

COVER SHEET

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S.E.C. Registration Number

A L L I A N C E S E L E C T F O O D S

I N T E R N A T I O N A L I N C .

(Company's Full Name)

U N I T 1 2 0 6 E A S T T O W E R P H I L .

S T O C K E X C H A N G E C E N T R E ,

E X C H A N G E R O A D O R T I G A S C E N T E R

P A S I G C I T Y , M E T R O M A N I L A

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

Atty. Barbara Anne C. Migallos
Atty. Salvador Paolo A. Panelo, Jr.

Contact Person

8969357 to 59

Telephone Number of the Contact Person

1 2 3 1
Month Day
Fiscal Year

SEC 20-IS
Preliminary Information Statement
(Special Stockholders' Meeting)

Every 15th day of June
Annual Meeting

FORM TYPE

N/A

Secondary license Type, If Applicable

M S R D

Dept. Requiring this Doc.

To be accomplished by SEC Personnel concerned

File Number

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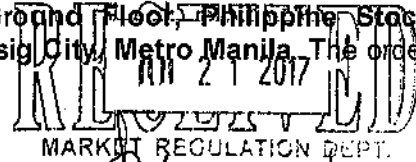
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ALLIANCE SELECT FOODS INTERNATIONAL, INC.
Notice of Special Meeting of Stockholders

TO OUR STOCKHOLDERS:

Please be informed that a Special Meeting of the Stockholders of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "Company") will be held on **September 7, 2017 (Thursday) at 2:30 p.m.** (the "**Special Stockholders' Meeting**" or "**Special Meeting**"). The venue of the Meeting will be at **PSE Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila.** The order of business thereat will be as follows:

1. Call to order;
2. Proof of the required notice of the meeting;
3. Certification of quorum;
4. Amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and to decrease the authorized capital stock of the Company from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each;
5. Other matters;
6. Adjournment.



Only Item 4 on the Agenda (the Amendment of Article Seventh of the Company's Articles of Incorporation) requires shareholders' approval. A brief statement of the rationale and explanation for the said item is contained in **Annex "A"** of this Notice. The Information Statement accompanying this Notice contains more detail regarding the rationale and explanation for the said Agenda item.

There will be an **OPEN FORUM** before the approval of the said item is submitted to shareholders. Questions will likewise be entertained for other items in the agenda as appropriate and consistent with orderly proceedings.

For the purpose of the Meeting, only stockholders of record at the close of business on **August 3, 2017** will be entitled to vote. Stockholders are requested to bring some form of identification such as passport, driver's license, or company I.D. in order to facilitate registration, which will start at 1:00 p.m. on the day of the Meeting.

Any stockholder who cannot attend the Meeting in person and desires to be represented thereat is requested to date and sign the Proxy Form enclosed with the Information Statement, and send the same to the Office of the Assistant Corporate Secretary at the Company's principal office. The proxy should be sent in time so as to be received on or before **August 29, 2017**, which is the deadline for submission of proxies.

Proxy validation will be held on August 31, 2017 at 10:00 a.m. at the offices of the Company's stock transfer agent, Securities Transfer Services, Inc., at the Ground Floor, Benpres Building Exchange Road cor. Meralco Ave. Pasig City, Metro Manila.

BARBARA ANNE C. MIGALLOS
Corporate Secretary

EXPLANATION AND RATIONALE
For Item 4 of the Agenda of the
2017 Special Stockholders' Meeting of
ALLIANCE SELECT FOODS INTERNATIONAL, INC.
and other agenda items

AGENDA

1. Call to Order

The Chairman of the Meeting will formally open the Special Stockholders' Meeting. The Directors and Officers of the Company who are present thereat will be introduced.

2. Proof of Required Notice of the Meeting

The Corporate Secretary will certify that copies of this Notice and the Information Statement have been duly sent to stockholders as of record date of August 3, 2017, within the periods prescribed by the applicable rules.

3. Certification of Quorum

The Corporate Secretary will attest whether a quorum is present for the meeting.

4. Amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and to decrease the authorized capital stock of the Company from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each

On July 20, 2017, the Company's Board of Directors approved an equity restructuring program to reduce the Company's deficit as of May 31, 2017.

For this purpose, the Board approved the amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the resulting decrease of the Company's authorized capital stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each.

There will be an **OPEN FORUM** after the presentation of this item. A shareholder, upon identifying himself or herself, may raise questions that are relevant or express an appropriate comment.

The said amendment to the Company's Articles of Incorporation requires the approval of shareholders holding or representing at least 2/3 of the Company's outstanding capital stock.

Resolution to be adopted: Shareholders will vote for the adoption of a resolution approving the amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the decrease in the

Authorized Capital Stock of the Company from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each.

5. Other Matters

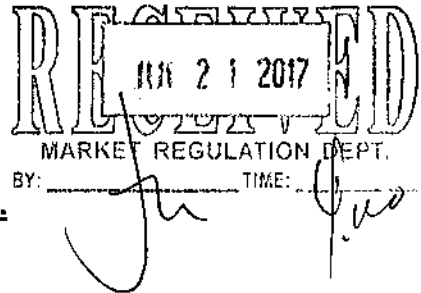
Matters that are relevant to and appropriate for a stockholders' meeting may be taken up.

No resolution, other than the resolution mentioned in this Notice and Information Statement with respect to Item 4 of the Agenda, will be submitted for voting by the shareholders.

6. Adjournment.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE
COMMISSION



1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter:
ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(formerly Alliance Tuna International, Inc.)

3. Province, country or other jurisdiction of incorporation or organization:
Metro Manila, Philippines

4. SEC Identification Number: **CS200319138**

5. BIR Tax Identification Code: **227-409-243-000**

6. **Unit 1206, East Tower, Philippine Stock Exchange Centre,**
Exchange Road, Ortigas Center, Pasig City, Metro Manila **1605**
Address of principal office Postal Code

7. Registrant's telephone number, including area code: **(632) 635-5241 to 44**

8. Date, time and place of the meeting of security holders

Date : September 7, 2017
Time : 2:30 p.m.
Place : PSE Auditorium, Ground Floor, Philippine Stock
Exchange Centre, Exchange Road, Ortigas Center, Pasig
City, Metro Manila

9. Approximate date on which this Information Statement is first to be sent or given to
security holders: **August 10, 2017**

10. In case of Proxy Solicitations:

Name of Person Filing
the Statement/Solicitor : Alliance Select Foods International, Inc.
Address : Unit 1206, East Tower, Philippine Stock
Exchange Centre, Exchange Road
Ortigas Center, Pasig City, Metro Manila
1605
Telephone No. : (632) 635-5241 to 44

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8
of the RSA (information on number of shares and amount of debt is applicable only
to corporate registrants):

Number of Shares of
Common Stock Issued: **2,499,712,463 (as of May 31, 2017)**
Amount of Debt Outstanding: **\$28,652,096(as of May 31, 2017)**

12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange, Inc. – Common Shares**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

A Special Meeting of Stockholders of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "**Company**"), a corporation organized and existing under the laws of the Philippines with principal office address at Unit 1206 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, will be held on **September 7, 2017 (Thursday) at 2:30 p.m.** (the "**Special Stockholders' Meeting**" or the "**Meeting**"). The venue of the Meeting will be at **PSE Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila.**

The Agenda of the Meeting, as indicated in the accompanying Notice of Meeting, is as follows:

1. Call to order;
2. Proof of the required notice of the meeting;
3. Certification of quorum;
4. Amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and to decrease the authorized capital stock of the Company from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each;
5. Other matters;
6. Adjournment.

Only Item 4 on the Agenda (the Amendment of Article Seventh of the Company's Articles of Incorporation) requires shareholders' approval. Information and explanation regarding the said item are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

There will be an **OPEN FORUM** before the approval of the said item is submitted to shareholders. Questions will likewise be entertained for other items in the agenda as appropriate and consistent with orderly proceedings.

For the purpose of the Meeting, only stockholders of record at the close of business on **August 3, 2017** will be entitled to vote. Stockholders are requested to bring some form of identification such as passport, driver's license, or company I.D. in order to facilitate registration, which will start at 1:00 p.m. on the day of the Meeting.

Any stockholder who cannot attend the Meeting in person and desires to be represented thereat is requested to date and sign the Proxy Form enclosed with this Information Statement, and send the same to the Office of the Assistant Corporate Secretary at the

Company's principal office. The proxy should be sent in time so as to be received on or before August 29, 2017, which is the deadline for submission of proxies.

Proxies will be validated by a special committee consisting of the Company's Corporate Secretary, Compliance Officer, and a representative of the Company's stock transfer agent, Securities Transfer Services, Inc. ("STSI"). The special committee will validate the proxies on August 31, 2017 at the office of STSI at the Ground Floor, Benpres Building Exchange Road cor. Meralco Ave. Pasig City, Metro Manila.

The Corporate Secretary and Assistant Corporate Secretary will be responsible for the tabulation of votes at the Meeting. Validated proxies will be voted as indicated by the shareholder in the proxy, and in accordance with applicable rules.

Voting procedures are contained in Item 19 (pages 12-13) of this Information Statement and will be announced at the start of the Meeting.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in the Corporation Code of the Philippines:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);
3. In case of merger or consolidation (Section 81); and
4. In case of investments in another corporation, business or purpose (Section 42).

The Corporation Code of the Philippines (at Section 82) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their

award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has, except as they may be shareholders of the Company, any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting.

At the time of the filing of this Information Statement, the Company has not been informed in writing by any incumbent director of an intention to oppose any action to be taken at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of May 31, 2017, there are **2,499,712,463** outstanding and issued common shares of the Company, exclusive of 287,537 treasury shares. The Company does not have any class of shares other than common shares.

All stockholders of record as of **August 3, 2017** are entitled to notice and to vote at the Meeting.

A stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy.

Voting Procedures are stated in Item 19 (pages 12-13) of this Information Statement.

(continued on next page)

Security Ownership of Certain Record and Beneficial Owners

To the best of the knowledge of the Company, the following stockholders own more than five percent (5%) of the Company's outstanding capital stock as of May 31, 2017:

Title of Class	Name, Address of Record Owner, and Relationship With Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Class
Common	<p>PDC Nominee Corporation <i>Beneficial Owner:</i> Strongoak, Inc. 18/F Security Bank Centre 6776 Ayala Ave Makati City Metro Manila Philippines</p> <p><i>Stockholder</i></p> <p>Please see Note 2.</p>	<p>Strongoak, Inc. (Please see Note 2)</p> <p>Proxy Named: (Please see Note 1)</p>	Filipino	1,382,755,864	55.32%
Common	<p>PCD Nominee Corporation 37th Fl., Tower One, The Enterprise Center, Paseo de Roxas corner Ayala Avenue, Makati City</p> <p><i>Stockholder</i></p> <p>Please see Note 3.</p>	<p>PCD Nominee Corporation (Please see Note 3.)</p> <p>Proxy Named: (Please see Note 1)</p>	Filipino	628,249,334 (exclusive of shares of StrongOak, Inc. held through PCD)	25.13%
Common	<p>Harvest All Investment Ltd., SAR Room 904, Harvest Bldg, 29-35 Wing Kut St, Central, Hong Kong</p> <p><i>Stockholder</i></p>	<p>Harvest All Investment Ltd. (Same as Record Owner)</p> <p>Proxy Named: (Please see Note 1)</p>	Hong Kong	177,261,165	7.09%

Common	Victory Fund Ltd. , 4304, 43/F, China Resources Bldg, 26 Harbour Road, Wanchai, Hong Kong <i>Stockholder</i>	Victory Fund Ltd. (Same as Record Owner) Proxy Named: (Please see Note 1)	Hong Kong	138,474,015	5.54%
Common	PCD Nominee Corporation 37 th Fl., Tower One, The Enterprise Center, Paseo de Roxas corner Ayala Avenue, Makati City <i>Stockholder</i> Please see Note 4.	PCD Nominee Corporation (Please see Note 5). Proxy Named: (Please see Note 1)	Foreign	91,099,242	3.64%
TOTAL				2,417,839,620	96.72%

¹ The proxies naming the natural persons authorized to vote the shares of the foregoing record owners for the Meeting have not yet been received by the Company. The deadline set by the Board of Directors for the submission of proxies is on August 29, 2017.

² Mr. Antonio C. Pacis and Ms. Marie Grace T. Vera Cruz currently represent Strongoak in the Board of Directors of the Company.

³ PCD Nominee Corporation ("PCD Nominee") is a wholly-owned subsidiary of the Philippine Depository & Trust Corp., the depository infrastructure for equities and fixed income markets in the Philippines. PCD Nominee is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients.

The 1,382,765,864 shares held by Strongoak, Inc. through PCD Nominee, and the 628,249,334 shares reflected above under PCD Nominee (Filipino), are shares beneficially owned by Filipinos.

⁴ Please see Note 3. The 91,099,242 shares reflected above under PCD Nominee Corporation (Foreign) are the shares beneficially owned by foreigners.

Except as stated above, the Company has no knowledge of any person or any group who, directly or indirectly, is the beneficial owner of more than 5% of the Company's outstanding shares or who has a voting power, voting trust or any similar agreement with respect to shares comprising more than 5% of the Company's outstanding common stock. Other than Strongoak, Inc., the Company is not informed of any other participants under the PCD Nominee account who own more than 5% of the voting securities of the Company as of May 31, 2017.

Security ownership of Directors, Officers and Management

Security Ownership of Directors and Officers

To the best knowledge of the Company, the beneficial ownership of the Company's directors and officers as of May 31, 2017 is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Class
Common	Antonio C. Pacis <i>Chairman</i>	400 (Direct)	Filipino	0.00%
Common	George E. SyCip, <i>Vice Chairman</i>	2,314,954 (Direct)	American	0.09%
Common	Raymond K.H. See, <i>Director, President and CEO</i>	15,521 (Direct)	Filipino	0.00%
Common	Marie Grace T. Vera Cruz, <i>Director</i>	400 (Direct)	Filipino	0.00%
Common	Erwin M. Elechicon, <i>Independent Director</i>	200 (Direct)	Filipino	0.00%
Common	Joseph Peter Y. Roxas <i>Director</i>	2,241,000 (Direct)	Filipino	0.08%
Common	Dobbin A. Tan <i>Independent Director</i>	10,000 (Direct)	Filipino	0.00%
Common	Barbara Anne C. Migallos <i>Corporate Secretary</i>	0	Filipino	0.00%
Common	Edgardo S. Cabalde <i>Treasurer, Chief Financial Officer, and Chief Information Officer</i> <i>(Elected on July 20, 2017; effective on August 14, 2017)</i>	0	Filipino	0.00%
Common	Lisa Angela Y. Dejadina <i>Senior Vice President - Business Development and Operational Excellence, and Chief Risk Officer</i>	0	Filipino	0.00%

Common	Ma. Kristina P. Ambrocio <i>Vice President – Head of Legal, Compliance Officer and Assistant Corporate Secretary</i>	0	Filipino	0.00%
Common	Maria Cristina C. Villaruz <i>Assistant Treasurer (Elected on June 15, 2017)</i>	0	Filipino	0.00%
	TOTAL	4,716,394		0.19%

Voting Trust Holders/Changes in Control

The Company has no knowledge of any voting trust holders of 5% or more of the Company's stock, or of any arrangements that may result in a change of control of the Company.

The Company conducted a stock rights offering in 2015 consisting of 1,000,000,000 common shares at a price of P1.00 per share by way of pre-emptive rights offering exclusively to shareholders of the Company as of August 7, 2015, at the proportion of one stock rights share for every one and one-half common shares of the Company. The stock rights offering resulted in a change of control of the Company.

Strongoak, Inc. ("**Strongoak**"), which previously owned 430,286,226 shares, equivalent to 28.69% of the outstanding capital stock prior to the stock rights offering, subscribed to an additional 952,479,638 common shares under the said stock rights offering for a total subscription price of P952,479,638.00. Strongoak now owns 1,382,765,864 shares, equivalent to 55.32% of the outstanding capital stock of the Company. Prior to the stock rights offering, no single shareholder had control of or more than 50% of the voting power in the Company.

Item 5. Directors and Executive Officers

No action is to be taken at the Meeting with respect to the election of directors.

Item 6. Compensation of Directors and Executive Officers

No action is to be taken at the Meeting with regard to:

- (a) the election of directors;
- (b) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate;
- (c) any pension or retirement plan in which any such person will participate; or
- (d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities.

Item 7. Independent Public Accountants

No action is to be taken at the Meeting with respect to the election, approval or ratification of the Company's independent external auditors.

Item 8. Compensation Plans

~~No action is to be taken at the Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.~~

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken at the Meeting with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

At a meeting held on July 20, 2017, the Company's Board of Directors approved an equity restructuring program to reduce the Company's retained earnings deficit as of May 31, 2017 in the amount of US\$31,998,844.00.

For this purpose, the Board approved the reduction of the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the resulting decrease of the Company's authorized capital stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each. The Board approved the said reduction in par value and the resulting decrease in authorized capital stock by approving an amendment to Article Seventh of the Company's Articles of Incorporation. The said amendment shall be presented for approval of shareholders at the Meeting (please see Item 17, pages 11-12).

The reduction in par value will not result in the return of any portion of the capital to shareholders. Neither will it result in a reduction of the number of outstanding common shares, nor a reduction or dilution in ownership of shareholders.

In view of such reduction in par value, additional paid-in capital ("APIC") in the amount of US\$26,823,389.00 will be created. The Board approved that such APIC, and the Company's existing APIC as of May 31, 2017 in the amount of US\$6,662,001.00, or a total APIC of US\$33,485,390.00, will be applied to reduce the Company's retained earnings deficit as of May 31, 2017.

The purpose of the equity restructuring program is to improve the Company's ability to declare dividends moving forward, in furtherance of the Company's turnaround strategy.

The equity restructuring program is subject to the approval of the Securities and Exchange Commission, which will be sought by the Company upon obtaining the requisite shareholders' approval and ratification of the abovementioned amendment of the Company's Articles of Incorporation at the Meeting.

Item 11. Financial and Other Information related to Items 9 and/or 10

In relation to the equity restructuring program discussed above (Item 10, pages 8-9), the Company's Audited Separate Financial Statements as of May 31, 2017 and December 31, 2016, and Management Report containing management's discussion and analysis of the Company's operations and performance as of May 31, 2017, are attached to this Information Statement, and are hereby incorporated by reference.

