2021	2020
Present value of defined benefit obligation	66,528,231	72,903,100
Fair value of plan assets	(41,555,540)	(40,186,622)
Retirement benefit obligation	24,972,691	32,716,478

The related movements of defined benefit obligation for the years ended December 31 are as follows:

	2021	2020
Beginning of the year	72,903,100	57,847,054
Interest cost	2,784,898	3,204,727
Current service cost	3,984,902	7,085,254
Benefit payments	(653,862)	(1,976,247)
Remeasurements		
(Gain) loss from changes in financial assumptions	(4,938,695)	9,058,089
Gain from changes in demographic assumptions	(2,587,996)	(1,664,167)
Actuarial gain from experience adjustments	(4,964,116)	(651,610)
End of the year	66,528,231	72,903,100

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2021	2020
Beginning of year	40,186,622	36,446,627
Contributions	3,558,278	3,629,238
Interest income	1,590,603	2,075,409
Remeasurement (loss) gain from experience adjustments	(3,126,101)	11,595
Benefits paid	(653,862)	(1,976,247)
End of year	41,555,540	40,186,622

The carrying value of plan assets is the same as their fair value as at December 31, 2021 and 2020.

The Company has no transactions with the plan other than the contributions made during 2021 and 2020 as presented above. Likewise, the plan has no investments in the Company or other related parties as at December 31, 2021 and 2020.

The composition of the plan assets as at December 31 follows:

	2021		2020	
	Amount	%	Amount	%
Cash and cash equivalents	26,678,657	64%	23,917,053	60%
Investment in bond funds	12,745,084	31%	14,522,227	36%
Unit investment trust funds	2,131,799	5%	1,747,342	4%
	41,555,540	100%	40,186,622	100%

Unit investment trust funds comprise of bond funds and equity funds.

The above assets are valued by the fund manager based in Hong Kong at fair value using the mark-to-market valuation.

The actual return on plan assets for the years ended December 31 follows:

	2021	2020
Interest income	1,590,603	2,075,409
Remeasurement (loss) gain	(3,126,101)	11,595
	(1,535,498)	2,087,004

The Company expects to contribute to the retirement benefit plan an amount equal to P3,258,109 in 2022.

The components of retirement expense recognized in profit or loss for the years ended December 31 are as follows:

	2021	2020
Current service cost	3,984,902	7,085,254
Net interest cost	1,194,295	1,129,318
	5,179,197	8,214,572

Retirement expense is recognized under Compensation and fringe benefits as part of cost of services in the statement of total comprehensive income.

The movements of remeasurement recognized in accumulated other comprehensive loss for the years ended December 31 are as follows:

	Note	2021	2020
Beginning of year, net		17,415,171	12,703,669
Remeasurement (gain) loss from defined benefit obligation		(12,490,807)	6,742,312
Plan asset remeasurement loss (gain)		3,126,101	(11,595)
Deferred tax effect	15	3,585,118	(2,019,215)
End of year, net		11,635,583	17,415,171

The principal actuarial assumptions used for the years ended December 31 are as follows:

	2021	2020
Discount rate	4.90%	3.82%
Future salary increases	5.00%	5.00%

Discount rate

The discount rate is determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of the benefit obligation. There is no deep market in high quality corporate bonds in the Philippines and therefore, the Company used as reference the yields on long-term Philippine Treasury Bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines. The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions at December 31 is:

		Impact on defined benefit obligation	
	Change in assumption	Increase	Decrease
December 31, 2021			
Discount rate	+/- 1%	(4,020,004)	4,548,721
Salary increase rate	+/- 1%	4,498,438	(4,052,763)
December 31, 2020			
Discount rate	+/- 1%	(5,529,423)	6,412,731
Salary increase rate	+/- 1%	6,270,629	(5,520,516)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

The weighted average duration of the defined benefit obligation as at December 31, 2021 is 6.4 years (2020 - 8.8 years).

The projected maturity analysis of undiscounted retirement benefit payments as of December 31 are as follows:

	2021	2020
Less than a year	-	-
Between 1 to 5 years	41,851,634	-
Between 5 to 10 years	49,964,542	95,173,149

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company.

Note 11 - Share capital; Retained earnings

Share capital

Details of share capital as at December 31, 2021 and 2020 follow:

	Number of shares	Amount
Authorized (at P100 par value per share)		
Redeemable preferred shares	1,197,000	119,700,000
Common shares	53,000	5,300,000
	1,250,000	125,000,000
Issued and outstanding		
Redeemable preferred shares	950,000	95,000,000
Common shares	52,694	5,269,400
Treasury shares	(1)	(666)
	1,002,693	100,268,734

In 2013, the Company bought back one common share from an outgoing director giving rise to a treasury share amounting to P666.

The preferred shares are redeemable at the option of the Company. The primary features of the redeemable preferred shares are as follows:

a. Right to receive dividends, the rate of which should not be less than one-half of one percent (1/2%) but not more than ten percent (10%) of the par value of the redeemable preferred share. The distribution of dividends is at the discretion of the Company's Board of Directors;
b. Right to payment in full at par value, together with all accrued and unpaid dividends, upon the dissolution and liquidation of the Company prior to the payment of any amount to the common shareholders; and
c. Right to vote.

Retained earnings

The risk-based capital adequacy (RBCA) framework also requires, among other things, that every broker/dealer with more than P50,000,000 unimpaired paid-up capital to appropriate at a minimum 10% of its audited net income to appropriated retained earnings. Accordingly, the Company appropriated an amount of P1,832,154 as at December 31, 2021 (2020 - P5,885,789).

As at December 31, 2021, the Company's retained earnings amounting to P16,234,892 (2020 - P16,234,892) has been retained as appropriated for the Company's capital build-up program to strengthen the Company's capital base taking into account the volatile nature of the market where the Company operates and to make provisions for funding gaps that could arise in cases of failed trades.

As at December 31, 2021, the Company's unappropriated retained earnings exceeds its paid-up capital amounting by P95,310,288 (2020 - P79,210,896). Management intends to retain the excess as a further safeguard for its capital build-up program against the volatility of the market where the Company operates. The management will assess the need to declare further dividends, subject to BOD approval, to address the remaining excess retained earnings.

Note 12 - Compensation and fringe benefits; Exchange fees

Compensation and fringe benefits

Details of the account for the years ended December 31 are as follows:

	Note	2021	2020
Cost of services			
Salaries and wages		96,772,359	90,405,326
Retirement expense	10	5,179,197	8,214,572
Medical insurance		1,394,672	2,792,573
Other benefits		758,361	580,166
		104,104,589	101,992,637
General and operating expenses			
Salaries and wages		13,446,414	13,516,405
Medical insurance		1,272,221	1,166,574
Other benefits		426,034	632,320
		15,144,669	15,315,299
		119,249,258	117,307,936

Exchange fees

Exchange fees for the year ended December 31, 2021 amounting to P32,151,603 (2020 - P30,277,442) mainly represent stock transaction costs, exchange subscriptions and other clearing and exchange fees.

Note 13 - Lease

In March 2019, the Company extended its existing lease contract until July 2022. The terms of the contract provide for a monthly rental of P952,029 commencing in August 2019 up to July 2020, which thereafter increases to P999,631 up to July 2021 and finally an increase to P1,049,616 up to the end of the lease term.

From August 1, 2019, the commencement date of the new lease, the Company recognized a right-of-use asset and a lease liability in relation to such lease agreement, which were previously accounted for as an operating lease under Philippine Accounting Standard (PAS) 17.

The lease term is negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The associated right-of-use asset was adjusted by the amount of any prepaid or accrued lease payments at initial recognition and by the depreciation recognized during the year. As at December 31, 2021, right-of-use asset amounts to P6,592,766 (2020 - P17,894,651) (Note 6).

Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at August 1, 2019. At the adoption date, the applicable incremental borrowing rate to the lease contract is 4.62%.

Details of lease liability at December 31 are as follows:

	Note	2021	2020
Current	9	3,108,769	10,754,451
Non-current		-	4,158,386
		3,108,769	14,912,837

Movements in the lease liability for the years ended December 31 follow:

	2021	2020
At January 1	14,912,837	26,568,497
Additions	-	-
Principal and interest payments	(12,295,482)	(12,661,991)
Non-cash change		
Interest expense	491,414	1,006,331
At December 31	3,108,769	14,912,837

Maturity analysis of contractual undiscounted cash flows of lease liability at December 31 is as follows:

	2021	2020
Less than one year	3,148,848	11,245,865
One to five years	-	4,198,465
Total undiscounted lease liability at December 31	3,148,848	15,444,330
Imputed interest discount on lease	(40,079)	(531,493)
Lease liability included in the statement of financial position at December 31	3,108,769	14,912,837

The statement of total comprehensive income shows the following amounts relating to lease for the years ended December 31:

	Note	2021	2020
Depreciation expense on right-of-use asset	6	11,301,885	11,301,885
Interest expense (included in other general and operating expenses)		491,414	1,006,331
		11,793,299	12,308,216

The total cash outflow for leases for the year ended December 31, 2021 amounts to P12,295,482 (2020 - P12,661,991), of which, P11,804,068 (2020 - P11,655,660) pertains to payment for lease liability.

Rental deposit from the lease contract amounts to P3,148,848 as at December 31, 2021 and 2020.

Details of future minimum lease payments on the contract as at December 31 follow:

	2021	2020
Not more than one year	3,108,769	10,754,451
More than one year but not more than five years	-	4,158,386
	3,108,769	14,912,837

Note 14 - Interest and other income (expenses), net

The details of the account for the years ended December 31 are as follows:

	Notes	2021	2020
Order gain		11,172,966	7,507,976
Reversal of allowance for impairment	7	500,000	-
Dividend income	3	192,369	2,033
Interest on cash	2	125,044	1,160,233
Foreign exchange (loss) gain, net		(1,453,855)	1,621,760
Other expenses, net		(5,696,597)	(3,838,882)
		4,839,927	6,453,120

Order gain pertains to price adjustments to executed transactions.

The breakdown of foreign exchange (loss) gain, net, for the years ended December 31 is shown below:

	2021	2020
Unrealized foreign exchange gain (loss), net	1,201,330	(56,623)
Realized (loss) gain, net	(2,655,185)	1,678,383
	(1,453,855)	1,621,760

Other expenses, net, mainly pertains to custodian fees and other miscellaneous income.

Note 15 - Income taxes

Details of the Company's deferred income tax assets using a principal tax rate of 25% (2020 - 30%) at December 31 follow:

	2021	2020
Defined contribution	10,964,190	15,520,005
Accrued employee compensation	7,398,925	7,602,170
Impairment loss on trading right	5,764,881	7,067,857
Net change in fair value of financial asset at fair value through profit or loss	540,280	1,086,519
Unused annual leave	205,625	-
Excess of PFRS 16 amortized costs over actual rent	(608,595)	(594,655)
Unrealized foreign exchange (gain) loss	(286,177)	16,987
	23,979,129	30,698,883

Deferred tax assets on defined contribution relate to plan contributions charged by CLSA Ltd. to the Company for the participation of the Company's employees in the regional head office defined contribution plan. These amounts will be deductible upon actual retirement of the employees.