Reyes Tacandong & Co. ("RTC"), the Company's independent external auditors, audited the said Financial Statements. RTC was first appointed as the Company's independent external auditors for the year 2015. RT succeeded Navarro Amper & Co. ("**NAC**"), who was the Company's independent auditors for 10 years prior to 2015. Other than that, there was no change in the Company's independent accountants during the three most recent calendar years or in any subsequent interim period.

There has been no disagreement with either RTC or NAC on accounting and financial disclosure.

Representatives of RTC will be present at the Meeting. They will have the opportunity to make a statement should they desire to do so, and will be available to respond to appropriate questions.

Copies of the Annual Report on SEC Form 17-A with the Audited Financial Statements for the year ended December 31, 2016 are posted on the Company's website (<http://allianceselectfoods.com/>). The Company's unaudited interim financial statements for the second quarter of 2017 on SEC Form 17-Q ("**Second Quarter Report**") will be uploaded to the Company's website on August 15, 2017, the deadline for filing of said Second Quarter Report.

Upon written request of a shareholder, the Company shall furnish such shareholder with printed copies of the said Annual Report and Second Quarter Report as filed with the SEC, free of charge. The contact details for obtaining such copy are on Page 14 of this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken at the Meeting with respect to any transaction involving the following:

- a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company;
- b) the acquisition by the Company or any of its security holders of securities of another person;
- c) the acquisition by the Company of any other going business or of the assets thereof;
- d) the sale or other transfer of all or any substantial part of the assets of the Company; or
- e) the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

No action is to be taken at the Meeting with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

No action is to be taken with respect to any report of the Company or of its directors, officers or committees, or minutes of stockholders' meetings of the Company.

Item 16. Matters not required to be submitted

There are no matters or actions to be taken up at the Meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter, Bylaws or Other Documents

As stated above (Item 10, page 9), the Company's Board of Directors approved an equity restructuring program to reduce the Company's retained earnings deficit as of May 31, 2017.

For this purpose, the Board approved the reduction of the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the resulting decrease of the Company's authorized capital stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each, to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each.

The Board approved the said reduction in par value and the resulting decrease of the Company's authorized capital stock by approving an amendment to Article Seventh of the Company's Articles of Incorporation with the following resolutions:

"WHEREAS, the Company has a retained earnings deficit in the amount of US\$31,998,844.00 as of May 31, 2017;

WHEREAS, in furtherance of the Company's turnaround strategy, and to improve the ability of the Company to declare dividends, the Company's Board of Directors has approved an equity restructuring program to reduce such retained earnings deficit;

WHEREAS, the said equity restructuring program entails the reduction of par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the application of the additional paid-in capital ("**APIC**") resulting from such reduction of par

value in the amount of US\$26,823,389.00, and the Company's existing APIC as of May 31, 2017 in the amount of US\$6,662,001.00, or a total APIC of US\$33,485,390.00, to reduce the Company's retained earnings deficit as of May 31, 2017;

WHEREAS, the abovementioned reduction of par value requires an amendment to Article Seventh of the Company's Articles of Incorporation to reflect such reduction, and the resulting decrease in the Company's authorized capital stock from from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each, to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each;

NOW THEREFORE, BE IT RESOLVED, as it is hereby resolved, that Article Seventh of the Articles of Incorporation of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "Company") be amended to reduce the par value of the Company's common shares from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and the resulting decrease of the Company's authorized capital stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each, to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each, such that Article Seventh of the Company's Articles of Incorporation shall read as follows:

'SEVENTH: That the authorized capital stock of the corporation is ONE BILLION FIVE HUNDRED MILLION PESOS (Php 1,500,000,000.00) in lawful money of the Philippines, divided into Three Billion (3,000,000,000) shares, with par value of Fifty Centavos (Php 0.50) per share.'

RESOLVED, FURTHER, that the foregoing amendment to the Company's Articles of Incorporation be presented for ratification and approval by the stockholders of the Company at the special stockholders' meeting to be held on September 7, 2017."

There will be an open forum before the approval of the said amendment of Article Seventh of the Company's Articles of Incorporation is submitted to shareholders.

The resolution to be adopted by shareholders is the approval and ratification of the Board resolutions amending Article Seventh of the Company's Articles of Incorporation quoted above.

Item 18. Other Proposed Action

No action is to be taken with respect to any other matter not specifically referred to above.

Item 19. Voting Procedures

Stockholders of record as of August 3, 2017 may vote at the Meeting. Stockholders have the right to vote in person or by proxy.

Registration of stockholders and proxies attending the Meeting will open at 1:00 p.m. of September 7, 2017.

The only item on the agenda requiring shareholders' approval is the amendment of Article Seventh of the Company's Articles of Incorporation (please see Item 17, pages 11-12). The said amendment requires the affirmative vote of stockholders owning or representing at least 2/3 of the outstanding capital stock.

The Company will distribute the Definitive Information Statement and proxy form to shareholders no later than August 10, 2017. The proxy form contains the item to be voted on i.e. the Amendment of Article Seventh of the Articles of Incorporation, with space to vote "YES", "NO" or "ABSTAIN".

The voting at the Meeting will be by balloting. Shareholders who are present and did not submit proxies before the meeting will be given ballots upon registration. In the case of proxies submitted prior to the meeting, the proxy designated by the stockholder to represent them at today's meeting will be provided with ballots for casting in accordance with the stockholders' instructions, as indicated in the proxy.

The Corporate Secretary and Assistant Corporate Secretary will be responsible for the tabulation of votes at the Meeting. Results of the voting by shareholders will be announced for each item on the Agenda requiring the vote of shareholders. The tabulation and results of the voting shall be duly disclosed and shall be made available on the Company's website on the business day following the meeting.

This voting procedure shall also be announced at the start of the Meeting.

PART II.

PLEASE SEE SEPARATE PROXY FORM

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on July 21, 2017.

By:


BARBARA ANNE C. MIGALLOS
Corporate Secretary

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A PRINTED COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, AND THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER OF 2017 ON SEC FORM 17-Q, AS FILED WITH THE SEC, FREE OF CHARGE. ANY WRITTEN REQUEST SHALL BE ADDRESSED TO:

ATTY. BARBARA ANNE C. MIGALLOS

Corporate Secretary

*Unit 1206, East Tower, Philippine Stock Exchange Centre, Exchange Road,
Ortigas Center, Pasig City 1605*

PART II

PLEASE FILL UP AND SIGN THIS PROXY AND RETURN IMMEDIATELY TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY.

PROXY FORM

The undersigned stockholder of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "Company") hereby appoints _____ or in his/her absence, the **CHAIRMAN OF THE MEETING**, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Special Stockholders' Meeting** of the Company to be held on **September 7, 2017 at 2:30 p.m.** at **PSE Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila** (the "Meeting"), and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Amendment of Article Seventh of the Company's Articles of Incorporation to reduce the par value of common shares of the Company from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share, and to decrease the Authorized Capital Stock of the Company from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) each to One Billion Five Hundred Million Pesos (P1,500,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of Fifty Centavos (P0.50) each (Item 4 of Agenda of the Meeting).

YES

NO

ABSTAIN

2. The proxies named above are further hereby authorized to vote, at their discretion, upon such other matters as may properly come before the Meeting.

DATE OF PROXY	PRINTED NAME OF STOCKHOLDER
	SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

THIS PROXY SOLICITATION IS MADE BY OR ON BEHALF OF THE COMPANY. THIS PROXY SHOULD BE RECEIVED BY THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY AT THE COMPANY'S PRINCIPAL OFFICE ON OR BEFORE **AUGUST 29, 2017**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED BY THE PROXY HEREIN DESIGNATED FOR THE APPROVAL OF THE MATTERS STATED ABOVE.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. PROXIES EXECUTED BY BROKERS MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER. FORMS OF THE CERTIFICATION MAY BE REQUESTED FROM THE OFFICE OF SECURITIES TRANSFER SERVICES, INC. (TEL NO. [02]-4496157).

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON. THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS A SHORTED PERIOD IS INDICATED IN THE BOX HEREIN PROVIDED. _____

This solicitation is primarily by mail; however, personal solicitation may also be made by the officers, directors and representatives of the Company whose number is not expected to exceed fifteen and who receive no additional compensation therefor. The Company bears the cost, estimated not to exceed P3 million, of preparing and mailing this proxy form and other materials furnished to stockholders in connection with this proxy solicitation and the expenses of brokers who may mail such materials to their customers.

No director or executive officer, or associate of such director or executive officer, of the Company, at any time since the beginning of the last fiscal year, has, except as they may be shareholders of the Company, any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.

MANAGEMENT REPORT

I. Group Financial Statements

The audited financial statements of the parent company Alliance Select Foods International, Inc. (the "Parent") for the period ended May 31, 2017 in compliance with SRC Rule 68, as amended, are attached to the Information Statement and are incorporated by reference.

The Group's unaudited consolidated financial statements for the first five months of 2017 or the period ended May 31, 2017 will be uploaded on the Company's website (<http://allianceselectfoods.com/>) at least five (5) days before the Company's Special Stockholders' Meeting to be held on September 7, 2017.

II. Disagreements with Accountants on Accounting and Financial Disclosure

Reyes Tacandong & Co. ("RTC"), the Company's independent external auditors, audited the said financial statements of the Parent as of May 31, 2017.

RTC was first appointed as the Company's independent external auditors for the year 2015. RT succeeded Navarro Amper & Co. ("NAC"), who was the Company's independent auditors for 10 years prior to 2015. Other than that, there was no change in the Company's independent accountants during the three most recent calendar years or in any subsequent interim period.

There has been no disagreement with either RTC or NAC on accounting and financial disclosure.

III. The Company

Alliance Select Foods International, Inc. is a public corporation under Section 17.2 of the Securities Regulation Code (SRC) and was registered in the Philippine Securities and Exchange Commission (SEC) on September 1, 2003 as Alliance Tuna International, Inc. It started commercial operations in 2004 to engage in tuna processing, canning, and the export of canned tuna products in General Santos City, Mindanao, Philippines. On November 8, 2006, the Company's shares were listed on the PSE through an initial public offering. The name of the Company was changed to Alliance Select Foods International, Inc. on July 22, 2010 to reflect the Company's plan to diversify its product line and take advantage of its manufacturing expertise and global marketing channels to introduce new products.

The Company's key business activity is the processing, canning, and export of canned tuna. It exports its canned tuna products to Europe, North America, Asia, Africa, Middle East, and South America. It is primarily a "private label manufacturer" of canned tuna and processes and cans tuna in the institutional and retail pack can sizes using its customers' brands.

ASFII also produces fishmeal, which it sells to the domestic feeds market and to traders.

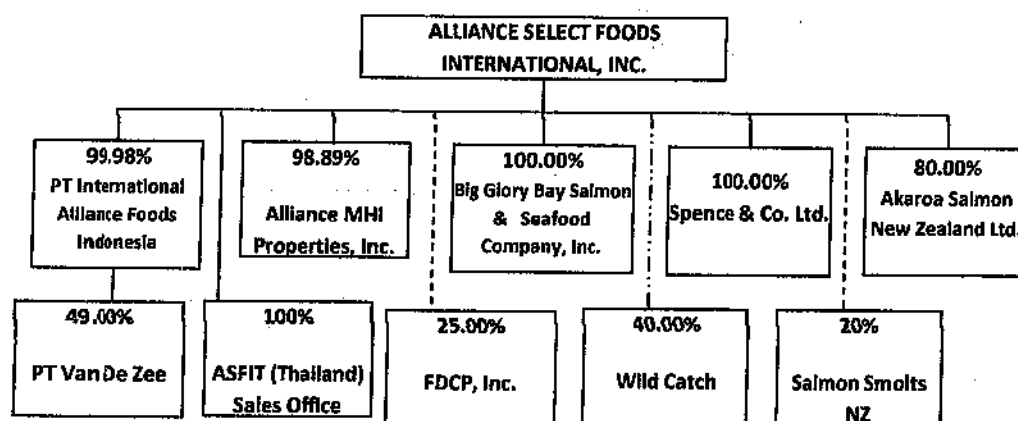
The following table presents the Company's major corporate milestones from the date of incorporation up to present:

Date	Milestone
September 2003	Incorporated as Alliance Tuna International, Inc.
May 2004	Opened a representative office in Bangkok, Thailand.
September 2005	Acquired 40.00% stake in FDCP, Inc. ("FDCP"), a tin can producing company in General Santos City, Mindanao, Philippines.
November 2006	Listed on the PSE.
May 2008	Established PT International Alliance Foods Indonesia ("PT IAFI") to expand tuna processing business to Indonesia.
January 2009	Acquired 39.00% stake in Prime Foods New Zealand, Ltd. ("PFNZ") (a smoked salmon processor based in New Zealand) in January and increased to 50.00% stake plus one (1) share in December 2009.
October 2009	Established Big Glory Bay Salmon & Seafood Company, Inc. ("BGB") to process salmon in the Philippines.
June 2010	Jointly established Alliance MHI Properties, Inc. ("AMHI") with Mingjing Holdings, Inc. ("MHI"). The Company owned a 40.00% stake in AMHI.
July 2010	Renamed the Company as "Alliance Select Foods International, Inc."
April 2011	Established ASFI Choice Foods, Inc. as an investment vehicle in the USA.
July 2011	Undertook its first stock rights offering to raise equity for the acquisition of Spence & Company Ltd. ("Spence").
August 2011	BGB processing plant started operations. Acquired 100.00% stake in Spence, a smoked salmon and seafood processor based in the US.
May 2012	Set up PT Van De Zee ("VDZ"), a subsidiary of PT IAFI in Indonesia, to diversify the Company's supply of tuna.
September 2012	Acquired six (6) fishing vessels (in addition to one fishing vessel previously acquired) from a commercial fishing company in the Philippines by virtue of "dacion en pago".
October 2012	Acquired 80.00% stake in Akaroa Salmon New Zealand Ltd. ("Akaroa") to expand operations to include fresh salmon farming.
January 2013	Established Alliance Select Foods Pte. Ltd. ("ASF"), a Singapore based wholly-owned subsidiary whose primary activity will be that of a general wholesaler and trader and an investment holding company. At present, this subsidiary is not operating.
March 2013	Jointly established Wild Catch Fisheries, Inc. ("WCFI") with CHL Fishing Industry, Inc. ("CHL") and CHL Construction & Development Enterprises, Inc. ("CHLC"). WCFI is a joint venture fishing company.
May 2014	Completed a private placement transaction with Strongoak Inc. to finance the Company's working capital requirements.

April 2015	Executed a Supplemental Agreement to the Joint Venture (JVA) with CHL and CHLC regarding WCFI on the basis of which, the Company shall have no further funding liability or obligation under the JVA.
May 2015	Cancelled the sale of vessels between the Company and WCFI resulting in the reversion of ownership of such vessels to the Company.
August 2015	Completed its second stock rights offering to increase working capital, repay loans and invest in capital expenditures including equipment.
October 2015	Divested from PFNZ and increased ownership interest in BGB from 68% to 100%.
November 2015	ASF I Choice Foods, Inc. was voluntarily dissolved.
December 2015	ASFII subscribed to preferred shares arising from the increase in authorized capital stock of AMHI, resulting in ASFII's 98.89% ownership of AMHI.
March 2016	ASFII approved the cessation of operations of PT Van Dee Zee.
May 2016	ASFII did not subscribe to the additional issuance of common shares by FDCP, resulting to a reduction of ASFII's ownership of FDCP to 25%
November 2016	ASFII subscribed to an additional 125,000,000 shares of BGB's increase in authorized capital stock.

The Company is a processor and exporter of canned tuna and smoked salmon. It commits to manufacture, in partnership with its global customers and local suppliers, high quality food products from naturally sustainable sources. As part of the Company's expansion strategy to secure its own raw materials, it invested in several companies that are into, among others, salmon farming.

The following presents the conglomerate map of the Company's operating subsidiaries and affiliates, including its corresponding percentage of ownership as of May 31, 2017.



The following discussion describes briefly the operating subsidiaries and affiliates of the Company:

On May 2004, the Company set up a marketing representative office in Bangkok, Thailand, to tap the network of buyers and brokers who use Thailand as a base to buy canned tuna.

On September 2005, the Company acquired a 40% stake in FDCP, a can-manufacturing company, to ensure the availability of quality cans at competitive prices and sustainable supply.

On May 2008, the Parent Company established a subsidiary PT IAFI which acquired the assets of an Indonesian tuna cannery located in Bitung, in the island of North Sulawesi. The Parent Company owns 99.98% of PT IAFI. A complete renovation of the factory and upgrade of capacity to 90 metric tons per day was undertaken. This investment in Indonesia allows PT IAFI access to rich Indonesian marine resources and expanded the combined operating capacity of the two canned tuna processing facilities to 230 metric tons per day. PT IAFI started operations in July 2009 and is primarily engaged in canned fish processing.

To ensure consistent supply of tuna, its primary raw material, PT IAFI set up PT Van de Zee (PT VDZ), a fishing company in Indonesia on May 2012 with an initial stake of 80%. In 2014, a new law in Indonesia required that domestic ownership in local entities be increased to at least 51%. Currently, PT IAFI owns 49% of PT VDZ. However, due to subsequent changes in Indonesian fishing regulations restricting foreign commercial fishing, VDZ is currently not in operation.

As part of the Parent Company's product diversification strategy, it invested in a New Zealand based processor of smoked salmon in January 2009. The initial investment of a 39.00% stake in PFNZ was later increased to 50% plus 1 share. PFNZ was originally engaged in the business of processing, manufacturing, and distributing smoked salmon and other seafood under the Prime Smoke and Studholme brand, for distribution in New Zealand and other countries. PFNZ also later operated as BGB's sales channel for its export sales. On October 2015, the Parent Company divested its interest in PFNZ.

On October 2009, the Parent Company and PFNZ established a joint-venture company called BGB that imports salmon from New Zealand, Chile and Norway, among others, and processes it in General Santos City, Mindanao, Philippines. The smoked salmon products from BGB are sold locally and abroad. On October 2015, the Parent Company accepted PFNZ's BGB shares as partial payment for PFNZ's payment obligations to the Parent Company, offsetting previous shareholders' advances made by the Parent Company to PFNZ. This had the effect of BGB now being a 100% subsidiary of the Company.