The roll forward analysis of the Company's net deferred tax assets follows:

	2021	2020
Balance at January 1	30,698,883	28,005,532
Deferred income tax recognized in profit loss		
Deferred tax relating to temporary difference	737,903	674,137
Deferred tax relating to change in tax rates	(3,872,539)	-
Deferred income tax recognized in other comprehensive income		
Deferred tax relating to temporary difference	(2,341,177)	2,019,214
Deferred tax relating to change in tax rates	(1,243,941)	-
Balance at December 31	23,979,129	30,698,883

A reconciliation between the provision for income tax at the statutory tax rate and the actual provision for income tax for the years ended December 31 follows:

	2021		2020	
	Amount	%	Amount	%
Profit before income tax	29,039,210		86,473,596	
Statutory income tax	7,259,803	25.00	25,942,079	30.00
Effect of items not subject to statutory tax rate:				
Non-deductible expense	275,065	0.95	2,022,312	2.33
Income subject to lower tax rate, net	(79,353)	(0.27)	(738,679)	(0.85)
Deficiency income tax for taxable year 2016	2,104,597	7.25	-	-
Effects of tax rate changes	1,547,552	5.33	-	-
Income tax expense	11,107,664	38.26	27,225,712	31.48

On March 26, 2021, RA No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), was signed into law. Under the CREATE law, effective July 1, 2020, the existing 30% corporate income tax rate shall be amended as follows:

- reduction of CIT rate to 25% shall be applicable to the Company; and
- Minimum Corporate Income Tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 01, 2020 until June 30, 2023.

Under the CREATE law, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

As a result of the CREATE law, the Company recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P2,324,987 in current income tax expense and an increase of P3,872,539 in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%.

In 2021, the Company settled its tax deficiency for taxable year 2016 which includes (1) deficiency income tax of P2.1 million recognized in current income tax expense, (2) percentage tax, expanded withholding tax and miscellaneous tax for a total amount P8.54 million recognized in taxes and licenses, and (3) interest of P6.89 million recognized in other expenses in the statement of total comprehensive income.

Note 16 - Related party transactions

Related party balances and transactions as at and for the years ended December 31 are summarized as follows:

2021	Transactions	Outstanding balances [Due from (due to)]	Terms and conditions
Receivable and commission			
Entities under common control			Contracted trades to be settled on T+3. The outstanding balance pertains to amount receivable from related parties, which includes a portion for commission. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount and included as part of Trade receivable to customers (Note 4 and Note 18.6).
Due from customers	(475,301,569)	133,591,470	
Due to customers	-	(242,058)	
Allocated regional cost (income)			
Entities under common control			Covered by the terms of Service Level Agreement.
CLSA Ltd.	122,576,644	(7,006,650)	
CLSA Singapore Pte. Ltd.	6,643,094	420,175	
CLSA UK	(854,438)	874,589	Allocated regional expenses are shared costs charged by CLSA Ltd. and CLSA Singapore Pte Ltd. to the Company which represent front office brokerage, marketing sales and research expenses. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount on a quarterly basis.
Residual profit split			
Entity under common control			Covered by the terms of Transfer Pricing Policy for Institutional Equities.
CLSA Ltd.	195,483,828	(1,834,624)	Residual profit split is a transfer pricing method where the profit of the Institutional Equities (IE) business is allocated amongst CLSA affiliates in order for each CLSA entity involved to receive a return commensurate with the functions it performs, assets it owns and risks it assumes. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount on a quarterly basis.
	323,849,128	(7,546,510)	
Direct expense reimbursement			Covered by the Direct Expense Agreement.
Entities under common control			
CLSA Ltd.	11,429,129	(106,974)	
CLSA Singapore Pte. Ltd,	5,438,962	(57,447)	The outstanding balance is settled (reimbursed to the Company) within 30 days from the receipt of proof of payment made by related parties. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount.
CLSA Exchange Capital, Inc.	7,629,146	1,463,814	
	24,497,237	1,299,393	
Salaries and employee benefits			
Key management personnel	46,788,129	-	Salaries and benefit are covered by employment agreement and paid based on payroll period. Bonuses are paid annually.

2020	Transactions	Outstanding balances [Due from (due to)]	Terms and conditions
Receivable and commission			
Entities under common control			Contracted trades to be settled on T+3.
Due from customers	(493,792,843)	1,627,349	The outstanding balance pertains to amount receivable from related parties, which includes a portion for commission. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount and included as part of Trade receivable to customers (Note 4 and Note 18.6).
Due to customers	-	(328,520,194)	
Allocated regional cost			
Entities under common control			Covered by the terms of Service Level Agreement.
CLSA Ltd.	273,164,617	3,674,698	
CLSA Singapore Pte. Ltd.	18,506,569	(1,710,047)	Allocated regional expenses are shared costs charged by CLSA Ltd. and CLSA Singapore Pte. Ltd. to the Company which represent back office support, sales and marketing, research, and clearing settlement support. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount on a quarterly basis.
	291,671,186	1,964,651	
Direct expense reimbursement			Covered by the Direct Expense Agreement.
Entities under common control			
CLSA Ltd.	19,217,361	(748,637)	
CLSA Singapore Pte. Ltd.	3,687,742	(34,949)	The outstanding balance is settled (reimbursed to the Company) within 30 days from the receipt of proof of payment made by related parties. Outstanding balances are unsecured, unguaranteed, and non-interest bearing, settled in cash at net amount.
CLSA Exchange Capital, Inc.	4,592,726	4,592,726	
	27,497,829	3,809,140	
Salaries and employee benefits			
Key management personnel	45,085,586	-	Salaries and benefits are covered by employment agreement and paid based on payroll period. Bonuses are paid annually.

The Company provides brokerage services to other CLSA entities. The outstanding balance to the entities' selling transactions as at December 31, 2021 is P242,058 (2020 - P328,520,194). The outstanding balance from entities' buying transactions as at December 31, 2021 is P133,591,470 (2020 - P1,627,349).

The total commission income earned by the Company from related parties for the year ended December 31, 2021 is P475,301,569 (2020 - P493,792,843).

The total commission income earned by the Company from both third parties and related parties for the year ended December 31, 2021 is P581,220,256 (2020 - P587,577,879).

Direct expense reimbursements are recognized in the related financial statement line items to which the expenses relate to (i.e. compensation and fringe benefits, professional fees, transportation and travel, and other expenses).

Note 17 - Critical accounting estimate and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments 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. The estimates, assumptions, and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding pages.

Critical accounting estimates

Fair value of financial instruments (Note 3)

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that primarily use as inputs market-based or independently sourced market parameters. The Company's financial assets at FVTPL in 2021 and 2020 comprise primarily of PSE shares which have an active market, wherein these shares are traded or can be bought or sold.

The sensitivity analysis on the reasonably possible changes in market prices of the Company's securities is disclosed in Note 18.1.1.

Useful lives of property and equipment (Note 6)

The Company's management determines the estimated useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews 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 assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

The table below shows the impact on the carrying amount of property and equipment if the actual useful lives as at December 31 were to differ by +/- 10%:

	2021	2020
+ 10%	418,337	418,123
- 10%	(418,337)	(418,123)

Estimation of retirement benefit obligation (Note 10)

The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining pension cost include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligation. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions.

The sensitivity analysis of retirement benefits is disclosed in Note 10.

Determination of the incremental borrowing rate (Note 13)

The lease payments for the Company's lease agreements are discounted using the interest rate implicit in the lease, or if not available, the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rate applied to measure the lease liabilities as at August 1, 2019, commencement date of the lease, is 4.62%.

As at December 31, 2021, if the Company's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P8,599 and P8,628, respectively, and profit before tax for the year ended December 31, 2021 would be higher/lower by P40,882 and P42,597, respectively.

Critical accounting judgments

Impairment of trade receivables (Note 4)

The Company has applied the simplified approach in computing for credit losses under PFRS 9 and determines the recoverable amount of receivables based on the expected credit losses (ECL) of the portfolio of receivables, as a whole. In arriving at the ECL for a particular period, management considers both historical loss experience and certain macroeconomic factor. In these cases, management uses judgments based on the best available facts and circumstances, including but not limited to the length of relationship with related parties and whether there had been payment defaults in the past. An evaluation of receivables designed to identify potential charges to the provision is performed on a continuous basis throughout the year. The carrying value of receivables at the end of each reporting period and the amount and timing of recorded provision for any period could differ based on actual experience.

The Company's trade receivables are composed mainly of receivables from customers and/or clearing house, which are normally settled within three days from trade date. The Company has no history of uncollected receivables. The Company's receivables are considered current as at reporting dates. There is no impairment recognized on the Company's receivables as at December 31, 2021 and 2020.

The detailed accounting policy for credit losses is disclosed in Note 20. Likewise, information on the credit quality of trade receivables is presented in Note 18.

Impairment of property and equipment, net (Note 6)

Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, management considers the obsolescence or physical damage of an asset, internal technical evaluation, and anticipated use of assets tempered by related industry benchmark information during the reporting periods. If any such evidence exists, changes in those judgments could have a significant effect on the carrying value of these assets subject to depreciation and the amount and timing of recorded impairment loss for any period.

As at the reporting periods, management believes that there are no indications of impairment or changes in circumstances indicating that the carrying value of the Company's assets subject to depreciation may not be recoverable.

Impairment of trading right (Note 7)

The Company's management assesses the carrying amount of trading right at each reporting date to determine whether there is any indication of impairment. The recoverable amount of trading right is determined by reference to its last transacted price. Reversals of impairment loss are recognized if there has been a change in the estimates used to determine the recoverable amount.

As at December 31, 2021, allowance for impairment of trading right amounts to P23,059,524 (2020 - P23,559,524). The Company recognized a reversal of allowance for impairment of P500,000 during the year (2020 - nil).

Impairment of creditable withholding tax (Note 8)

The Company reviews the carrying value of creditable withholding tax for impairment. The Company will set up an allowance for impairment at a level considered adequate to provide for potential unrecoverable creditable withholding taxes or write-off if based on the best available facts and circumstances, creditable withholding taxes can no longer be recovered or utilized. The level of allowance is evaluated by the Company on the basis of such factors including but not limited to, ability to support the balance with creditable withholding tax certificates, ability to claim for refund and availability of taxable income against which the creditable withholding tax can be applied. The Company reviews the status of creditable withholding taxes, and identifies accounts to be provided with allowance or to be written-off on a continuous basis.

The amount and timing of recorded expenses for any period would differ if different judgments were made. An increase in allowance for impairment would increase recorded costs and expenses and decrease the related assets.

As at December 31, 2021 and 2020, no allowance for impairment was recognized as management believes that its creditable withholding taxes will be recovered or utilized.

Realization of deferred income tax assets (Note 15)

Management reviews at each reporting date the carrying amount of its deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it cannot be utilized due to insufficient taxable profit against which the deferred income tax assets will be applied.

Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

Note 18 - Financial risk and capital management

The Company's activities expose it to a variety of financial risks, which include market risk (price, foreign exchange and interest rate risks), credit risk and liquidity risk.

Risk management is monitored on the overall by the CLSA Group's Assets and Liabilities Management Committee (ALCO) which comprise a member from the Board of Directors and senior members from certain functional departments. ALCO identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units, including the Company. The Committee issues guidelines for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance, including the Company.

The accounting policies for financial instruments have been applied to the items below as at December 31:

	2021			2020		
	At amortized cost	At fair value through profit or loss	Total	At amortized cost	At fair value through profit or loss	Total
Assets						
Cash	478,852,703	-	478,852,703	456,707,893	-	456,707,893
Financial assets at fair value through profit or loss	-	5,227,355	5,227,355	-	3,766,705	3,766,705
Trade receivables from						
Customers	282,956,100	-	282,956,100	224,617,712	-	224,617,712
Clearing house	-	-	-	251,288,268	-	251,288,268
Due from related parties	-	-	-	5,773,791	-	5,773,791
Dividend receivable	273,689	-	273,689	1,456,568	-	1,456,568
Rental deposits	3,148,848	-	3,148,848	3,148,848	-	3,148,848
	765,231,340	5,227,355	770,458,695	942,993,080	3,766,705	946,759,785
Liabilities						
Trade payables to						
Customers	97,543,521	-	97,543,521	459,024,419	-	459,024,419
Clearing house	180,068,565	-	180,068,565	-	-	-
Due to related parties	6,247,117	-	6,247,117	-	-	-
Accrued expenses and other liabilities*	12,264,453	-	12,264,453	12,023,835	-	12,023,835
Lease liability	3,108,769	-	3,108,769	14,912,837	-	14,912,837
	299,232,425	-	299,232,425	485,961,091	-	485,961,091

**Amount excludes sales tax payable, withholding tax payable, VAT payable and other non-financial liabilities*

18.1 Market risk

The Company is exposed to market risk (i.e. price, foreign exchange and interest rate risks), the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices as described below.

18.1.1 Price risk

The Board of Directors of the Company manages price risk by setting and monitoring objectives and constraints on investment, diversification plan and limit on investments.

The Company is exposed to equity securities price risk to the extent of its investment in listed equity securities classified as financial assets at fair value through profit or loss (Note 3).

At December 31, 2021, if the market value of PSE shares appreciated or depreciated by 4% (2020 - 12%) based on previous year's performance of PSE shares, net income after tax and equity as at and for the year ended December 31, 2021 would have been P0.2 million higher or lower (2020 - P0.4 million higher or lower).

18.1.2 Foreign exchange risk

The Company transacts with its related parties and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Company engages in currency risk management to minimize the risk that the business has from the impact of fluctuations in currency exchange rates. The Company does not speculate in currencies. Active management of exposures involves an ongoing assessment of the risks facing the business, determining the most efficient methods of minimizing these risks, and reducing the overall cost of currency to the business. The Company has developed a clear set of policies and control structures for currency management including the timely and accurate reporting of exposures. Further, management manages the timing of settlements/payments to ensure that the Company is not unfavorably exposed to fluctuations of foreign exchange rates.

The Company's foreign currency denominated assets and liabilities as at December 31 are as follows:

	2021		2020	
	(in USD)	(in HKD)	(in USD)	(in HKD)
Cash	86,522	-	37,543	-
Due (to) from related parties	(166,371)	69,204	71,934	(23,299)
Net foreign currency (liabilities) assets	(79,849)	69,204	109,477	(23,299)
Year-end exchange rates	51.00	6.51	48.06	6.19
PHP equivalent	(4,072,299)	450,518	5,261,465	(144,221)

The analysis below is performed for reasonable possible movements in USD, the material foreign currency, with all other variables held constant, showing the impact on profit for the year (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity. The impact of HKD is considered not significant to the financial statements. The fluctuation rate is based on the historical movement of foreign currency to Philippine Peso year-on-year.

2021		Movement in Philippine Peso against foreign currency	Impact on profit before tax	Impact on equity
	USD	-6.12%	249,225	186,919
	USD	+6.12%	(249,225)	(186,919)

2020		Movement in Philippine Peso against foreign currency	Impact on profit before tax	Impact on equity
	USD	+5.40%	284,175	198,922
	USD	-5.40%	(284,175)	(198,922)

Unrealized foreign exchange gain for the year ended December 31, 2021 amounts to P1,201,330 (2020 - P56,623 unrealized foreign exchange loss) (Note 14).

18.1.3 Interest rate risk

The Company is not exposed to any significant interest rate risk as its financial assets and liabilities are non-interest bearing, except for cash in bank and investments which are mainly short-term in nature and earns interest at fixed bank interest rates.

18.2 Credit risk

Credit risk is the risk that a counterparty will cause a financial loss to the Company by failing to discharge an obligation.

The Company's significant credit risk arises mainly from securities transactions with a related entity under common control (Note 16), and other customers (Note 4). The amounts due from counterparties for securities transactions are settled using a transaction date plus 3-day market convention. In addition, the Company has policies that limit the amount of credit exposure to counterparties. Customers are allowed to open securities account only upon written endorsement by authorized members of management and after a satisfactory review of financial standing. Annual review of customer's financial standing is conducted to determine if there had been material changes since the last review. Moreover, securities owned by customers are held as collateral for amounts due from customers (Note 4).