On June 18, 2010, AMHI, a property holding company, was established. The Parent Company owns a 40.00% stake in the affiliate, while MHI, a Filipino company, owns the remaining 60.00% stake. AMHI's registered address is at Purok Saydala, Barangay Tambler, General Santos City.

On November 11, 2015, the AMHI Board approved ASFII's application for subscription of 54,000,000 preferred shares arising from the increase in authorized capital stock of AMHI. AMHI's application for increase in capital stock to P60,000,000.00 divided into (i) 4,000,000 common shares with a par value of P1.00 per share and (ii) 58,000,000 preferred shares with a par value of P1.00 per share was approved by the Securities and Exchange Commission on December 23, 2015. ASFII now owns 98.89% of AMHI.

On August 10, 2011, the Parent Company acquired 100% of the issued share capital of Spence, located in Brockton, Massachusetts, USA. Spence, which became a wholly owned subsidiary of the Parent Company, specializes in the production of smoked salmon and other seafood. It is one of the leading salmon processors in the USA with extensive network of clients nationwide. Its products set the industry benchmark and are available in major supermarkets in the USA. The investment has given the Parent Company a beachhead to process and distribute smoked salmon products in the USA, the world's largest market for smoked salmon. The investment in salmon processing allows the Parent Company to diversify its product line to take advantage of the changing food consumption patterns around the globe, address the issue of sourcing raw materials, and improve overall margins and profitability.

On October 2012, the Parent Company acquired an 80% stake in Akaroa. With its principal office in Christchurch, New Zealand, Akaroa is engaged in the business of sea cage salmon farming and is among the pioneers of farmed salmon industry in New Zealand. It also processes fresh and smoked salmon and has established itself as the premium quality brand in the country over the years. Akaroa has been the recipient of various awards and accolades from New Zealand's food industry, the latest being the Cuisine Artisan Awards 2011 in which its Hot Smoked Salmon was declared the winner. It operates two marine farms in the pristine cold waters of Akaroa Harbor in the country's South Island to rear the King, or Chinook, salmon. Akaroa holds a 20% stake in Salmon Smolt NZ Ltd., a modern hatchery guaranteeing high quality and consistent supply of smolts (juvenile salmon) for Akaroa's farms.

In 2016, the Parent Company subscribed to the additional 125,000,000 shares of BGB when it increased its authorized capital stock. ASFII still maintains 100% ownership over BGB. On the other hand, the Parent Company did not subscribe to the additional issuance of 7,500,000 shares of FDCP thereby reducing its ownership to 25%.

PRODUCT LINES

The Company's products lines are composed of three (3) groups, namely, canned tuna, raw and smoked salmon, and fishmeal.

Canned Tuna

The Group's Tuna Division, comprised of ASFII and PT IAFI, sells canned tuna in solids, chunks, and flakes variants, packed in oil, brine, vegetable broth, or water.

The market for canned tuna is comprised of the institutional and retail markets. The difference between the two segments is the size of the cans used. The institutional pack can is referred to in the industry as "603". The standard amount of tuna or "drained weight" contained in this can size is between 1.75 and 1.85 kg, depending on customers' specifications. The end users of the institutional cans include restaurants, hotels, and commissaries.

The retail pack can, on the other hand, is referred to in the industry as the "307". The 307 can has a drained weight between 100 and 200 grams, and is sold to wholesalers, distributors, and food companies that have their own brands. The retail can is what consumers normally purchase in supermarkets and grocery stores.

To keep up with market trends and demands, ASFII started to offer a new retail can size, known as "211" in the middle of 2005. The 211 can has a standard drained weight between

90 and 100 grams. This can size is exported to selected European countries, Japan, and the US. In 2007, it introduced new can sizes with weights of 3 kilograms, 1 kilogram, and 90 grams. In 2008, the "401" can size with a drained weight of 280 grams was added. These products are sold primarily in Europe. Another recent introduction is the 5 oz. can with a drained weight of 100 grams. This can size is sold mainly in the US.

Smoked Salmon

BGB processes King, Atlantic, and Coho salmon species and manufactures them into smoked and raw products, which range from 50 to 200 grams per pack for retail size and 500 to 1,000 grams per pack for institutional size. These are frozen and vacuum packed, and sold as fillets, steak cuts, smoked slices, and smoked cocktail cuts, under different BGB-owned brands such as Prime New Zealand, Gold Standard, and Superfish. The finished products are marketed to supermarkets and other premium quality retail outlets in Singapore, Hong Kong, Japan, and Philippines, among others.

Spence's best-selling product is the retail-sized smoked salmon ranging from 4 to 16 oz. packets. It sells the traditional and classic smoked salmon to supermarkets in the US. Salmon species that the firm smokes include Atlantic and Sockeye. In addition to these traditional products, Spence also markets value added salmon products like Nova Lox, Gravlox Pastrami Salmon. These are mainly sold under the Spence brand.

Spence is also a very active player in packing retail-sized private label brands, chief among them is the private label brand of one of the more popular premium supermarket chain in the US. For one of the leading restaurants in the country, Spence produces value added smoked salmon in various flavors.

With the acquisition of Akaroa, the Group has added fresh salmon to its product line. These products are air-flown and delivered to major restaurants and hotels in New Zealand, Singapore, Philippines, USA, Hong Kong and Malaysia. In addition, Akaroa's smoked salmon has been an award winning product in the country and continues to set the benchmark in quality in New Zealand.

In April 2016, the Company started trading whole fish Salmon and selling it directly to both institutional accounts and wholesalers. Given the promising results, the Company started to also trade other sea food like Black Cod, Sea Bass, and US Scallops.

Fishmeal

Fishmeal is the by-product of the tuna canning and salmon processing operations. Except for the tuna and salmon loins that are used for canning and filleting, all other parts of the fish are processed to produce fishmeal that is sold as additives or primary ingredients for animal feeds.

Salmon By-Products

The Group's salmon subsidiaries also sell salmon by-products, either individually, or as part of others.

REVENUE BREAKDOWN

In 2016, the Company generated net revenues of around US\$ 59.9 million.

The percentage contribution to the Group's revenues broken down into major product lines for the period ended May 31, 2017 and for the three (3) years in the periods ended December 31, 2016, 2015 and 2014 are as follows:

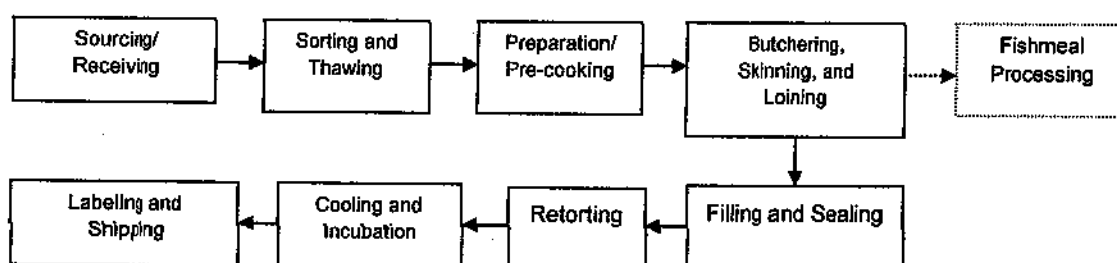
Product	May 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Canned Tuna	57%	56%	56%	59%
Fishmeal (Local)	2%	2%	4%	5%
Salmon	41%	42%	40%	37%
Total*	100%	100%	100%	100%

*Numbers might not add up due to rounding errors

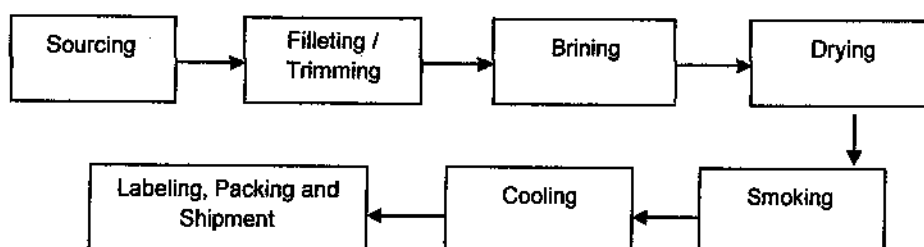
PRODUCTION PROCESS

The following diagrams present the different processes that the Company employs in producing canned tuna and smoked salmon in its processing facilities.

Canned Tuna



Smoked Salmon



IV. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of the Group's financial condition and results of operations and certain trends, risks, and uncertainties that may affect the Group's business. The discussion and analysis of the Group's results of operations is presented in four (4) comparative sections: a) The five (5) months ended May 31, 2017 with comparative figures as of December 31, 2016 and for the period ended May 31, 2016, whichever is relevant; b) the year ended December 31, 2016 with comparative figures as of December 31, 2015; c) the year ended December 31, 2015 compared with the year ended December 31, 2014; and d) the year ended December 31, 2014 compared with the year ended December 31, 2013.

Disclosure relating to liquidity and financial condition and the trends, risks, and uncertainties that have had or that are expected to affect revenues and income, completes the management's discussion and analysis.

The consolidated financial statements are presented in United States Dollar, the currency of the primary economic environment in which the Group operates.

Operating Performance

Five months Ended May 31, 2017 versus May 31, 2016

The table below shows the comparisons of key operating results for the five months period ended May 31, 2017 versus the same period in 2016.

In USD \$'000	For the Five Months Ended May 31	
	2017	2016
Revenue - net	\$28,101	\$26,324
Gross Profit	3,670	1,792
Gross Profit Margin	13%	7%
Selling and Administrative Expenses	2,848	2,701
Other Income	198	865
Other Expenses	108	186
Finance Costs	349	438
Income Before Tax	564	(668)
Income Tax Expense	214	(62)
Income for the Period	350	(606)
Attributable to:		
Equity holders of the parent	288	(609)
Non-controlling interest	62	3
	\$350	\$(606)

The Group's consolidated net revenues of \$ 28.1 million for the first five months of 2017 were 7% higher than the revenues of \$ 26.3 million for the first five months of 2016. The revenue increase is driven by growth in most of the subsidiaries, with the salmon business increasing by 17%, as Akaroa and BGB produced higher export and trading sales. However, the Group's revenue growth is offset by a decrease in PT IAFI sales due to the prohibitive regulations in Indonesia and the industry's continued struggle with fish sourcing in the region. In the first five months of 2017, about 59% of total revenues were contributed by tuna and fishmeal products and the remaining 41% were contributed by salmon products.

PT IAFI's struggle to contribute revenues and operating profits is similar to the struggle of other tuna canning companies in Indonesia. Indonesian fishing regulations have restricted foreign commercial fishing in Indonesian waters, resulting in higher fish prices and significantly insufficient supply for tuna canneries across Indonesia.

The Group's \$ 3.7 million of gross profit for the first five months of 2017 is 105% higher than the gross profit of \$ 1.8 million for the first five months of 2016. Gross margin for the total group was higher at 13% compared to 7% of prior year. The increase in gross profit is due to operational efficiencies in ASFI that resulted in increasing gross profit from a loss \$ 378k to a profit of \$ 1.5 million.

Selling and administrative expenses during the period increased by 5% compared to the same period last year to support increased sales.

Finance costs during the period declined by 20% compared to the same period last year due to the repayment of high cost bank loans. Furthermore, efficient working capital management has also contributed to the decline in finance costs during the period.

December 31, 2016 versus December 31, 2015

The table below shows the comparison of key operating results for the fiscal period ended December 31, 2016 versus the same period in 2015.

<i>Amount in US \$'000</i>	Years Ended December 31		
	2016	2015	% Change
Revenue	\$59,914	\$67,916	-12%
Gross profit	3,468	6,820	-49%
Gross margin	6%	10%	
Selling & administrative Expenses	6,771	9,772	
Normal selling & administrative			-31%
Provision for impairment	1,187	8,973	-87%
Other non-operating income			
Gain on acquisition of AMIHI & re-measurement of previously held interest	-	5,827	-100%
Finance Cost	869	1,903	-54%
Profit (Loss) for the year	(5,899)	(8,023)	-26%
Non-controlling interest	70	(1,630)	-104%
Profit(Loss) attributable to equity holders of the parent	(5,969)	(6,392)	-7%
Net Profit (Loss) Margin	-10%	-12%	

EBITDA	(2,760)	(5,107)	-46%
EBITDA margin	-5%	-9%	
Return on equity (ROE)	-17%	-21%	
Earnings (Loss) per share	(0.0024)	(0.0038)	-45%
Book value per share	0.0129	0.0152	-15%

The Group's consolidated revenues of \$ 60 million in 2016 were 12% lower than the revenues of \$ 68 million in 2015. In 2016, about 58% of total revenues were contributed by tuna-related products and the remaining 42% were contributed by salmon-related products. Revenues declined by 14% for the tuna-related products while revenues for the salmon-related products declined 8%. The revenue decline in the tuna business was due to the severe fluctuation in prices of raw materials. Shipments of canned tuna declined 12% to 630 full container loads (FCLs) in 2016 from 712 FCLs in 2015. The volume decline in canned tuna shipped was mainly attributable to the decline in sales volume of the PT IAFI by 40% to 66 FCLs in 2016 from 109 FCLs in 2015. The decline in PT IAFI's sales volume was a result of PT IAFI's difficulty in profitably matching market prices as fish costs have continuously increased due to the prohibitive fishing regulations in Indonesia.

The revenue decline in salmon-related products was due to the Company's divestment of its PFNZ shares, resulting to a loss of PFNZ as a customer, mitigated by a 34% increase in revenues from Akaroa. BGB has been intensifying its selling efforts in increasing its local customer base and developing new export clients to compensate for the lost volume from PFNZ.

The Group's gross profit of \$ 3 million in 2016 were 49% lower than gross profit of \$ 7 million in 2015. The gross profit ratio dropped to 6% in 2016 from 10% in 2015 due to the negative gross profit margin in the tuna business of 6% in 2016 from a positive 1% margin in 2015. The lower volumes sold, unexpected spike in raw materials, and price compression from competition caused the negative gross profit of the tuna business. The salmon business also experienced a decline in gross profits to 20% in 2016 from 25% due to higher raw material prices.

The frequent and persistent shut downs of PT IAFI is due to the high fish price in the region, resulting in an uncompetitive cost structure in the globally-competitive tuna canning market. PT IAFI's predicament is common to other tuna canning companies in Indonesia. Indonesian fishing regulations resulted to a ban on foreign commercial fishing in Indonesian waters practically impossible, resulting in higher fish prices and insufficient supply for tuna canneries across Indonesia.

The Group's normal selling and administrative expenses of \$ 7 million in 2016 were 31% lower than \$ 10 million in 2015. The ratio of normal selling and administrative expenses to sales decreased by 3 percentage points to 11% in 2016 from 14% in 2015. Over the past two years, the Group has successfully implemented measures to reduce operating expenses and have consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories are lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2016, the Group recognized the following provisions in its books:

- Inventory write-down and allowance for inventory obsolescence for the Group totaling \$ 794,010. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for impairment of other property, plant, and equipment and other assets amounting to \$ 314,320 primarily relating to the two (2) fishing vessels carried in ASFII Parent and PT VDZ's books.
- Provision for trade and other receivables amounting to \$ 79,049. The Group identified specific accounts that are doubtful of collection, considering historical collection and write-off experience, and provided a provision pertaining to the amounts deemed to be uncollectible.

The Group's finance costs of \$ 869k in 2016 were 54% lower than its finance costs of \$ 1.9 million in 2015. The decrease was due to the settlement of long-term loans of the Company using its short-term placements. Moreover, a portion of the SRO proceeds was utilized to retire high interest loans.

The Group managed to reduce net losses by 26% to \$ 6 million in 2016 from \$ 8 million in 2015.

Calendar Year 2015 compared to Calendar Year 2014

The table below shows the comparison of key operating results for the calendar years 2015 and 2014.

<i>Amount in US \$'000</i>	<i>Years ended December 31</i>		
	<i>2015</i>	<i>2014</i>	<i>% Change</i>
Revenue	\$ 67,916	\$ 81,262	-16%
Gross profit	6,820	7,880	-13%
Gross margin	10%	10%	
Selling & administrative expenses			
Normal selling & administrative expenses	9,477	8,720*	9%
Provisions for impairment	9,268	19,570*	-53%

Gain on acquisition of AMIHI & re-measurement of previously held interest	5,827		100%
Finance Cost	1,903	1,831	4%
Profit (Loss) for the year	(8,023)	(17,076)	-53%
Non-controlling interest	(1,630)	(640)	155%
Profit (Loss) attributable to equity holders of the parent	(6,392)	(16,436)	-61%
Net Profit (Loss) Margin	-12%	-21%	
EBITDA	(6,194)	(19,343)	-68%
EBITDA margin	-9%	-24%	
Return on equity (ROE)	-21%	-64%	
Earnings (Loss) per share	\$(0.0038)	\$(0.0122)	-69%
Book value per share	\$0.0152	\$0.0178	-14%

*Includes reclassification to align with 2015 presentation

The Group's consolidated revenues of \$68 million in 2015 were 16% lower than the revenues of \$81 million in 2014. The revenue decline is primarily due to lower volumes sold across the Group and secondarily due to lower prices for canned tuna products sold. In 2015, about 60% of total revenues were contributed by tuna and fishmeal products and the remaining 40% were contributed by salmon products. The volume decline in canned tuna shipped was mainly attributable to the decline in sales volume of PT IAFI by 52%. The decline in PT IAFI's sales volume was a result of PT IAFI's difficulty in profitably matching low canned tuna prices to high fish costs resulting from prohibitive fishing regulations in Indonesia. The revenue decline in salmon products was due to the Company's loss of PFNZ as a customer. PFNZ accounted for more than 50% of the revenues generated by BGB in 2014.