To manage its exposures with counterparty banks, the Company's cash and deposit transactions should be limited only to highly rated universal and commercial banks. Furthermore, to control and sustain minimal exposure to credit risk from its trade receivables from customers and brokers, purchase transactions of clients will be allowed against available cash position or earmarked against current stock position. The Company shall not maintain margin accounts.

The Company's maximum credit risk exposure relating to financial assets as at December 31 follows:

	Notes	2021	2020
Cash in banks	2	478,842,703	456,667,893
Trade receivables from			
Customers	4	282,956,100	224,617,712
Clearing house	5	-	251,288,268
Due from related parties	16	-	5,773,791
Dividend receivable	8	273,689	1,456,568
Rental deposits	13	3,148,848	3,148,848
		765,221,340	942,953,080

All financial assets are current and fully performing as at December 31, 2021 and 2020 with no history of counterparty default. Likewise, there was no history of missed payment or write-offs during the observation period used for ECL measurement purpose. Accordingly, management has assessed that the ECL is deemed insignificant for financial reporting purposes.

(a) Cash in bank

The credit quality of cash in banks is based on the Bangko Sentral ng Pilipinas' classification of banks based on their resources and operations in the Philippines. Below are the types of bank where cash in bank and short-term investments are maintained as at December 31:

	2021	2020
Universal bank	304,330,897	303,980,226
Commercial bank	174,511,806	152,687,667
	478,842,703	456,667,893

As at December 31, 2021 and 2020, the Company's cash in banks bear no significant credit risk, with no history of credit defaults and credit losses.

The rest of the Company's cash represent cash on hand of P10,000 as at December 31, 2021 (2020 - P40,000) (Note 2).

(b) Trade receivables from customers, due from related parties, dividend receivable and rental deposits

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from customers, due from related parties and other receivable.

To measure the expected credit losses (ECL), the financial assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified domestic GDP and the inflation rate as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company has trade receivables arising from transactions with customers and related parties. All of these receivables are considered current (not past due) as at December 31, 2021 and 2020. Likewise, there was no history of default or missed payment or write-offs during the observation period used for ECL measurement purposes. These receivables are either fully or partially secured by securities owned by customers (Note 4).

Due from related parties are classified as fully performing as at December 31, 2020. Moreover, the counterparties have a very remote likelihood of default. As at December 31, 2020, management assessed that there is no required allowance for impairment losses on its due from related parties as the accounts are classified as current.

Rental deposits and dividends receivable are fully performing with no history of counterparty default.

The Company has no renegotiated financial assets in 2021 and 2020.

18.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, management aims to maintain flexibility in funding by keeping committed credit lines available, to cover the settlement of the following financial liabilities:

	Notes	2021	2020
Trade payables to			
Customers	4	97,543,521	459,024,419
Clearing house	5	180,068,565	-
Due to related parties	16	6,247,117	-
Accrued expenses and other liabilities (except sales tax payable, withholding tax payable, VAT payable and other non-financial liabilities)	9	12,264,453	12,023,835
Lease liability	13	3,148,848	15,444,330
		299,272,504	486,492,584

The Company expects to settle the above financial obligations in accordance with their contractual maturity date. Financial assets available to settle the above financial liabilities are as follows:

	Notes	2021	2020
Cash	2	478,852,703	456,707,893
Financial assets at fair value through profit or loss	3	5,227,355	3,766,705
Trade receivables from			
Customers	4	282,956,100	224,617,712
Clearing house	5	-	251,288,268
Due from related parties	16	-	5,773,791
Dividend receivable	8	273,689	1,456,568
Rental deposits	13	3,148,848	3,148,848
		770,458,695	946,759,785

The Company is also able to meet unexpected net cash outflows by accessing additional funding sources from its Parent Company, if and when necessary.

18.4 Fair value of financial assets and financial liabilities

The carrying amounts of financial assets classified as loans and receivables and other financial liabilities summarized in Note 18 approximate their fair values at reporting date considering that these have generally short-term maturities. For rental deposits, the carrying amount approximates fair value as the impact of discounting is not significant. For long-term lease liability, the difference between carrying value and fair value is considered immaterial.

The fair value of financial assets at fair value through profit or loss is based on the Philippine Stock Exchange daily quotation report.

18.5 Fair value hierarchy

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.)

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Company's financial assets at fair value through profit or loss amounting to P5,227,355 as at December 31, 2021 (2020 - P3,766,705) are classified under Level 1. There are no other financial instruments that are carried at fair value and that fall under Levels 2 and 3 categories.

18.6 Offsetting of financial assets and liabilities

The following financial instruments are subject to offsetting:

	2021		
	Gross amount of recognized financial assets	Gross amounts of recognized financial liabilities set-off in the statement of financial position	Net amount of financial assets presented in the statement of financial position
Financial asset			
Trade receivables from customers	688,452,896	(405,496,796)	282,956,100
Financial liability			
Trade payables to customers	503,040,317	(405,496,796)	97,543,521

	2020		
	Gross amount of recognized financial assets	Gross amounts of recognized financial liabilities set-off in the statement of financial position	Net amount of financial assets presented in the statement of financial position
Financial asset			
Trade receivables from customers	764,028,391	(539,410,679)	224,617,712
Financial liability			
Trade payables to customers	998,435,098	(539,410,679)	459,024,419

For the financial assets and liabilities subject to offsetting above, each agreement between the Company and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

18.7 Capital management

The Company's objectives when managing capital are to comply with the capitalization requirement through the Risk-Based Capital Adequacy (RBCA) ratio set by the SEC, to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain strong capital base to support the development of its business.

RBCA is the ratio linking the net liquid capital to the broker dealer's total risk exposure calculated as the net liquid capital (NLC) divided by total risk capital requirements (TRCR). TRCR is the sum of the following risks: (a) operational risk requirement, (b) credit risk requirement which include requirements for counterparty risk, settlement risk, large exposure risk and margin financing risk, and (c) position or market risk requirement. As a rule for every trading participant, the Company is required to maintain an RBCA ratio of at least 110% and a NLC of at least P5 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, its aggregate indebtedness 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 Company shall immediately cease doing business as a broker and shall notify the PSE and SEC.

As at December 31, 2021, the Company's NLC amounts to P399,036,789 (2020 - P367,317,485) which exceeds the required NLC of P18,331,916 (2020 - P27,382,215). As at December 31, 2021, the Company's RBCA ratio is 315% (2020 - 289%) which is in compliance with the minimum ratio.

The Company monitors its capital structure, including level of accumulated earnings to meet the required minimum RBCA ratio. Dividends are declared as soon as capital reaches a reasonable level to meet operating and RBCA requirements.

Note 19 - Other commitments and contingent liabilities

The Company has no outstanding commitments and contingent liabilities as at December 31, 2021 and 2020.

Note 20 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, and the plan asset component of retirement liability which is measured at fair value.

The preparation of these financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 17.

Changes in accounting policy and disclosures

(a) New amendments to existing standards adopted by the Company

The Company has adopted the following amendments to existing standards effective January 1, 2021:

- Amendment to PFRS 16, 'Leases'

  The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  The adoption of the above amendments did not have a material impact on the financial statements of the Company.

- Amendments to PFRS 9, *'Financial Instruments'*, PFRS 7 *'Financial Instruments: Disclosures'*, PFRS 4, *'Insurance Contracts'* and PFRS 16 *'Leases'*

  These amendments that were issued in August 2020 address issues that arise during the reform of an interest rate benchmark rate (IBOR), including the replacement of one benchmark rate with an alternative one.

The key reliefs provided by the amendments are as follows:

- Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

- Hedge accounting. The hedge accounting reliefs will allow most PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The adoption of the above amendments did not have an impact on the financial statements of the Company.

(b) New standards, amendments and interpretations not yet adopted by the Company

The following amendments are not mandatory for the December 31, 2021 reporting period and have not been early adopted by the Company:

- Amendments to PAS 16, *'Property, Plant and Equipment'*

  The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendments to PFRS 3, *'Business Combinations'*

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'* and Interpretation 21, Levies.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

- Annual improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:
  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Company.

There are also no new standards effective after January 1, 2021 that are expected to be relevant or would have a material effect on the financial statements of the Company.

20.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (i.e. time deposits) with original maturities of three months or less from the date of acquisition and that are subject to insignificant risk of changes in value.

20.3 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value [either through other comprehensive income ("OCI") or through profit or loss], and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

As at December 31, 2021 and 2020, there are no financial assets classified under FVOCI.

<u>Recognition and measurement of financial assets</u>

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Debt instrument

There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income, net, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses, if any. Impairment losses, if any, are presented in general and operating expenses in the statement of total comprehensive income.

  The Company's financial assets at amortized cost consist of cash, trade receivables from customer and clearing house, rental deposits, and other current and non-current financial assets (except for prepaid expenses, creditable withholding taxes and other non-financial assets).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, net. Interest income from these financial assets is computed using the effective interest rate method. Foreign exchange gains and losses are presented in other income, net in the statement of total comprehensive income.

  The Company does not hold financial assets at FVOCI as at December 31, 2021 and 2020.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other income, net, in the period in which it arises.

  The Company does not hold financial assets at FVTPL as at December 31, 2021 and 2020.

Equity instruments

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company's financial asset carried at fair value through profit or loss pertain only to its investments in equity shares (Note 3).

Impairment of financial assets carried at amortized cost

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before December 31, 2021 and 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

20.4 Financial liabilities

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

20.4.1 Classification, recognition and subsequent measurement

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in profit or loss.

The Company has no financial liabilities that are designated at fair value through profit loss as at December 31, 2021 and 2020.

Other liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category. Financial liabilities measured at amortized cost mainly pertain to trade payables to customers, clearing house, due to related parties and accrued expenses and other liabilities (except sales tax payable, withholding tax payable, provisions, VAT payable and other non-financial liabilities) as shown in the statement of financial position.

These are recognized initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

20.5 Derecognition of financial instruments

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired, or has been transferred and when the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when extinguished, i.e. when the obligation is discharged or is cancelled or has expired.

When 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, the difference in the respective carrying amounts is recognized in profit or loss.

20.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The financial assets and liabilities that were offset as at and for the years ended December 31, 2021 and 2020 are mainly related to trade receivables from and payable to customers (Note 18.6).

20.7 Other assets

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Creditable withholding tax is recognized as asset to the extent that it is probable that the benefit will flow to the Company. This are derecognized when applied against the related tax liability or refunded by the tax authorities as prescribed by the relevant tax laws.

Other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting date, which are then classified as non-current assets.

20.8 Property and equipment

Items of property and equipment, including leasehold improvement, are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes its purchase price and other expenditure that is directly attributable to the acquisition of the items to bring the asset to the location and working condition necessary for the asset to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the asset less residual value over its estimated useful life, as follows:

Computer equipment	3 - 5 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	shorter of lease term or 3 years
Motor vehicles	4 years

Major renovations are depreciated over the remaining useful life of the related asset.