The Group's gross profit of \$7 million in 2015 were 13% lower than gross profit of \$8 million in 2014. The ratio of gross profit to sales of 10% remain unchanged in 2015 from 2014. The decline in the tuna business' gross profit were offset by the increase in the gross profit of the salmon business. From 5% in 2014, the gross margin of the tuna business was 2% in 2015 because of the high cost of raw materials, lower capacity utilization, and lower selling prices due to heavy discounts given by competitors. However, the decline in the gross margins of the tuna business was offset by an increase in the margins of the salmon business.

PT IAFI as well as other tuna canning companies in Indonesia have been similarly affected by fishing regulations that have restricted foreign commercial fishing in Indonesian waters. This has resulted in higher fish prices and significantly insufficient supply for tuna canneries across Indonesia. While management believes that unconventional sourcing strategies and cost saving initiatives will eventually reverse the financial performance of PT IAFI, it is struggling with fish sourcing and competitiveness in the meantime.

The Group's normal selling and administrative expenses of \$ 9.5 million in 2015 was 9% higher than \$ 8.7 million in 2014. The ratio of normal selling and administrative expenses to sales increased by 3.2% to 14% in 2015 from 10.7% in 2014. The increase represents costs relating to aggressively expanding the sales team and strengthening the management team. The increase was partially offset by cost-saving initiatives.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories is lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2015, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$ 5.3 million. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for impairment of other property, plant, and equipment and other assets amounting to \$ 3.65 million primarily relating to the two (2) fishing vessels and fishing license carried in PT VDZ's books. In 2015, Indonesian fishing regulators prohibited VDZ to operate said vessels. The Company believes that the fishing license is unlikely to be renewed given Indonesia's regulatory environment. Without the legal approval to operate in intended fishing grounds, the book value of VDZ's vessels and fishing license are unlikely to be recovered. Furthermore, some property, plant, and equipment used by PT IAFI are similarly impacted by said Indonesian regulations, resulting to additional provision for impairment.
- Provision for trade and other receivables amounting to \$ 0.32 million. The Group identified specific accounts that are doubtful of collection, considering historical collection and write-off experience, and provided a provision pertaining to the amounts deemed to be uncollectible.
- Provision for impairment of the investment in FDCP amounting to \$ 0.25 million. The Group is the sole customer of FDCP. Due to the Group's sourcing from alternative can suppliers, the Group believes that the book value of its investment in FDCP is unlikely to be recovered.

The Group's finance costs of \$ 1.9 million in 2015 were 4% higher than \$ 1.8 million in 2014. Management is taking several measures to reduce the Group's cash conversion cycle and subsequently reduce its financing costs. A portion of the SRO proceeds was utilized to retire high interest loans.

The Group's ownership increase in AMHI from 40% to 98.89% led to a re-measurement of previously held interest and a gain on acquisition amounting to \$5.8 million.

The Group managed to reduce net losses by 53% to \$ 8.0 million in 2015 from \$ 17.1 million in 2014.

Calendar Year 2014 compared to Calendar Year 2013

The table below shows the comparison of key operating results for the calendar years 2014 and 2013.

Amount in US \$'000	Years Ended December 31		
	2014	2013	% Change
Revenue	\$81,262	\$84,328	-4%
Gross profit	7,880	7,328	8%
Gross margin	10%	9%	
Selling & administrative Expenses *	8,115	8,477	-4%
Normal			
Non-recurring expenses	20,175	1,538	1,212%
Finance Cost	1,831	1,761	4%
Profit (Loss) for the year	(17,076)	(2,919)	-485%
Non-controlling interest	(640)	(338)	-89%
Profit(Loss) attributable to equity holders of the parent	(16,436)	(2,581)	-537%
Net Profit (Loss) Margin	-21%	-4%	
EBITDA	(19,343)	(248)	-7,670%
EBITDA margin	-23.8%	-0.3%	
Return on equity (ROE)	-64%	-9%	
Earnings (Loss) per share	(\$0.0121)	(\$0.0024)	-404%
Book value per share	\$0.0178	\$0.0262	-32%

*As previously reported

The Group's consolidated revenue reached \$ 81.3 million which was a 4% decrease from \$ 84.3 million the previous year. Almost two thirds of the total revenue were contributed by the tuna business while the rest was contributed by the salmon business. Revenues of the tuna business declined by 9% to \$ 52 million while revenues of the salmon business grew by 9% from \$ 27 million to \$ 30 million due to an increase in sales volume. Shipments of canned tuna totaled 823 containers versus 734 last year or an increase of 12%. Although despite higher sales volume, net revenues declined by 9% due to lower selling prices of \$58k per FCL versus \$72k in 2013. The lower selling price was brought about by a drop in raw material prices worldwide.

The year 2014 has been the most challenging year of the Group due to drastic and unprecedented drop of tuna prices in the global markets which led to pricing pressures on canning plants. After reaching a historical high of \$ 2,390 per MT in April 2013, global raw material prices experienced a free fall in 2014, losing half of its value by April 2014 when it went down to \$ 1,150 per MT. Most part of the year was spent waiting for demand to come

in while the spread between the fish buying price and selling prices stayed within a very narrow band.

The Group's gross profit increased by \$ 551k or 8% from \$ 7.3 million to \$ 7.9 million. Gross margin of the tuna business declined by 1%, from 6% to 5%, while the salmon business increased from 14% to 18%, bringing the combined gross margin to 10% from 9% last year.

Save for non-recurring expenses, the Group was able to cut Selling and Administrative expenses by 4% from \$ 8.5 million to \$ 8.1 million as a result of a cost cutting program that the Group underwent during the period.

For the year 2014, the Group took a conservative and prudent position by recognizing non-recurring expenses amounting to \$ 20.2 million comprising mainly of the following items:

- Inventory write down to its market value and allowance for inventory obsolescence for the Group totaling \$ 3.2 million. These write-downs were attributable to the volatility in raw material prices leaving the Group with finished goods produced at much higher costs relative to the market prices of finished goods by year end. In response to this situation, the management decided to take the prudent position of ensuring raw materials are matched with orders. This means that only product for booked orders will be produced.
- Provision for impairment of the value of three (3) fishing vessels amounting to \$ 7.8 million carried in the Company books in accordance with the provision of IAS 36 on impairment of assets. This is likewise in line with the strategic direction of management regarding its plan for fishing operation.
- Provision for impairment of ASFI's receivable from Wild Catch (WCFI) as a result of the amendment of the joint venture agreement between the two parties following the sinking of one fishing vessel last September 2014. The receivable is comprised of the sale of three (3) fishing vessels and various advances to WCFI totaling \$ 8.45 million. ASFI likewise wrote down its investment in WCFI amounting to \$ 39,279. Subsequently, a supplemental agreement was signed between WCFI & ASFI to cancel the deed of sale of the three (3) vessels and to return the vessels back to ASFI was executed as mentioned above.

The Group's finance cost increased by 4% or \$ 70k while the share in equity in net earnings of associates and joint ventures amounted to a loss of \$ 155k compared to previous year's income of \$36k.

For the CY 2014, the Group ended up with a net loss of \$ 17.1 million versus last year's loss of \$ 2.9 million.

Financial Condition, Liquidity, and Capital Resources

May 31, 2017 compared to December 31, 2016

<i>Amount in US \$'000</i>	May 31, 2017	December 31, 2016	% Change
Cash & cash equivalents	\$ 2,880	\$ 7,396	-61%
Receivables	8,155	6,725	21%
Inventories	10,481	7,954	32%
Other current assets	3,367	1,530	120%
Total Current Assets	24,883	23,605	5%
Property & Equipment	17,005	17,007	0%
Total Assets	\$ 61,117	\$ 59,861	2%
Trade and Other Payables	8,236	6,070	37%
Short-term loans payable	19,497	20,830	-6%
Total Current Liabilities	27,974	27,128	3%
Total Liabilities	28,652	27,749	3%
Total Stockholders' Equity (SE)	32,465	32,112	1%
Total Liabilities & SE	\$ 61,117	\$ 59,861	2%

Changes in current assets:

61% decrease in Cash due to the repayment of high cost bank loans, and working capital requirements to support higher production volume in June. Higher revenues for the first five months of 2017 compared to the fourth quarter of 2016 resulted in a 21% increase in Trade and other receivables. Inventories increased by 32% due to higher raw material costs, and higher finished goods for June shipment. 120% increase in Other current assets primarily due to prepayments for non-fish raw materials.

Changes in liabilities:

37% increase in Trade and other payables is due to higher raw material costs. Settlement of high cost loans resulted in a 6% decrease in Short-term loans payable.

	May 31, 2017	December 31, 2016
Current Ratio	0.89	0.87
Debt-to-equity Ratio	0.88	0.80

December 31, 2016 compared to December 31, 2015

<i>Amount in US \$'000</i>	As at December 31		
	2016	2015	% Change
Cash & cash equivalents	\$ 7,396	\$ 17,595	-58%
Receivables	6,725	5,374	25%
Inventories	7,954	6,722	18%
Other current assets	1,530	1,097	39%
Total Current Assets	23,605	30,788	-23%
Property & Equipment	17,007	17,917	-5%
Total Assets	\$ 59,861	\$ 68,538	-13%
Trade and Other Payables	6,070	5,731	6%
Short-term loans payable	20,830	21,840	-5%

Total Current Liabilities	27,128	27,786	-2%
Total Liabilities	27,749	30,474	-9%
Total Stockholders' Equity (SE)	32,112	38,064	-16%
Total Liabilities & SE	\$ 59,861	\$ 68,538	-13%

Changes in current assets: 58% decrease in Cash due to the application of proceeds from the Stock Rights Offering (SRO) to the Group's working capital requirements and repayment of high interest loans. Trade and other receivables increased by 25% primarily due to an increase in 4th quarter sales that will be collected in 2017. 18% increase in Inventories was due to goods produced in 2016 that will be sold in 2017. Advance payments to vendors resulted in a 104% increase in Other current assets.

Changes in non-current assets:

5% decrease in Property & Equipment due to the impairment of two (2) fishing vessels. There was no impairment of goodwill recognized during the year.

Changes in liabilities and equity:

Obligations with various suppliers of raw materials and supplies resulted in a 6% increase in Trade and Other Payables. 5% decrease in Loans Payable and 97% decrease in Loans Payable – net of current portion is due to the settlement of various loans. Equity decreased by as a result of the decrease in Retained Earnings.

Amounts as of December 31	2016	2015
Current Ratio	0.87	1.11
Debt-to-equity Ratio	0.86	0.80

The Group's financial liquidity profile declined in 2016 due to the application of proceeds from the Stock Rights Offering to the Group's working capital requirements.

December 31, 2015 compared to December 31, 2014

<i>Amount in US \$'000</i>	<i>As at December 31</i>		
	<i>2015</i>	<i>2014</i>	<i>% Change</i>
Cash & cash equivalents	\$ 17,595	\$ 2,426	625%
Receivables	5,374	9,798	-45%
Inventories	6,722	18,788	-64%
Other current assets	1,097	1,727	-36%
Total Current Assets	30,788	32,738	-6%
Property & Equipment	17,917	13,227	35%
Total Assets	\$ 68,538	\$ 65,847	4%
Trade and Other Payables	5,731	9,040	-37%
Short-term loans payable	21,840	29,201	-25%
Total Current Liabilities	27,786	38,396	-28%
Total Liabilities	30,474	42,516	-28%
Total Stockholders' Equity (SE)	38,064	23,331	63%
Total Liabilities & SE	\$ 68,538	\$ 65,847	4%

Changes in current assets: Lower group revenues have led to a 45% decrease in Receivables. The Group has recognized allowances, write downs, and impairments resulting

in a 64% decrease in Inventories. Lower prepayments for raw materials as of end 2015 led to a 36% decrease in Other Current Assets.

Impact of Stock Rights Offering: The 625% increase in cash & cash equivalents was due to the proceeds of the SRO in August 2015. The proceeds were partially used to settle outstanding obligations, contributing to the 37% decrease in Trade and Other Payables. Furthermore, the proceeds were also used to settle other obligations such as bank loans, leading to the decline in short-term loans payable of 25% and total liabilities of 28%. The SRO has also contributed to the increase in Total Stockholders' Equity by 63%.

The consolidation of AMHI as a subsidiary of the Company has led to the recognition of AMHI's land as part of property, plant, and equipment, contributing to the 35% increase in the property, plant, and equipment account.

Amounts as of December 31	2015	2014
Current Ratio	1.11	0.85
Debt to equity Ratio	0.80	1.82

The Group significantly improved its financial stability and liquidity profile in 2015 due to the infusion of the proceeds from the SRO in August 2015.

December 31, 2014 compared to December 31, 2013

Balance Sheet Highlights	Years Ended December 31		
	2014	2013	% Change
<i>Amount in US\$'000</i>			
Cash & cash equivalent	\$2,426	\$1,568	55%
Receivables	9,303	16,162	-42%
Inventories	18,788	14,437	30%
Prepayments and CA	1,557	1,364	14%
Total Current Assets	32,772	34,563	-5%
Property & Equipment	13,227	21,127	-37%
Goodwill	9,503	9,503	0%
Other Non-current assets	1,986	1,832	8%
Total Assets	\$65,847	\$69,460	-5%
Trade and Other Payables	9,040	7,332	23%
Bank Loans	29,201	28,610	2%
Total Current Liabilities	38,396	36,314	6%
Total Liabilities	42,516	41,773	2%
Total Stockholders' Equity	23,331	27,687	-16%
Total Liabilities & SE	\$65,847	\$69,460	-5%

The Groups' total assets as of December 31, 2014 decreased by 5% to \$65.8 million mainly due to decrease in property and equipment as a result of the write off of three (3) fishing vessels and decrease in Receivables by 42% primarily due to the write off of receivables from WCFI.

For the year ended December 31, 2014 the Group posted a current ratio of 0.85:1

There was no impairment of goodwill recognized during the year.

Total liabilities slightly increased by 2% from \$41.8 million to \$42.5 million. Trade and other payables increased by 23%. The other change was a reduction in long term loans from \$4.6 million as of December 31, 2013 to \$3.4 million as of December 31, 2014. This decrease was due to amortization of principal of long term loans.

The hike in share capital and reserves represents the fresh capital infusion by StrongOak, Inc. last May, 2014. However, due to the loss incurred during the year, total equity declined by 16%. The Group ended in a deficit position of \$15.2 million.

Debt to equity ratio as of December 31, 2014 posted at 1.82:1.

Plan of Operation

The Group does not foresee any cash flow or liquidity problem over the next twelve (12) months. It is in compliance with its loan covenant pertaining to debt-to-equity ratio. It is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the Group with entities or other persons created during the reporting period that would have significant impact on the Group's operations and/or financial condition.

As of December 31, 2016, there were no other material events or uncertainties known to management that could have a material impact on the future operations, in respect of the following:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Group;
- Known trends, events, uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations;
- Significant elements of income or loss that did not arise from the Group's continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Key performance indicators

The Company uses the following key performance indicators to assess the Company's financial performance from period to period.

	For the period ended December 31				For the 5-month ended May 31
	2013	2014	2015	2016	2017
Liquidity and Solvency					
Current ratio	0.95	0.85	1.11	0.87	0.89
Debt to equity ratio	1.51	1.82	0.80	0.80	0.88
Profitability					
Revenue growth rate	2.4%	-3.6%	-16.4%	-11.8%	6.7%
Net profit margin	-3.5%	-21.0%	-11.8%	-10.0%	1.0%
Return on average stockholders' equity	-8.8%	-64.4%	-20.8%	-17.0%	0.9%

The following defines each ratio:

- The revenue growth rate is the Group's increase in revenue for a given period. This growth rate is computed from the current revenue less revenue of the previous year, divided by the revenue of the previous year. The result is expressed in percentage.
- The net profit margin is the ratio of the Group's net income attributable to equity holders of the parent versus its net revenue for a given period. This is computed by dividing net income after tax by net revenue. The result is expressed in percentage.
- The total liabilities to equity ratio are used to measure debt exposure. It shows the relative proportions of all creditors' claims versus ownership claims. This is computed by dividing total liabilities by total stockholders' equity. The result is expressed in proportion.
- The return on average stockholders' equity ratio is the ratio of the Group's net income attributable to equity holders of the parent to the average stockholders' equity. This measures the management's ability to generate returns on investments. This is computed by dividing net income attributable to equity holders of the parent by the average stockholders' equity. The result is expressed in percentage.

V. Number of Holders of Each Class of Common Security

As of December 31, 2016, there are 2,499,712,463 outstanding and issued common shares of the Company, exclusive of 287,537 treasury shares. The Company does not have any class of shares other than common shares.

VI. Names of the Top Twenty (20) Shareholders of Each Class

The top twenty (20) stockholders of the Company as of May 31, 2017 are the following:

Name	No. of shares	% ownership
1. PCD Nominee Corporation (Filipino)	2,011,005,198	80.45%
2. Harvest All Investment Limited	177,261,165	7.09%
3. Victory Fund Limited	138,474,015	5.54%
4. PCD Nominee Corporation (Foreign)	91,099,242	3.64%
5. Albert Hin Kay Hong	39,071,537	1.56%
6. Bondeast Private Limited	13,023,411	0.52%
7. Kawsek Jr., Peter	4,538,646	0.18%
8. FCF Fishery Co. Ltd.	3,975,370	0.16%
9. Cordova, Michael W.	3,805,000	0.15%
10. S. Chandra Das	2,804,760	0.10%
11. Carlos Damaso Perez Laurel	2,500,000	0.10%
12. Oriental Tin Can & Metal Sheet Mfg.	2,210,385	0.09%
13. FDCP, Inc.	1,894,045	0.08%
14. Cheng, Berck Yao	1,200,000	0.05%
15. Tri-Marine International (Pte) Ltd.	1,170,472	0.05%
16. Angping, Jerry C.	1,000,000	0.04%
17. Damalerio Fishing Corp.	920,656	0.04%
18. DFC Tuna Venture Corporation	617,248	0.02%
19. Phil. Fisheries Development Authority	346,207	0.01%
20. Amadeo Fishing Corp.	294,874	0.01%

Please note that the 2,011,005,198 shares reflected above for PCD Nominee Corporation (Filipino) include the 1,382,765,864 shares (55.32%) of Strongoak, Inc. and the 112,170,283 shares (4.49%) of Mingjing Holdings, Inc.

There is no action to be taken at the 07 September 2017 Special Stockholders' Meeting with respect to an acquisition, business combination or other reorganization that will affect the amount and percentage of present holdings of the Company's common equity owned beneficially by (i) any person or group who is known to the Company to be the beneficial owner of more than five percent (5%) of any class of the registrant's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares of any class of its common equity, if any.

VII. Directors

Board of Directors

Director	Nationality	Position	Age	Year Position was Assumed
Antonio C. Pacis	Filipino	Chairman of the Board	76	2014
George E. Sycip	American	Vice Chairman	60	2004
Raymond K.H. See	Filipino	Director, President & CEO	49	2014
Marie Grace T. Vera	Filipino	Director	36	2014

Cruz				
Joseph Peter Y. Roxas	Filipino	Director	55	2016
Erwin M. Elechicon	Filipino	Independent Director	57	2016
Dobbin A. Tan	Filipino	Independent Director	53	2016

ANTONIO C. PACIS - 76, Filipino citizen; Chairman of the Board

Mr. Pacis obtained his law degree from the Ateneo Law School in 1965 and his Master of Law degree from the Harvard Law School in 1967.

He is on the Board of Directors at OCLP Holdings Inc., BDO Unibank, Inc., Paluwagan NG Bayan Savings Bank, Armstrong Pacific Co., Inc., Legisforum, Inc., Technology Investment Co., Inc. and Central Colleges of The Philippines.

He is Chairman of the Board of Directors at Asian Silver Estate, Inc., International Social Service Philippines, Inc., Amigo Holdings, Inc., Asian Waterfront Holdings, Inc., Mantle Holdings, Inc., and Corporate Secretary for Armstrong Securities, Inc., EBC Strategic Holdings Corp., and Paluwagan NG Bayan Savings Bank.

Mr. Pacis has been practicing law since 1965 and continues to practice at Pacis and Reyes Law Office and was a professor of law at the Ateneo Law School.

GEORGE E. SYCIP - 60, American citizen; Vice-Chairman

Mr. Sycip received his BA 'With Distinction' in International Relations/Economics from Stanford University and his Master in Business Administration Degree from the Harvard Business School

Mr. Sycip is the Director and Principal of Galaxaco China Group, a project doing business in China, and Halanna Management estate investment and development and consultancy firm serving American, European and Asian clients' estate investment and development company. Mr. Sycip currently serves on the Boards or Advisory Boards of several companies and institutions. In Asia, these include Beneficial-PNB Life Insurance, Medtecs Corporation, and Cityland Development Corporation. In the U.S., he is on the Board of the Bank of the Orient, Arasor International, the California Asia Business Council, and the International Institute for Rural Reconstruction, Give2Asia, and Stanford University's Institute for International Studies.

RAYMOND K. H. SEE - 49, Filipino citizen; Director, President & CEO

Mr. See graduated from De La Salle University in 1989 with a degree in B.S. Industrial Management Engineering, minor in Mechanical Engineering.

Prior to joining the Company, Mr. See was a former executive from Pilipinas Shell Petroleum Corporation. He rose from the ranks in his 24 year stay in the said company. Mr. See was the Senior Vice-President for Operation of the Company before being appointed as President & CEO of the Company on December 8, 2014.

MARIE GRACE T. VERA CRUZ - 36, Filipino citizen; Director

Ms. Vera Cruz holds an MBA from London Business School and a Bachelor's Degree in Business Economics from the University of the Philippines, where she graduated Magna cum Laude.

Ms. Vera Cruz is the Managing Director of Seawood Resources, Inc., an investment company based in the Philippines. She is also the President of Strongoak, Inc. Prior to Seawood and Strongoak, Ms. Vera Cruz was a consultant at McKinsey & Co.

JOSEPH PETER Y. ROXAS - 55, Filipino citizen; Director

Mr. Roxas graduated from the Ateneo de Manila University in 1983 with a Bachelor's degree in Economics. He also has MBA units from the Ateneo de Manila University Graduate School.

Mr. Roxas is President of Eagle Equities, Inc. since 1996. He is also presently a Director of DFNN, Inc., a listed company in the Philippine Stock Exchange, and of Kimquan Trading Corporation, a privately held company. He is also a Director of the Association of Securities Analysts of the Philippines since 2000. Mr. Roxas was with R. Coyuito Securities as Assistant Vice President for Research from 1993 to 1995, and Investment Officer from 1987 to 1992.

ERWIN M. ELECHICON - 57, Filipino citizen; Independent Director

Mr. Elechicon holds a Bachelor of Arts Degree in Economics, *cum laude*, from the Ateneo de Manila University in 1979. He attended courses in Finance at the Columbia Business School; and in Marketing at Kellogg School of Management.

Mr. Elechicon was with the Procter & Gamble Company (P&G) for over 26 years. He has had local and regional responsibilities at P&G across Asia, and has lived in Singapore, Mumbai, Kuala Lumpur and Ho Chi Minh City as well as Manila. He was also President and General Manager of two Jollibee Foods Corporation subsidiaries, Greenwich Pizza Company and Chowking. He is currently the Chairman and co-founder of Assurant BPO Solutions, Inc., a Makati-based company providing business and knowledge process outsourcing and managed services solutions to a broad range of clients. He is also a director of U-Bix Corporation, one of the largest integrated office systems and service providers in the Philippines. He has been a Director of Petronas Dagangan Berhad (Malaysia) since August 2014. He is also Chairman of Silver Machine Digital Communications, Inc., a Member of the Board of Trustees of Ateneo de Iloilo - Sta. Maria Catholic School, and President and Trustee of P&Gers Fund, Inc.

DOBBIN A. TAN - 53, Filipino citizen; Independent Director

Mr. Tan graduated from the Ateneo de Manila University in 1985 with a Bachelor of Science degree in Management Engineering. He obtained his Master's degree in Business Administration from the University of Chicago, Booth School of Business in 2013. Mr. Tan also attended a Management Development Program of the Asian Institute of Management in 1990, and a Strategic Business Economics Program of the University of Asia and the Pacific in 2001.

Mr. Tan is presently Chief Executive Officer of New Sunlife Ventures, Inc. He was Managing Director and Chief Operating Officer of Information Gateway from 2002 to 2012. Mr. Tan also served as Vice President for Marketing of Dutch Boy Philippines from 2000 to 2002, President of Informatics Computer College from 1997 to 2000, Assistant Vice President for Marketing of Basic Holdings from 1994 to 1997, Operations Manager of DC Restaurant Management Systems from 1990 to 1994, and Senior Financial Analyst/ Corporate Planning Manager for San Miguel Corporation from 1985 to 1990. He is also President of the Information Gateway Group and Red Rock Security, Inc.

VIII. **Executive Officers**

Officer	Nationality	Position	Age	Year Position was Assumed
Raymond K.H. See	Filipino	President & CEO	48	2014
Lisa Angela Y. Dejadina	Filipino	SVP – Operational Excellence and Business Development	33	2014
Barbara Anne C. Migallos	Filipino	Corporate Secretary	61	2015
Edgardo S. Cabalde	Filipino	Treasurer, Chief Financial Officer, and Chief Information Officer	45	2017 (Elected July 20, 2017; effective August 14, 2015)
Ma. Kristina P. Ambrocio	Filipino	Asst. Corporate Secretary and Compliance Officer	38	2015
Maria Cristina C. Villaruz	Filipino	Asst. Treasurer	45	2017 (Elected on June 15, 2017)

RAYMOND K.H. SEE – 49, Filipino citizen; President & CEO.

Mr. See graduated from De La Salle University in 1989 with a degree in B.S. Industrial Management Engineering, minor in Mechanical Engineering.

Prior to joining the Company, Mr. See was a former executive from Pilipinas Shell Petroleum Corporation who rose from the ranks in his 24 year stay in the said company. Mr. See was the Senior Vice-President for Operation of the Company before being appointed as President and Chief Executive Officer of the Company on December 8, 2014.

LISA ANGELA Y. DEJADINA – 33, Filipino citizen; Senior Vice President for Operational Excellence and Business Development

Ms. Dejadina has a degree in B.S. Industrial Engineering from the University of the Philippines where she graduated in 2005.

Prior to joining the Company, Ms. Dejadina worked at Pilipinas Shell Petroleum Corporation where she covered various roles contributing to ten years of solid work experience in the

petroleum industry in the areas of fuel depot operations, Health, Safety, Security and Environment (HSSE) management, and business support functions (business development, logistics, and learning & development).

BARBARA ANNE C. MIGALLOS – 61, Filipino citizen; Corporate Secretary.

Ms. Migallos graduated cum laude from the University of the Philippines, with a Bachelor of Arts degree, and finished her Bachelor of Laws degree as cum laude (salutatorian) also at the University of the Philippines. She placed third in the 1979 Philippine Bar Examination.

Ms. Migallos was elected as Corporate Secretary of the Company on July 6, 2015. She is Director and Corporate Secretary of Philex Mining Corporation and Philex Petroleum Corporation, and Corporate Secretary of Nickel Asia Corporation and Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation and Philippine Resins Industries, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. She is a professorial lecturer in Corporations Law, Insurance, Securities Regulation and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

EDGARDO S. CABALDE – 45, Filipino citizen; Treasurer, Chief Financial Officer, and Chief Information Officer.

Mr. Cabalde is a Certified Public Accountant and a Certified Management Accountant by profession. He obtained his Bachelor of Science degree in Accountancy from the University of Sto Tomas in 1994. Thereafter, he took Masters in Business Administration at the De La Salle University where he is candidate for completion of the course.

Mr. Cabalde brings to the Group more than two decades of experience from various finance positions held in different industries and practice. He was the General Manager - Finance (Deputy CFO) of Isla Petroleum & Gas Corp in 2016 to 2017. Prior to joining Isla Petroleum, he was the Cluster Distribution Finance Manager for the Philippines and North Pacific Islands of Pilipinas Shell Petroleum Corp., and later, Project Finance Manager to LNG Special Project Advisor for Shell Philippines Exploration B.V. from 2004 to 2017. He was also the Financial Planning & Controlling Manager of BMW Group Philippines, Inc. from 2000 to 2004.

MA. KRISTINA P. AMBROCIO - 38, Filipino citizen; Assistant Corporate Secretary and Compliance Officer

Ms. Ambrocio graduated from the Ateneo de Manila University in 2001 with a major in Philosophy, and minor in Humanities. She obtained her law degree in 2005 from the University of the Philippines. Ms. Ambrocio also completed an Advanced Intellectual Property Law course at the Institute of European Studies of Macau in 2006.

Prior to joining the Company, Ms. Ambrocio was Corporate Counsel and Assistant Corporate Secretary of Chevron Philippines, Inc.

MARIA CRISTINA C. VILLARUZ - 45, Filipino Citizen; Assistant Treasurer

Ms. Villaruz has held multiple finance positions in the food, fishing and aquaculture industries. Prior to joining the Company, she headed Alsons Aquaculture Corporations' Budget, Financial Analysis and Cost Control Department. Ms Villaruz is a graduate of the University of the Philippines in the Visayas, with a Major in Accounting. She is also a Certified Public Accountant.

IX. Market Price of the Issuer's Common Shares

The common shares of the Company are traded on the PSE under the symbol FOOD. The Company's common stock was first listed on the PSE on November 8, 2006.

The table below sets out the high and low sales prices for the Company's common shares as reported on the PSE for the periods indicated.

	2014		2015		2016		2017	
	High	Low	High	Low	High	Low	High	Low
Q1	1.35	0.96	1.33	1.04	0.81	0.57	0.99	0.82
Q2	1.66	1.20	1.10	1.01	1.01	0.70	0.90	0.79
Q3	1.46	1.22	1.05	0.91	1.35	0.80	n/a	n/a
Q4	1.30	1.09	0.96	0.61	1.06	0.79	n/a	n/a

On December 29, 2016, the last trading day for 2016, the closing price for FOOD was P0.85 per share. On May 31, 2017, the closing price for FOOD was P0.83 per share.

X. Dividends

The Company is authorized to declare and distribute dividends to the extent it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Dividends declared in the form of cash or additional shares are subject to approval by the Company's Board of Directors.

In addition to Board approval, dividends declared in the form of additional shares are also subject to the approval of the Company's shareholders representing at least two-thirds (2/3) of the outstanding capital stock. Holders of outstanding common shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares. SEC approval is required before any property or stock dividends can be distributed. While there is no need for SEC approval for distribution of cash dividends, the declaration of cash dividends must be immediately disclosed to the SEC and the PSE in accordance with the SRC Rule 17.

The Company has not adopted a specific dividend policy. Nevertheless, the Company has declared dividends for the years 2007, 2008, 2009, and 2011.

On June 26, 2007, the Company declared a 12.00% stock dividends corresponding to 64,177,449 shares with a value of US\$3.00 million to all stockholders of record as of November 20, 2007, where stocks were subsequently issued on December 17, 2007.

On December 3, 2008, the Company declared cash dividends of Two Centavos (₱0.02) per share with a value of US\$252,286.00 to all stockholders of record as of January 7, 2009 out of the unrestricted retained earnings. The cash dividends were paid on February 2, 2009.

On December 4, 2009, the Company declared cash dividends of two centavos (₱0.02) per share with a value of US\$258,430.00 to all stockholders of record as of January 8, 2010 out of the unrestricted retained earnings. The cash dividends were paid on February 3, 2010.

On August 1, 2011, the Board of Directors of the Company and its stockholders representing at least two-thirds ($\frac{2}{3}$) of its outstanding capital stock, approved the increase in the Company's authorized capital stock from ₱950,000,000.00 to ₱1,500,000,000.00, of which ₱137,500,000.00 was subscribed and paid by way of stock dividends out of the Company's unrestricted retained earnings as of December 31, 2010. The increase in capital stock was approved by the SEC on November 25, 2011 and the issuance of the 15.78% stock dividend was completed on January 25, 2012.

In the future, the Company intends to continue to pay dividends out of its unrestricted retained earnings. The ability to pay dividends, and the amount of such, however, shall depend on the Company's retained earnings, cash flow requirements, financial condition, capital expenditures, and investment requirements during the relevant period.

XI. **Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction**

There are no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

XII. **Corporate Governance**

The Company believes that corporate governance is a necessary component of what constitutes sound strategic business management, and therefore undertakes all efforts necessary to create awareness within the organization.

The Company's corporate governance principles and practices are principally embodied in the Company's Articles of Incorporation, By-Laws and its amendments, and Manual on Corporate Governance. The Company complies with the Revised Code of Corporate Governance set by the Securities & Exchange Commission (SEC) and the Corporate Governance Guidelines and Listing Rules of the Philippines Stock Exchange (PSE), and endeavors to elevate its corporate governance practices in line with best practices.

The Company's Articles of Incorporation, By-Laws and Manual on Corporate Governance may be viewed on the Company's website (<http://allianceselectfoods.com/>).

To ensure adherence to corporate governance principles and best practices, the Company has a Compliance Officer with the rank of Vice President that reports directly to the Chairman of the Board. The Compliance Officer constantly monitors and evaluates compliance of the Directors and officers to its Manual on Corporate Governance.

Corporate Governance Updates

The Company filed its revised Manual on Corporate Governance (containing revisions as of May 2017) with the SEC on 31 May 2017 in compliance with SEC Memorandum Circular No.

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 1 9 1 3 8

COMPANY NAME

A L L I A N C E S E L E C T F O O D S I N T E R N A T I O N A L ,
I N C . (A S u b s i d i a r y o f S t r o n g o a k I n c
.)

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

U n i t 1 2 0 6 E a s t T o w e r , P h i l i p p i n e S t o
c k E x c h a n g e C e n t r e , E x c h a n g e R o a d , O
r t i g a s A v e n u e , P a s i g C i t y

Form Type

A S F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

info@allianceselectfoods.com

Company's Telephone Number/s

(02) 635-5241 to 44

Mobile Number

-

No. of Stockholders

254

Annual Meeting (Month / Day)

June 15

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. Raymond K.H. See

Email Address

info@allianceselectfoods.com

Telephone Number/s

(02) 635-5241

Mobile Number

-

CONTACT PERSON'S ADDRESS

Unit 1206, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Unit 1206 East Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

Opinion

We have audited the separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company"), which comprise the separate statements of financial position as at May 31, 2017 and December 31, 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the five months ended May 31, 2017 and for the years ended December 31, 2016 and 2015, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the five months ended May 31, 2017 and the years ended December 31, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 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 the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Reyes Tacandong & Co.

RSM

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.





In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, 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 separate 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 separate financial statements including disclosures, and whether the separate 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.





We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REYES TACANDONG & Co.