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

The Company derecognizes the carrying amount of an item of property and equipment on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

20.9 Trading right

Trading right, which has an indefinite useful life, is carried at cost less any accumulated impairment losses. The carrying value of trading right is reviewed for impairment annually and whenever there is an indication that it may be impaired. Trading right that suffered impairment is reviewed for possible reversal of impairment using the last transacted price at each reporting date. Trading right is deemed to have an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. Trading rights are classified as non-current assets as the Company does not intend to sell the trading right in the near future.

20.10 Impairment of non-financial assets

Assets that have an indefinite useful life, such as trading right, are not subject to amortization and are, instead, tested annually for impairment. Assets that have definite useful life, such as property and equipment, are subject to depreciation or amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

20.11 Income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset. Deferred income tax liability is recognized in full for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

20.12 Provisions

Provisions are recognized when, the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

20.13 Employee benefits

Retirement plan

The Company follows the provisions of Republic Act No. 7641 (known as the "Retirement Law") in the absence of a formal retirement plan for the benefit of its qualified employees. Under the Retirement Law, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private entity, may retire and shall be entitled to retirement pay equivalent to at least ½ month salary for every year of service, a fraction of at least 6 months being considered as 1 whole year. The Company's employees participate in its regional head office defined contribution retirement plan maintained in Hong Kong. The Company accounts for its retirement plan obligation with its regional head office consistent with the Retirement Law under a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Philippine Peso, and that have terms to maturity approximating the terms of the related retirement benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

Bonuses and incentives

The Company recognizes a liability and an expense for bonus and incentives based on amounts approved by management. The Company recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

20.14 Share capital

Common and preferred shares are classified as equity. These shares are initially recognized at the amount of consideration received less any incremental transaction costs and the related income tax effects, directly attributable to the issue of new shares. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

20.15 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

20.16 Income recognition

Commission

The Company has applied PFRS 15 where revenue is recognized when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The Company's commission income is recognized over time upon the execution of the underlying trade transactions.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the Company satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the Company expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The Company recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

There are no warranties and other similar obligation and refunds agreed with customers. Commissions are recognized in profit or loss on transaction date when trade deals are confirmed.

Interest income

Interest income, which is presented net of the tax paid or withheld, is recognized in profit or loss on a time-proportion basis using the effective interest method.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Dividend and other income

Dividend and other income are recognized in profit or loss when the Company's right to receive payment is established or when earned.

20.17 Leases (where the Company is the lessee)

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease components on the basis of its relative stand-alone prices.

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. A lessee applies PAS 36 to determine whether the ROU asset is impaired.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Interest expense is recognized in the statement of income under Other expenses over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the profit or loss if the carrying amount of the ROU asset has been reduced to zero or the change in the lease liability relates to variable lease payment that does not depend on an index or rate.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The Company accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the Company:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

(a) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company. The Company's lease agreement does not have extension or termination options.

(b) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise leases for certain small items of office furniture and parking spaces.

20.18 Cost and other expenses

Cost and other expenses are recorded in profit or loss in the period in which they are incurred.

20.19 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

20.20 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 21 - Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2021 consists of:

	Gross amount of revenues	Output VAT
Sale of services		
Subject to 12% VAT	580,716,087	69,685,930
VAT shouldered on sales to government	(98,471)	-
Application of input VAT	-	(7,456,013)
Application of creditable withholding taxes on VAT	-	(153,695)
Cash payment	-	(57,728,822)
	580,617,616	4,347,400

As at December 31, 2021, VAT payable amounting to P4,347,400 is presented under accrued expenses and other liabilities in the statement of financial position.

(b) Input VAT

Details of input VAT for the year ended December 31, 2021 follow:

	Amount
Beginning balance	-
Add: Current year's domestic payments for:	
Domestic purchases of services	7,065,982
Domestic purchases of goods other than capital goods	7,065,982
Standard Input Tax (sale to government) 7% of total sale	177,202
Less: Claims for tax credit/refund and other adjustments	(7,456,013)
Total input VAT	-

(c) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2021 consist of:

	Amount
Deficiency taxes	8,540,426
Mayor's permit	1,211,660
Community tax	10,500
Others	2,440
	9,765,026

There were no accrued other local and national taxes as at December 31, 2021. All other local and national taxes are presented as taxes in licenses under general and administrative expenses in the statement of total comprehensive income.

(d) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2021 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	28,360,245	5,061,591	33,421,836
Final withholding tax	2,903,086	-	2,903,086
Expanded withholding tax	2,334,124	128,091	2,462,215
Fringe benefit tax	46,078	25,189	71,267
	33,643,533	5,214,871	38,858,404

Accrued withholding taxes are presented under accrued expenses and other liabilities in the statement of financial position.

As at December 31, 2021, creditable withholding taxes amounts to P15,478,527 and are included in Other current assets in the statement of financial position.

(e) Stock transaction taxes

Stock transaction taxes paid and accrued in 2021 amount to P907,654,817 and P2,868,167, respectively. These stock transaction taxes were for the account of counterparties. Stock transaction taxes are presented as sales taxes payable under accrued expenses and other liabilities in the statement of financial position.

(f) Tax assessments/cases

On June 30, 2021, the Company has received the final decision from the BIR for the investigation of all its internal revenue tax liabilities for the taxable year 2016 and enclosed therein the deficiency income tax, percentage tax, expanded withholding tax, and miscellaneous tax amounting to P17.69 million, including interest and compromise of P6.89 million and P0.15 million, respectively, which were settled on August 6, 2021.

As at December 31, 2021, the remaining open taxable years of the Company are 2020, 2019 and 2018. BIR examination on taxable years 2019 and 2018 is on-going. The Company has not received any final assessment notice. Management believes that the final settlement, if any, would not adversely affect the Company's financial position or results of operations. As at the same date, there are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.