Emmanuel V. Clarino

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 5908522

Issued January 3, 2017, Makati City

July 20, 2017

Makati City, Metro Manila



ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)
SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	May 31, 2017 (Note 2)	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$1,556,415	\$4,186,918
Trade and other receivables	5	4,971,221	3,695,787
Due from related parties	13	8,810,402	14,138,969
Inventories	6	7,302,029	5,506,505
Other current assets	7	1,434,550	533,958
Total Current Assets		24,074,617	28,062,137
Noncurrent Assets			
Investments in subsidiaries	8	18,039,544	23,038,544
Property, plant and equipment	9	2,827,443	2,819,878
Deferred tax assets - net	24	9,677,009	7,714,414
Other noncurrent assets	10	2,091,379	2,021,253
Total Noncurrent Assets		32,635,375	35,594,089
		\$56,709,992	\$63,656,226
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$5,210,342	\$3,867,638
Loans payable	12	19,496,239	20,759,621
Due to a related party	13	3,450,752	1,001,333
Total Current Liabilities		28,157,333	25,628,592
Noncurrent Liabilities			
Loans payable - net of current portion	12	46,732	33,713
Net retirement benefit obligation	14	128,203	145,839
Total Noncurrent Liabilities		174,935	179,552
Total Liabilities		28,332,268	25,808,144
Equity			
Capital stock	15	53,646,778	53,646,778
Additional paid-in capital	15	6,662,001	6,662,001
Other comprehensive income	14	73,563	73,563
Deficit		(31,998,844)	(22,528,486)
		28,383,498	37,853,856
Treasury shares	15	(5,774)	(5,774)
Total Equity		28,377,724	37,848,082
		\$56,709,992	\$63,656,226

See accompanying Notes to Separate Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017 (Five Months - Note 2)	2016 (One Year)	2015 (One Year)
REVENUE	16	\$15,869,230	\$31,111,471	\$34,409,596
COST OF GOODS SOLD	17	(14,327,909)	(31,989,024)	(33,275,546)
GROSS PROFIT (LOSS)		1,541,321	(877,553)	1,134,050
SELLING AND ADMINISTRATIVE EXPENSES	18	(1,182,068)	(3,467,160)	(8,037,696)
INTEREST EXPENSE	12	(227,024)	(627,183)	(928,369)
OTHER INCOME (CHARGES) - Net	19	(11,529,675)	688,784	76,460
LOSS BEFORE INCOME TAX		(11,397,446)	(4,283,112)	(7,755,555)
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		35,507	420	35,221
Deferred		(1,962,595)	(298,595)	(570,345)
		(1,927,088)	(298,175)	(535,124)
NET LOSS		(9,470,358)	(3,984,937)	(7,220,431)
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement gain on retirement benefit obligation (net of tax effect)	14	-	105,728	92,034
TOTAL COMPREHENSIVE LOSS		(\$9,470,358)	(\$3,879,209)	(\$7,128,397)
LOSS PER SHARE				
Basic and diluted loss per share	21	(\$0.00379)	(\$0.00159)	(\$0.00430)

See accompanying Notes to Separate Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	2017 (Five Months - Note 2)	2016 (One Year)	2015 (One Year)
CAPITAL STOCK				
	15			
Balance at beginning of period		\$53,646,778	\$53,646,778	\$32,238,544
Issuance		-	-	21,408,234
Balance at end of period		53,646,778	53,646,778	53,646,778
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of period		6,662,001	6,662,001	6,768,843
Stock issue costs		-	-	(106,842)
Balance at end of period		6,662,001	6,662,001	6,662,001
OTHER COMPREHENSIVE INCOME (LOSS)				
	14			
Balance at beginning of period		73,563	(32,165)	(124,199)
Remeasurement gain on retirement benefit obligation (net of tax effect)		-	105,728	92,034
Balance at end of period		73,563	73,563	(32,165)
DEFICIT				
Balance at beginning of period		(22,528,486)	(18,543,549)	(11,323,118)
Net loss		(9,470,358)	(3,984,937)	(7,220,431)
Balance at end of period		(31,998,844)	(22,528,486)	(18,543,549)
TREASURY SHARES				
	15	(5,774)	(5,774)	(5,774)
		\$28,377,724	\$37,848,082	\$41,727,291

See accompanying Notes to Separate Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF CASH FLOWS

	Note	2017 (Five Months - Note 2)	2016 (One Year)	2015 (One Year)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		(\$11,397,446)	(\$4,283,112)	(\$7,755,555)
Adjustments for:				
Provision for impairment losses on:				
Due from related parties	13	6,667,442	-	-
Investment in a subsidiary	8	4,999,000	-	-
Inventories	6	242,383	267,059	3,441,498
Trade and other receivables	5	4,199	42,925	123,651
Noncurrent assets	10	-	314,320	240,964
Property, plant and equipment	9	-	-	101,406
Interest expense	12	227,024	627,183	928,369
Depreciation and amortization	9	160,466	378,607	361,226
Unrealized foreign exchange loss (gain)		58,819	(59,160)	(6,023)
Interest income	4	(52,335)	(145,212)	(167,723)
Retirement benefits	14	34,566	87,143	71,322
Loss (gain) on disposal of investment and property and plant and equipment	19	(647)	(3,589)	599,487
Reversal of allowance for impairment losses on inventories	19	-	-	(368,294)
Operating income (loss) before working capital changes		943,471	(2,773,836)	(2,429,672)
Decrease (increase) in:				
Trade and other receivables		(1,296,773)	(1,170,777)	855,453
Due from related parties		(1,345,381)	(3,622,661)	(5,318,736)
Inventories		(2,037,907)	(571,910)	2,632,526
Other current assets		(936,099)	(159,617)	283,535
Other noncurrent assets		(41,897)	(32,472)	(26,253)
Increase (decrease) in:				
Trade and other payables		1,206,502	769,486	(690,638)
Due to a related party		2,449,419	1,333	800,000
Net cash used for operations		(1,058,665)	(7,560,454)	(3,893,785)
Interest received		24,106	76,692	99,275
Contribution to retirement fund	14	-	(42,403)	(33,738)
Retirement benefits paid	14	-	(38,833)	(18,381)
Income tax paid		-	(306)	-
Net cash used in operating activities		(1,034,559)	(7,565,304)	(3,846,629)

(Forward)

	Note	2017 (Five Months - Note 2)	2016 (One Year)	2015 (One Year)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	9	(\$185,184)	(\$444,651)	(\$510,200)
Proceeds from sale of property, plant and equipment	9	--	3,589	--
Proceeds from disposal of investments	8	--	--	5,000
Net cash used in investing activities		(185,184)	(441,062)	(505,200)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of loans		(16,330,162)	(36,031,962)	(67,628,428)
Proceeds from avallment of loans		15,079,799	33,999,512	65,504,488
Interest expense paid		(159,858)	(598,183)	(787,428)
Proceeds from issuance of shares		--	--	21,301,392
Net cash provided by (used in) financing activities		(1,410,221)	(2,630,633)	18,390,024
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
		(539)	(5,136)	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(2,630,503)	(10,642,135)	14,038,195
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
		4,186,918	14,829,053	790,858
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
	4	\$1,556,415	\$4,186,918	\$14,829,053
NONCASH INVESTING ACTIVITY				
Conversion of advances to equity investment	8	\$-	\$2,568,529	\$2,434,083

See accompanying Notes to Separate Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information and Status of Operation

General Information

Alliance Select Foods International, Inc. (ASFI or the "Company") is a publicly listed corporation under Section 17.2 of the Securities Regulation Code (SRC) and was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 1, 2003. The Company is primarily engaged in the business of manufacturing, canning, importing and exporting of food products such as marine, aquaculture and other processed seafoods. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. (the "Parent Company") acquired 952,479,638 common shares of the Company from the increase in authorized capital stock and stock rights offering, which were both approved by the SEC on October 28, 2015. This resulted in Strongoak Inc. owning a total of 1,382,765,864 common shares, representing 55.32% of the total issued and outstanding shares of the Company (see Note 15). As at May 31, 2017, the Company is a subsidiary of Strongoak Inc.

Strongoak Inc. is a domestic company engaged in investing activities. The ultimate parent company is Seawood Resources, Inc., a domestic company also engaged in investing activities.

As discussed in Note 15, on July 20, 2017, the BOD approved the Company's equity restructuring.

The Company's registered office address is Unit 1206 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. It has a plant facility located in Brgy. Tumbler, General Santos City, Philippines.

Investments in Subsidiaries

The Company has investments in the following subsidiaries as at May 31, 2017 and December 31, 2016:

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100	Salmon and other sea- foods processing	United States of America
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	Salmon and other sea- foods processing	Philippines
ASFI Thailand ^(b)	100	Sales office	Thailand
PT International Alliance Food Indonesia (PTIAFI)	99.98	Canned fish processing	Indonesia
Alliance MHI Properties, Inc. (AMHI)	98.89	Leasing	Philippines
Akaroa Salmon (NZ) Ltd. (Akaroa)	80	Salmon farming and processing	New Zealand
PT. Van De Zee (PT VDZ) ^{(a) (b)}	49	Fishing	Indonesia

(a) Indirect ownership through PTIAFI

(b) No operations in 2017 and 2016

Status of Operations

The Company incurred net losses of \$9.47 million in 2017, \$3.98 million in 2016 and \$7.22 million in 2015 as the Company continue to streamline its operation. The losses were primarily due to impairment losses recognized from investment in and advances to PTIAFI in 2017 and due to inherent volatility in raw material prices and lower pricing in 2016 and 2015 (see Note 8). The Company has recognized impairment losses on inventories of \$0.24 million, \$0.27 million and \$3.44 million in 2017, 2016 and 2015, respectively, and impairment losses on property and equipment and other noncurrent assets of \$0.31 million and \$0.34 million in 2016 and 2015 respectively (see Notes 9 and 10).

The management has undertaken the necessary initiatives to improve operation and maintain financial stability. With these initiatives, which include expanding global market, targeting key accounts, improving efficiencies across all areas of operations, better inventory management and raw material sourcing, management has projected a turnaround in operation with a positive result of operation and cash flow in the coming years. Strongoak Inc. will continue to provide the necessary level of financial support to enable ASFII to meet its working capital requirements.

Approval of Separate Financial Statements

The Company's separate financial statements as at and for the period ended May 31, 2017 and for the year ended December 31, 2016 were approved and authorized for issuance by the Board of Directors (BOD) on July 20, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The significant accounting policies used in the preparation of separate financial statements are consistently applied to all the years presented, unless otherwise stated.

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standard Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

The financial statements were prepared with respect to the submission to the SEC in compliance with the requirements of equity restructuring (see Note 15).

Measurement Bases

The separate financial statements of the Company are presented in U.S. Dollar, the Company's functional currency. All amounts are rounded to the nearest Dollar unless otherwise indicated.

The separate financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25 to the separate financial statements.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted:

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

The adoption of the foregoing new and amended PFRS did not have any material effect on the separate financial statements. Additional disclosures have been included in the notes to separate financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the period ended May 31, 2017 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2018 -

- PFRS 9, *Financial Instruments* - This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* - This standard will replace PAS 17, *Leases*. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer (lessee) and the supplier (lessor). This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases with a term of more 12 months, unless the underlying asset has a low value, and to recognize depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. Lessors continue to classify leases as operating or finance, and continue to account for those two types of leases differently.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the separate financial statements of the Company, except for PFRS 16. The management is currently in the process of evaluating the impact of PFRS 16. Additional disclosures will be included in the notes to separate financial statements, as applicable.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial assets and liabilities are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially measured at fair value which includes transaction costs directly attributable to the acquisition (e.g. fees, commissions, transfer taxes, etc.). However, transaction costs related to the acquisition of financial instruments classified as fair value through profit or loss (FVPL) are recognized immediately in profit or loss. The Company uses trade date accounting to account for financial instruments.

"Day 1" Difference. The best evidence of the fair value of a financial instrument at initial recognition is its transaction price unless the transaction price differs from its fair value. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Company determines fair value by using a valuation technique whose variables include data from observable markets. The difference between the transaction price and the fair value (a "day 1" difference) is recognized in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the valuation model uses unobservable data, the difference between the transaction price and the model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "day 1" difference.

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's intention at acquisition or issuance date.

As at May 31, 2017 and December 31, 2016, the Company does not have financial assets and liabilities classified at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction costs which are directly attributable to the acquisition of the financial instrument. The amortization is included in profit or loss.

The Company has classified its cash and cash equivalents, trade and other receivables, due from related parties and deposits (under other current assets), other noncurrent receivable and refundable lease deposits (classified under noncurrent assets) as loans and receivables.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through amortization process.

The Company's trade and other payables (excluding customers' deposits and statutory payable), short-term and long-term loans payable and due to a related party are classified under this category.

c. Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The Company first assesses whether objective evidence of impairment exists individually for its financial assets that are individually significant, and individually or collectively for its financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Impairment losses are recognized in full in profit or loss. Interest income continues to be recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss, to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment loss been recognized in prior years.

d. Derecognition

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the separate statement of financial position.

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV). The costs of inventories are calculated using weighted average method. Costs comprise direct materials and when applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. NRV represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the NRV of the inventories is lower than the cost, the Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, is recognized as part of other income or charges in the separate statement of comprehensive income.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized and the related allowance for impairment loss is reversed.

Other Assets

Other assets include prepayments, value-added tax (VAT) and idle assets.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepayments that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT. The net amount of VAT recoverable from the taxation authority is presented as "Input VAT".

Idle Assets. Idle assets are those which are no longer used in the Company's operations. The Company's idle assets are already fully provided with allowance.

Investments in Subsidiaries and Joint Ventures

The Company's investments in subsidiaries and joint ventures are carried in the separate statement of financial position at cost, less any impairment in value. A subsidiary is an entity in which the Company has control. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other directly attributable costs, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. The cost of replacing a component of an item of property, plant and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property, plant and equipment:

	<u>Number of Years</u>
Building	25
Leasehold improvements	5 (or lease term, whichever is shorter)
Machinery and equipment	15
Transportation equipment	5
Office and plant furniture, fixtures and equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization for property, plant and equipment, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges for property, plant and equipment are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Customers' Deposits

Customers' deposits consist of amounts received by the Company from its customers as advance payments for the sale of goods. These are recorded at face amount in the separate statement of financial position and recognized as revenue in profit or loss when the services for which the advances were made are rendered to the customers.

Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares issued. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related additional paid-in capital or retained earnings. Proceeds or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Deficit

Deficit represents the cumulative balance of net losses. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provision.

Treasury Shares

Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the separate statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and returns. The Company has concluded that it is the principal in all of its revenue arrangements. Revenue is recognized as follows:

Sale of Goods. Revenue is recognized, net of sales returns, discounts and allowances, when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Dividend Income. Dividend income is recognized when the right to receive dividends has been established.

Interest Income. Interest income is recognized in profit or loss using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Goods Sold. Cost of goods sold is recognized as expense when the related goods are sold.

Selling and Administrative Expenses. Selling expenses constitute costs incurred to sell and market the goods and services. Administrative expenses constitute cost of administering the business. Both are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Leases

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

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

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

Company as Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Retirement Benefits

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed annually by a qualified actuary.

The Company recognizes current service costs on retirement benefit obligation and interest expense on the retirement benefit obligation in profit or loss.

The Company determines the interest expense on retirement benefit obligation by applying the discount rate to the retirement benefit obligation at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements of the net retirement benefit obligation, which consist of actuarial gains and losses and the return on plan asset (excluding amount charged in net interest) are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

The net retirement benefit obligation recognized by the Company is the present value of the defined benefit obligation is reduced by the fair value of plan asset. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit obligation.

Actuarial valuation is made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Deferred tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

Deferred tax asset and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-Denominated Transactions and Translation

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss.

Related Party Relationships and Related Party Transactions

Related party relationships exist 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of reporting period and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimates of outcome and financial effect are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting period.

Contingencies

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

Events after the Reporting Date

The Company identifies subsequent events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any subsequent event that provides additional information about the Company's financial position at the reporting date is reflected in the separate financial statements. Non-adjusting subsequent events are disclosed in the notes to the separate financial statements, when material.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares.

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year.

There are no potential dilutive shares.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company believes that the following represent a summary of these significant estimates and judgments and the related impact and associated risks in the separate financial statements.

The following are the significant judgments, estimates and assumptions made by the Company:

Assessing Going Concern. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Management has assessed that there are no events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the separate financial statements continue to be prepared on a going concern basis.

Determining Functional Currency. Based on management's assessment, the functional currency of the Company has been determined to be the U.S. Dollar. The U.S. Dollar is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at May 31, 2017 and December 31, 2016, the Company has the ability to exercise control over these investees.

Classifying Leases. The Company has operating lease agreements for its office and plant site. The Company has determined that the risks and rewards of ownership related to the leased properties are retained by the lessor. Accordingly, the agreements are accounted for as operating leases.

Rental expense amounted to \$0.08 million, \$0.72 million and \$0.62 million in 2017, 2016 and 2015, respectively (see Note 22).

Assessing for Impairment of Financial Assets. The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, significant financial difficulties or bankruptcy, the length of the Company's relationship with the customer, the customer payment behavior, and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

Trade and other receivables, net of allowance for impairment losses, amounted to \$4.97 million and \$3.70 million as at May 31, 2017 and December 31, 2016, respectively. Allowance for impairment losses amounted to \$0.62 million as at May 31, 2017 and December 31, 2016 (see Note 5).

Due from related parties amounted to \$6.17 million and \$5.40 million as at May 31, 2017 and December 31, 2016, respectively. Due from PTIAFI amounting to \$9.31 million was provided with a provision amounting to \$6.67 million in 2017.

Receivable from WCFI and refundable lease deposits, net of allowance for impairment losses, aggregated \$1.63 million and \$1.61 million as at May 31, 2017 and December 31, 2016, respectively. Allowance for impairment losses amounted to \$2.18 million as at May 31, 2017 and December 31, 2016, respectively (see Note 10).

Estimating NRV of Inventories. The NRV of inventories represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale. The Company determines the estimated selling price for inventories based on the recent sale transaction of similar goods with adjustments to reflect any changes in economic conditions since the date of transactions occurred. The Company records provisions for excess of cost and NRV of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

Inventories carried at lower of cost and NRV amounted to \$7.30 million and \$5.51 million as at May 31, 2017 and December 31, 2016, respectively. Allowance for impairment losses amounted to \$1.18 million and \$1.39 million as at May 31, 2017 and December 31, 2016, respectively (see Note 6).

Estimating Useful Lives of Property, Plant and Equipment. The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation and amortization expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of the Company's property, plant and equipment as at May 31, 2017 and December 31, 2016.

The carrying amount of property, plant and equipment amounted to \$2.83 million and \$2.82 million as at May 31, 2017 and December 31, 2016, respectively (see Note 9).

Assessing for Impairment of Nonfinancial Assets. The Company assesses impairment on its investment in PTIAFI, property, plant and equipment, and other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use.

Provision for impairment loss recognized on investment in to PTIAFI in 2017 amounted to \$5.0 million. The recoverable amount was estimated based on fair value less cost to sell. The recoverable amount of investment in PTIAFI represents the amount expected to be generated from the eventual sale of PTIAFI's assets net of related payables. Such amount is based on various valuation methods applicable to the specific assets, i.e discounted cash flow, net realizable value, and appraised value. Management believes that the recoverable amount of its investment in PTIAFI is reasonable.

No provision for impairment losses on property, plant and equipment was recognized in 2017, 2016 and 2015. Allowance for impairment losses amounted to \$0.10 million as at May 31, 2017 and December 31, 2016. The carrying value of property, plant and equipment amounted to \$2.83 million and \$2.82 million as at May 31, 2017 and December 31, 2016, respectively (see Note 9). The recoverable amount of property, plant and equipment represents the assets' value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

In 2016, the Company recognized provision for impairment loss on its idle assets amounting to \$314,320 (see Note 10). As at May 31, 2017, management has assessed that there is no further allowance for impairment is required on its investments in joint ventures, idle assets and property, plant and equipment in excess of those that were already provided. Carrying amounts of these nonfinancial assets are disclosed in Notes 9 and 10.

Estimating Retirement Benefit Costs. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 14 to the separate financial statements and include, among others, discount rates and expected salary increase rates.

The retirement benefits obligation amounted to \$0.13 million and \$0.15 million as at May 31, 2017 and December 31, 2016, respectively (see Note 14).

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits from NOLCO and MCIT is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenue and expenses.

The Company has recognized deferred tax assets amounting to \$9.68 million and \$7.73 million as at May 31, 2017 and December 31, 2016, respectively (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	May 31, 2017	December 31, 2016
Cash on hand	\$2,740	\$2,797
Cash in banks	1,553,675	502,640
Cash equivalents	-	3,681,481
	\$1,556,415	\$4,186,918

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to short-term placements and earn interest at the respective short-term deposit rates.

Interest income included in the separate statements of comprehensive income is summarized below:

	Note	2017	2016	2015
Cash and cash equivalents		\$14,626	\$76,692	\$99,275
Due from BGB	13	9,480	-	-
Accretion of lease deposits	10	28,229	68,520	68,448
	19	\$52,335	\$145,212	\$167,723

5. Trade and Other Receivables

This account consists of:

	Note	May 31, 2017	December 31, 2016
Trade:			
Third parties		\$4,977,700	\$3,595,510
Related party	13	-	31,080
Others		615,592	687,069
		5,593,292	4,313,659
Allowance for impairment losses		(622,071)	(617,872)
		\$4,971,221	\$3,695,787

The credit term on sale of goods averages 60 days. No interest is charged on receivables exceeding the credit terms.

Trade receivables aggregating \$4.98 million as at May 31, 2017 are used to secure the Company's short-term loans (see Note 12).

Other receivables include claims receivable for tax refund and advances to employees.

Movements in allowance for impairment losses on trade and other receivables are as follows:

	Note	May 31, 2017	December 31, 2016
Balance at beginning of period		\$617,872	\$575,425
Provision	18	4,199	42,925
Write-off		-	(478)
Balance at end of period		\$622,071	\$617,872

6. Inventories

This account consists of:

	May 31, 2017	December 31, 2016
At NRV:		
Raw and packaging materials	\$3,863,397	2,750,488
Finished goods	3,239,173	\$2,552,620
At cost -		
Parts and supplies	199,459	203,397
	\$7,302,029	\$5,506,505

The costs of inventories measured at NRV are as follows:

	May 31, 2017	December 31, 2016
Finished goods	\$4,295,683	\$3,818,280
Raw and packaging materials	3,988,548	2,875,639
	\$8,284,231	\$6,693,919

Movements in allowance for impairment losses on inventories are as follows:

	Note	May 31, 2017	December 31, 2016
Balance at beginning of period		\$1,390,811	\$2,535,239
Provision	18	242,383	267,059
Write-off		(451,533)	(1,411,487)
Balance at end of period		\$1,181,661	\$1,390,811

Inventories aggregating \$3.86 million as at May 31, 2017 are used to secure the Company's short-term loans (see Note 12).

Inventories charged to cost of goods sold amounted to \$14.33 million and \$31.99 million in 2017 and 2016, respectively (see Note 17).

Reversal of allowance for impairment of inventories mainly pertains to inventories condemned and subsequently sold, which were provided with allowance.

7. Other Current Assets

This account consists of:

	May 31, 2017	December 31, 2016
Prepayments:		
Importation	\$1,277,190	\$321,594
Taxes	134,352	163,048
Insurance	8,139	33,925
Others	14,869	15,391
	\$1,434,550	\$533,958

Prepaid importation mainly pertains to advance payments to suppliers for purchases of fish.

Other prepayments pertain to subscriptions, membership fees and travel advances.

8. Investments in Subsidiaries

The account consists of investments in:

Name of Subsidiaries	May 31, 2017	December 31, 2016
Spence	\$9,240,946	\$9,240,946
BGB	6,177,761	6,177,761
PTIAFI	4,999,000	4,999,000
Akaroa	2,326,800	2,326,800
AMHI	294,037	294,037
	23,038,544	23,038,544
Allowance for impairment loss	(4,999,000)	-
	\$18,039,544	\$23,038,544

Movements in investments in subsidiaries are as follows:

	Note	May 31, 2017	December 31, 2016
Balance at beginning of period		\$23,038,544	\$20,470,015
Additions		-	2,568,529
Provision for impairment loss	19	(4,999,000)	-
Balance at end of period		\$18,039,544	\$23,038,544

SPENCE

Spence is based in Brockton USA and specializes in the production of smoked salmon and other seafood products.

BGB

BGB is engaged in manufacturing goods such as salmon and other processed seafoods. It was registered with the Philippine SEC on October 29, 2009 and has a plant facility in Brgy. Tambler, General Santos City.

In October 2016, the Company converted advances of \$2.57 million for 125,000,000 shares of stock of BGB.

PTIAFI

PTIAFI was established under the Indonesian Foreign Capital Investment Law and is primarily engaged in canned fish processing exclusively for international market. The plant is located at JL Raya Madidir Kelurahan Madidir Unet Ling. 11 Kecamatan Madidir, Bitung Indonesia.

PTIAFI owns 49% of PT VDZ, a fishing company. PT VDZ's operation is integrated with the tuna processing activities of PTIAFI. As at December 31, 2016, PT VDZ ceased operations.

Management still considers PT VDZ as its subsidiary because the Company has financial and operating control over PT VDZ.

PTIAFI has been incurring losses due to changes in Indonesia's fishing regulations imposing moratorium on foreign vessels. This moratorium has adversely affected PTIAFI's operations. At the start of 2017, the Company expected to serve profitable orders that would minimize PTIAFI's losses. However, the Company's prices have remained uncompetitive primarily due to this moratorium. This resulted to continued losses during the first five months of 2017. The Company reassessed the recoverability of its investment in PTIAFI and recognized a provision for impairment loss amounting to \$5.0 million in 2017.

AKAROA

Akaroa is a company incorporated and domiciled in New Zealand, engaged in sea cage salmon farming and operates two marine farms in Akaroa Harbor, South New Zealand. It also processes fresh and smoked salmon. Akaroa also holds 20% stake in Salmon Smolt NZ, Ltd, a modern hatchery quarantining high quality and consistent supply of smolts (juvenile salmon) for its farm.

AMHI

AMHI was incorporated in the Philippines and registered with the SEC on June 18, 2010 and is engaged in the business as a property holding company.

PFNZ

PFNZ is a company registered and domiciled in New Zealand and is engaged in processing, manufacturing and distributing smoked salmon and other seafoods under the Prime Smoke and Studholme brand for distribution in New Zealand and other countries.

In October 2015, the Company sold its interest in PFNZ to HC & JW Studholme No. 2 Family Trust for \$5,000. Loss on sale amounted to \$599,487 (see Note 19).

Financial Information

The summarized financial information of the subsidiaries as at and for the periods ended May 31, 2017 and December 31, 2016 is as follows:

	May 31, 2017 (Unaudited)				
	SPENCE	PTIAFI	AKAROA	BGB	AMHI
Total assets	\$7,087,452	\$4,616,718	\$2,188,416	\$6,235,194	\$3,695,882
Total liabilities	2,046,312	9,706,106	1,174,038	5,784,035	2,502,195
Equity (capital deficiency)	5,041,140	(5,089,388)	1,014,378	451,159	1,193,687
Net income (loss)	6,231	(142,110)	267,001	(29,098)	38,195

	December 31, 2016				
	SPENCE	PTIAFI	AKAROA	BGB	AMHI
Total assets	\$6,960,134	\$4,174,671	\$1,791,814	\$4,888,039	\$3,603,358
Total liabilities	1,925,225	9,126,939	1,068,337	4,370,888	2,446,946
Equity (capital deficiency)	5,034,909	(4,952,268)	723,477	517,151	1,156,412
Net income (loss)	683,074	(2,920,341)	210,859	(405,689)	380,744

9. Property, Plant and Equipment

Movements in this account are as follows:

	May 31, 2017							Total
	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment		
Cost								
Balance at beginning of period	\$1,360,626	\$141,213	\$2,646,709	\$287,488	\$409,000	\$45,647		\$4,890,683
Additions	-	-	107,249	24,451	53,484	-		185,184
Disposals	-	-	-	(24,126)	-	-		(24,126)
Balance at end of period	1,360,626	141,213	2,753,958	287,813	462,484	45,647		5,051,741
Accumulated Depreciation and Amortization								
Balance at beginning of period	359,235	2,187	1,213,119	125,871	223,576	45,411		1,969,399
Depreciation and amortization	44,660	213	74,286	27,439	13,622	236		160,466
Disposals	-	-	-	(6,973)	-	-		(6,973)
Balance at end of period	403,895	2,410	1,287,405	146,337	237,198	45,647		2,122,892
Allowance for impairment								
Balance at beginning and end of period	-	-	101,406	-	-	-		101,406
Carrying Amount	\$956,731	\$138,803	\$1,365,147	\$141,476	\$225,286	\$-		\$2,827,443

	December 31, 2016							Total
	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	Fishing Vessels	
Cost								
Balance at beginning of year	\$1,346,550	\$141,213	\$2,460,955	\$288,601	\$213,919	\$45,647	\$14,412,664	\$18,909,549
Additions	14,076	-	185,754	49,740	195,081	-	-	444,651
Disposals	-	-	-	(50,853)	-	-	-	(50,853)
Reclassification	-	-	-	-	-	-	(14,412,664)	(14,412,664)
Balance at end of year	1,360,626	141,213	2,646,709	287,488	409,000	45,647	-	4,890,683
Accumulated Depreciation and Amortization								
Balance at beginning of year	280,766	1,652	1,027,132	138,566	163,528	30,001	484,192	2,125,837
Depreciation and amortization	78,469	535	185,987	38,158	60,048	15,410	-	378,607
Disposals	-	-	-	(50,853)	-	-	-	(50,853)
Reclassification	-	-	-	-	-	-	(484,192)	(484,192)
Balance at end of year	359,235	2,187	1,213,119	125,871	223,576	45,411	-	1,969,399
Allowance for impairment								
Balance at beginning of year	-	-	101,406	-	-	-	13,614,152	13,715,558
Reclassification	-	-	-	-	-	-	(13,614,152)	(13,614,152)
Balance at end of year	-	-	101,406	-	-	-	-	101,406
Carrying Amount	\$1,001,391	\$139,026	\$1,332,184	\$161,617	\$185,424	\$236	\$-	\$2,819,878

Transportation equipment with net carrying value of \$77,380 as at May 31, 2017 are held as collateral to long-term loans (see Note 12).

As discussed in Note 1, the Company has been incurring losses from operations. The Company reviewed the recoverable amounts of these assets based on value in use by projecting cash flow covering a period of five years. Management determined the projected cash flows based on past performance, existing contracts and expectations on market development such as average price per full container load and revenue growth range. A determined WACC was used to discount the cash flows. Management has concluded that no impairment losses have to be recognized in 2017 and 2016.

In 2016, the carrying amount of fishing vessels amounting to \$0.31 million was reclassified to "Other noncurrent assets" as these are no longer used in operations (see Note 10).

The Company recognized a gain on disposal of transportation equipment amounting to \$647 and \$3,589 in 2017 and 2016, respectively (see Note 19).

Depreciation and amortization charged to operations are as follows:

	Note	2017	2016	2015
Cost of goods sold	17	\$130,894	\$312,617	\$301,968
Selling and administrative expenses	18	29,572	65,990	59,258
		\$160,466	\$378,607	\$361,226

The cost of fully depreciated property, plant and equipment still used in Company's operations amounted to \$241,823 as at May 31, 2017.

10. Other Noncurrent Assets

This account consists of:

	Note	May 31, 2017	December 31, 2016
Receivable from WCFI	13	\$2,182,863	\$2,182,863
Refundable lease deposits	22	1,634,871	1,613,428
Input VAT		456,508	407,825
Idle assets	9	314,320	314,320
Investments in joint ventures		280,243	280,243
		4,868,805	4,798,679
Allowance for impairment losses		(2,777,426)	(2,777,426)
		\$2,091,379	\$2,021,253

Receivable from WCFI

Receivable from WCFI includes receivable from the sale of three fishing vessels and advances for fish purchases. These are fully provided with an allowance for impairment losses since 2014.

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Company's operations. In 2016, a provision for impairment loss of \$314,320 was recognized, based on management's estimate of the recoverable amount, which is based on scrap value.

Investments in Joint Ventures

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. The Company has 40% ownership interest in FDCP. FDCP ceased manufacturing operations in September 2015. The Company provided impairment loss of \$0.24 million in 2015 on its investment in FDCP (see Note 18). In November 2016, FDCP increased its capital stock by 7,500,000 common shares at ₱1.00 par value a share. The Company did not subscribe to the additional shares, thereby resulting to a reduction in

ASFH's ownership from 40% to 25%. Management, however, believes that the Company retains joint control in FDCP.

WCFI. WCFI is an entity primarily engaged in commercial fishing within and outside Philippine waters and in the high seas. The Company has 40% ownership interest in WCFI. The Company's investment in WCFI has been fully provided with allowance for impairment losses since 2014.

Refundable Lease Deposits

Refundable lease deposits pertain to lease deposits made to AMHI. Interest income on lease deposit amortization amounted to \$28,229, \$68,520 and \$68,448 in 2017, 2016 and 2015, respectively (see Note 4).

Allowance for Impairment Losses

This account consists of:

	Note	May 31, 2017	December 31, 2016
Receivable from WCFI		\$2,182,863	\$2,182,863
Investments in joint ventures		280,243	280,243
Idle assets	9	314,320	314,320
		\$2,777,426	\$2,777,426

Movements in allowance for impairment losses on other noncurrent assets are as follows:

	Note	May 31, 2017	December 31, 2016
Balance at beginning of period		\$2,777,426	\$2,463,106
Provision	18	-	314,320
Balance at end of period		\$2,777,426	\$2,777,426

11. Trade and Other Payables

This account consists of:

	Note	May 31, 2017	December 31, 2016
Trade payables:			
Third parties		\$3,460,485	\$1,935,165
Related parties	13	737,218	684,390
Accrued expenses		800,542	1,001,982
Customers' deposits		149,603	195,398
Statutory payable		62,494	50,703
		\$5,210,342	\$3,867,638

Credit term for purchases of goods averages 19 days. No interest is charged on payables that have exceeded credit terms.

Details of accrued expenses are as follows:

	May 31, 2017	December 31, 2016
Professional fees	\$307,688	\$315,696
Freight	119,023	122,478
Rental	108,794	118,999
Interest	67,166	90,595
Short-term employee benefits	46,387	44,383
Salaries and wages	8,662	76,185
Others	142,822	233,646
	\$800,542	\$1,001,982

Other accruals consist of foreign travel expenses, utilities, security services, commission and customers' claims.

12. Loans Payable

Details of the Company's loans payable are as follows:

Short-term Loans

Terms and conditions of outstanding short-term bank loans are as follows:

	Currency	Nominal Interest Rate	May 31, 2017	December 31, 2016
Local banks	USD	4.5%	\$13,711,250	\$14,967,021
Investment banks	PHP	5.0%	3,074,450	3,077,233
	USD	4.5%	2,700,000	2,700,000
			19,485,700	20,744,254
Add current portion of long-term loans			10,539	15,367
			\$19,496,239	\$20,759,621

The loans from local banks pertain to working capital loans and availments of revolving facilities in the form of export packing credit, export bills purchase, import letters of credit and trust receipts.

Loans of \$13.71 million as at May 31, 2017 are secured by the Company's trade receivables and inventories as follows:

	Note	Amount
Trade receivables	5	\$4,977,700
Inventories	6	3,863,397
		\$8,841,097

Long-term loans - Net of Current Portion

Terms and conditions of outstanding long-term loans for a local bank are as follows:

Currency	Nominal interest rate	Year of maturity	May 31, 2017	December 31, 2016
PHP	9.24% - 9.59%	2021	\$57,271	\$49,080
Less current portion of long-term loans			10,539	15,367
			\$46,732	\$33,713

Pre-terminated loan. In 2016, the Company pre-terminated two-year loan of \$2.37 million, payable in 2017.

Loan Security. As at May 31, 2017, loans of \$57,271 are secured by chattel mortgage on transportation equipment with carrying amount of \$77,380 (see Note 9).

Schedules of Principal Payments

These are summarized below:

Year	Amount
June - December 2017	\$6,520
2018	12,044
2019 - 2021	38,707
	\$57,271

Interest Expense

Interest expense arising from borrowings follows:

	Note	2017	2016	2015
Short-term loans		\$225,357	\$536,054	\$674,158
Long-term loans		1,667	70,447	150,179
Due to related parties	13	-	20,682	104,032
		\$227,024	\$627,183	\$928,369

13. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties as summarized below:

Related Party	Note	Amount of Transaction		Outstanding Balance	
		May 31, 2017	December 31, 2016	May 31, 2017	December 31, 2016
Trade and Other					
Receivables					
FDCP	5	\$-	\$-	\$-	\$31,080
Due from Related					
Parties					
PTIAFI		\$562,814	\$2,818,932	\$9,307,411	\$8,745,461
BGB		1,022,117	1,455,776	4,780,724	4,058,876
AMHI		249,382	235,383	700,965	593,684
Akaroa		24,447	172,387	411,270	406,859
FDCP		96	234,089	210,757	234,089
Spence		166,667	433,853	66,717	100,000
Allowance for doubtful accounts				(6,667,442)	-
				\$8,810,402	\$14,138,969
Other Noncurrent					
Assets					
WCFI	10	\$-	\$-	\$2,182,863	\$2,182,863
AMHI		-	-	1,634,871	1,613,428
Allowance for impairment losses		-	-	(2,182,863)	(2,182,863)
				\$1,634,871	\$1,613,428
Trade and Other					
Payables					
AMHI	11	\$52,828	\$421,546	\$474,374	\$421,546
FDCP		-	-	262,844	262,844
				\$737,218	\$684,390
Due to a Related Party					
Spence		\$2,450,000	\$1,702,666	\$3,450,752	\$1,001,333

Trade Receivable and Trade Payable. The Company purchased some of its tin can requirements from FDCP. Trade payable to AMHI pertains to unpaid rentals. These trade accounts which resulted from these transactions are non-interest bearing and are normally settled within a year.

Due from Related Parties. The Company has advances to its related parties for working capital requirements. These receivables (excluding FDCP and BGB) are non-interest bearing and payable on demand. The receivable from FDCP pertains to return of purchased tin cans. FDCP ceased operations in 2015. Due from BGB is subject to 3% interest per annum in 2017. Interest income from advances to BGB amounted to \$9,480 in 2017 (see Note 4). The Company recognized provision for impairment loss on advances to PTIAFI amounting to \$6.67 million in 2017 because of the significant losses by PTIAFI in its fishing operation as a result of laws implemented by the Republic of Indonesia (see Note 19).

Other Noncurrent Assets. The receivable from AMHI and WCFI resulted from a long-term lease contract (see Note 22) and sale of fishing vessels (see Note 10), respectively.

Due to a Related Party. The payable to Spence, which pertains to working capital advances, is subject to 0.4% interest per annum and payable in November 2017.

Interest Income. Interest income amounted to \$9,480 in 2017 and nil in 2016 and 2015, respectively (see Note 4).

Interest Expense. Interest expense amounted to nil, \$20,682 and \$0.10 million in 2017, 2016 and 2015, respectively (see Note 12).

Management Fee. The Company has a management agreement with Spence. Management fees amounted to \$0.17 million, \$0.40 and \$0.30 million in 2017, 2016 and 2015, respectively. The outstanding balance is due on demand and non-interest bearing (see Note 19).

Remuneration of Key Management Personnel. The remuneration paid to key management personnel of the Company is set out below in aggregate as:

	2017	2016	2015
Short-term employee benefits	\$147,335	\$504,165	\$436,492
Post-employment benefits	24,820	39,581	16,541
	<u>\$172,155</u>	<u>\$543,746</u>	<u>\$453,033</u>

14. Net Retirement Benefit Obligation

The Company valued its defined benefit obligation using projected unit credit method by the service of an independent actuary and accrues retirement benefit expense for its qualified employees. The Company has a trust agreement with a local bank establishing the Company's retirement plan.

The most recent actuarial valuation was as at December 31, 2016 by independent actuary.

Retirement benefit costs recognized in the separate statement of comprehensive income in respect of this defined benefit plan are as follows (see Note 18):

	2017	2016	2015
Service cost:			
Current service cost	\$34,566	\$70,049	\$54,246
Net interest expense	-	17,094	17,076
Retirement costs recognized in profit or loss	\$34,566	\$87,143	\$71,322

The amounts included in the separate statement of financial position arising from the Company's obligations in respect of its retirement benefit obligation are as follows:

	May 31, 2017	December 31, 2016
Present value of defined benefit obligation	\$169,839	\$187,475
Fair value of plan assets	(41,636)	(41,636)
	\$128,203	\$145,839

Movements in the present value of defined benefit obligations are as follows:

	May 31, 2017	December 31, 2016
Balance at beginning of period	\$187,475	\$360,463
Retirement liability reclassified to payable	(52,202)	(46,451)
Current service cost	34,566	70,049
Interest cost	-	17,682
Benefits paid:		
From operations	-	(38,833)
From plan assets	-	(10,102)
Remeasurement gains:		
Actuarial gains arising from experience adjustments	-	(114,936)
Actuarial gains and losses arising from changes in financial assumptions	-	(37,020)
Unrealized foreign exchange gain	-	(13,377)
Balance at end of period	\$169,839	\$187,475

Movements on the fair value of plan assets are as follows:

	May 31, 2017	December 31, 2016
Balance at beginning of period	\$41,636	\$11,991
Interest income	-	588
Employer contribution	-	42,403
Benefits paid	-	(10,102)
Loss on plan assets	-	(916)
Unrealized foreign exchange loss	-	(2,328)
Balance at end of period	\$41,636	\$41,636

The analysis of the fair value of plan assets as at May 31, 2017 and December 31, 2016 is as follows:

	Amount
Cash and cash equivalents	\$107
Debt instruments	41,585
Fees payables	(6)
Withholding taxes payable	(50)
	<u>\$41,636</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	5.25%
Expected rate of salary increases	4.00%

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	May 31, 2017	December 31, 2016
1% increase in the discount rate	(\$22,013)	(\$22,013)
1% decrease in the discount rate	26,220	26,220
1% increase in the salary increase rate assumption	26,308	26,308
1% decrease in the salary increase rate assumption	(22,624)	(22,624)
10% improvement in employee turnover	2,984	2,984
10% increase in employee turnover	(2,984)	(2,984)

The cumulative remeasurement gains (losses) on retirement benefit obligation recognized in equity follows:

	Accumulated Remeasurement Gain	Deferred Tax	Net
Balance as at January 1, 2017 and May 31, 2017	\$105,090	(\$31,527)	\$73,563

	Accumulated Remeasurement Gain (Loss)	Deferred Tax	Net
Balance as at January 1, 2016	(\$45,950)	\$13,785	(\$32,165)
Remeasurement gain	151,040	(45,312)	105,728
Balance as at December 31, 2016	\$105,090	(\$31,527)	\$73,563

	Accumulated Remeasurement Gain (Loss)	Deferred Tax	Net
Balance as at January 1, 2015	(\$177,427)	\$53,228	(\$124,199)
Remeasurement gain	131,477	(39,443)	92,034
Balance as at December 31, 2015	(\$45,950)	\$13,785	(\$32,165)

The average duration of the benefit obligation is 18 years as at May 31, 2017 and December 31, 2016.

15. Equity

Details of the Company's capital stock as at May 31, 2017 and December 31, 2016 are as follows:

	May 31, 2017		December 31, 2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorized				
Ordinary shares of ₱1 par value				
Balance at beginning and end of period	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Issued and outstanding				
Total issued and fully paid	2,500,000,000	\$53,646,778	2,500,000,000	\$53,646,778
Treasury shares	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of period	2,499,712,463	\$53,641,004	2,499,712,463	\$53,641,004

The history of shares issuances from the initial public offering (IPO) of the Company is as follows:

	Subscriber	Issue/Offer Price	Registration/Issue Date	Number of Shares Issued
Initial public offering	Various	₱1.35	November 8, 2006	535,099,610
Stock dividends	Various	-	December 17, 2007	64,177,449
Stock rights offer (SRO)	Various	1.00	July 25, 2011	272,267,965
Stock dividends	Various	-	January 25, 2012	137,500,000
Private placement	Various	1.60	December 14, 2012	60,668,750
Private placement	Strongoak Inc.	1.31	May 5, 2014	430,286,226
SRO	Various	-	October 28, 2015	1,000,000,000
				2,500,000,000

On May 5, 2014, the Company's BOD approved the issuance of 430,286,226 shares to Strongoak Inc. in a private placement for a 28.69% share of the Company's total outstanding shares. The subscription price was ₱1.31 a share at a 33% premium on the 30-day weighted average price for the period. The issuance of shares resulted in an increase in share capital and additional paid-in capital amounting to \$9.66 million and \$2.95 million, respectively.

On October 28, 2015, the SEC approved the increase in the Company's authorized capital stock from ₱1.50 billion divided into 1,500,000,000 shares to ₱3.00 billion divided into 3,000,000,000 shares at ₱1.00 par value a share.

On February 17, 2015, the BOD approved the stock rights offering of up to 1,000,000,000 shares at ₱1.00 par value a share by way of pre-emptive rights offering to eligible existing common shareholders of the Company at the proportion of 1 rights offer for every one and ½ existing common shares held as of record date.

Strongoak Inc. acquired 952,479,638 shares of the Company at par value arising from authorized capital stock and stock rights offering by way of pre-emptive rights, where the increase was approved by the SEC on October 28, 2015. This resulted in Strongoak Inc. owning a total of 1,382,765,864 shares, representing 55.32% of the total issued and outstanding shares of the Company.

As at May 31, 2017 and December 31, 2016, additional paid-in capital amounted to \$6.7 million.

The total number of shareholders is 254 and 256 as at May 31, 2017 and December 31, 2016, respectively.

On July 20, 2017, the BOD approved the Company's plan to undergo an equity restructuring to eliminate the Company's deficit as at May 31, 2017, as follows:

- Decrease the Company's authorized capital stock by reducing the par value of its common stock from ₱1 a share to approximately ₱0.50 a share, without returning any portion of the capital to the stockholders. The Company's Articles of Incorporation will be amended to reflect the necessary changes.
- Create additional paid-in capital from the decrease in par value.
- Apply the newly created additional paid-in capital, together with the existing paid-in capital of \$6.7 million, to wipe out the Company's deficit as at May 31, 2017.

The Company is in the process of obtaining the approval of the equity restructuring from the SEC.

16. Revenue

This account consists of:

	2017	2016	2015
Sales of canned goods	\$15,207,674	\$28,938,265	\$32,434,173
Sales of fishmeal	486,658	2,173,206	2,240,609
Others	174,898	-	-
	15,869,230	31,111,471	34,674,782
Less sales returns	-	-	265,186
	\$15,869,230	\$31,111,471	\$34,409,596

17. Cost of Goods Sold

This account consists of:

	Note	2017	2016	2015
Materials used		\$12,181,492	\$25,304,886	\$22,700,411
Direct labor		948,328	2,236,410	1,997,165
Manufacturing overhead:				
Fuel		309,848	632,782	593,251
Warehousing		303,709	1,113,311	1,031,855
Fishmeal		222,302	764,228	820,499
Light and water		169,194	277,811	187,738
Depreciation and amortization	9	130,894	312,617	301,968
Rental	22	60,720	662,944	500,800
Others		478,885	588,872	1,339,697
Total manufacturing costs		14,805,312	31,893,861	29,473,384
Finished goods, beginning	6	3,818,280	3,913,443	7,715,605
Total cost of goods manufactured		18,623,592	35,807,304	37,188,989
Finished goods, ending	6	(4,295,683)	(3,818,280)	(3,913,443)
		\$14,327,909	\$31,989,024	\$33,275,546

Other manufacturing overhead consists of indirect labor, repairs and maintenance, outside services and insurance among others.

18. Selling and Administrative Expenses

This account consists of:

	Note	2017	2016	2015
Salaries, wages and other benefits		\$388,469	\$1,130,481	\$935,813
Impairment loss on:				
Inventories	6	242,383	267,059	3,441,498
Receivables	5	4,199	42,925	123,651
Other noncurrent assets	10	-	314,320	240,964
Property, plant and equipment	9	-	-	101,406
Outside services		150,701	345,328	856,803
Transportation and travel		51,135	203,930	146,264
Representation and entertainment		49,532	153,659	122,103
Security fees		35,419	77,134	68,282
Retirement benefit	14	34,566	87,143	71,322
Depreciation and amortization	9	29,572	65,990	59,258
Taxes and licenses		21,250	237,636	438,309
Rental	22	20,202	59,177	116,693
Utilities and communication		19,141	62,647	71,327
Business development		18,457	89,505	59,019
Insurance		17,239	76,085	82,292
Fuel and oil		9,995	43,231	112,099
Materials and supplies		7,898	18,014	34,710
Repairs and maintenance		3,985	-	55,825
Buyer's claims		37	25,407	624,919
Others		77,888	167,489	275,139
		\$1,182,068	\$3,467,160	\$8,037,696

19. Other Income (Charges)

This account consists of:

	Note	2017	2016	2015
Impairment losses on:				
Due from PTIAFI	13	(\$6,667,442)	\$-	\$-
Investment in PTIAFI	8	(4,999,000)	-	-
Management fee	13	166,667	400,000	300,000
Bank charges		(90,799)	(82,810)	(91,734)
Interest income	4	52,335	145,212	167,723
Foreign exchange gain		3,312	108,584	220,463
Gain on disposal of transportation equipment	9	647	3,589	-
Loss on disposal of investment	8	-	-	(599,487)
Reversal of allowance for impairment on other noncurrent assets		-	-	5,821,845
Provision for impairment loss on fishing vessel		-	-	(5,821,845)
Reversal of allowance for inventory obsolescence		-	-	368,294
Others		4,605	114,209	(288,799)
		(\$11,529,675)	\$688,784	\$76,460

Others pertain mainly to sale of scrap materials and duty rebates in 2016.

In 2015, reversal of allowance for impairment on other noncurrent assets pertains to partial recovery of receivable from WCFI (see Note 10).

20. Employee Benefits

This account consists of:

	Note	2017	2016	2015
Short-term employee benefits		\$1,252,661	\$3,143,395	\$3,067,058
Post-employee benefits	14	34,566	87,143	71,322
		\$1,287,227	\$3,230,538	\$3,138,380

21. Loss Per Share

The calculation of the basic and diluted loss per share is based on the following data:

	2017	2016	2015
Loss for the period	(\$9,470,358)	(\$3,984,937)	(\$7,220,431)
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463	1,677,794,655
	(\$0.00379)	(\$0.00159)	(\$0.00430)

The weighted average number of shares refers to shares in circulation during the period that is after the effect of treasury shares.

As at May 31, 2017, December 31, 2016 and 2015, the Company has no dilutive potential share; hence, the basic loss per share is equal to the diluted loss per share.

22. Significant Agreements

Operating Lease Agreements

Plant. On January 25, 2013, a long-term lease contract was executed by and between the Company and AMHI. The term shall be for a period of five years from January 1, 2013 until December 31, 2017, renewable every five years thereafter, upon terms and conditions mutually agreeable to the parties. Based on the contract, the rental fee shall be \$56,572, subject to an annual escalation of 5% or the national inflation rate as published by the National Statistics Office, whichever is higher. In addition, the Company shall pay an amount equivalent to 36 months rental of \$1.63 million as security deposits.

On January 1, 2017, the lease contract was amended. Based on the amended contract, the rental fee shall be \$11,634 per month, subject to annual escalation of 5% or the national inflation rate as published by the National Statistics Office, whichever is higher.

Head Office. The Company leases its head office space from Dominion Property Holdings, Inc. with a monthly rental of \$3,688 for a period of three years, commencing on August 16, 2016 to August 15, 2018 renewable by mutual agreement by both parties.

Refundable lease deposits amounted to \$1.63 million and \$1.61 million as at May 31, 2017 and December 31, 2016, respectively (see Note 10).

Rental expenses charged to operations in relation to the lease agreements are as follows:

	Note	2017	2016	2015
Cost of goods sold	17	\$60,720	\$662,994	\$500,800
Selling and administrative expenses	18	20,202	59,177	116,693
		\$80,922	\$722,171	\$617,493

Minimum lease payments under noncancellable operating leases are as follows:

	2017	2016
Not later than one year	\$139,577	\$597,097
Later than one year but not later than five years	698,024	872,700
	\$837,601	\$1,469,797

23. Corporate Social Responsibility

For the past seven years the Company has been giving back to the community by means of a feeding program conducted in Banisil High School located in General Santos City, which aims to sustainably feed underweight students in an attempt to combat frequent absences and poor academic performance. Part of the goal is to educate families about health and nutrition so that they could sustain the progress children have made every school year. As at May 31, 2017, 892 students benefited from this program. The program has helped reduced the rate of students dropping out and improved their academic performance.

24. Income Taxes

Current Tax

The Company's current income tax expense represents minimum corporate income tax amounting to \$35,507, \$420 and \$35,221 in 2017, 2016 and 2015, respectively.

Deferred Tax

The components of the Company's deferred tax assets and deferred tax liability as at May 31, 2017 and December 31, 2016 are as follows:

	2017	2016
Deferred tax assets		
Allowance for impairment losses on:		
Property, plant and equipment	\$4,208,964	\$4,208,964
Due from PTIAFI	2,000,233	-
Other noncurrent assets	740,137	738,932
Inventories	354,499	417,244
Receivables	186,622	185,362
NOLCO	1,950,806	1,993,774
Rental payable	126,464	126,464
Retirement liability	38,461	43,752
MCIT	35,927	420
Unrealized foreign exchange loss	17,646	-
Accrued expenses	17,250	17,250
	9,677,009	7,732,162
Deferred tax liability		
Unrealized foreign exchange gain	-	17,748
	\$9,677,009	\$7,714,414

The details of the Company's NOLCO, which can be claimed as deduction from future taxable income, are as follows:

Inception Year	Amount	Expired/Applied	Balance	Expiry Year
2016	\$4,876,913	\$-	\$4,876,913	2019
2015	3,916,364	-	3,916,364	2018
2014	877,793	143,227	734,566	2017
	<u>\$9,671,070</u>	<u>\$143,227</u>	<u>\$9,527,843</u>	

The details of the Company's MCIT, which can be claimed as deduction from future income tax liability, are as follows:

Inception Year	Amount	Expired/Applied	Balance	Expiry Year
2017	\$35,507	\$-	\$35,507	2020
2016	420	-	420	2019
2015	35,221	-	35,221	2018
2014	69,260	-	69,260	2017
	<u>\$140,408</u>	<u>\$-</u>	<u>\$140,408</u>	

In 2017 and 2016, the Company did not recognize the following deferred tax assets since the management believes that future taxable income will not be available to allow all or part of the deferred assets to be utilized:

	Amount
NOLCO	\$907,547
Excess of MCIT over RCIT	104,481
	<u>\$1,012,028</u>

The Company has assessed that with the new strategic plan being implemented to turn-around the business, the Company will generate enough taxable income to utilize the total deferred tax assets of \$9.68 million and \$7.73 million as at May 31, 2017 and December 31, 2016, respectively.

The reconciliation of income tax benefit computed at the statutory income tax rate and at effective income tax rate follows:

	2017	2016	2015
Income tax benefit computed at statutory tax rate	(\$3,419,234)	(\$1,284,934)	(\$2,326,667)
Derecognition of deferred tax assets	-	1,012,028	1,411,069
Income tax effect of expenses that are non-deductible:			
Impairment loss	1,499,700	-	418,381
Interest expense	5,303	18,152	12,410
Income tax effect of income that are non-taxable:			
Interest income from accretion of refundable lease deposit	(8,469)	(20,556)	-
Interest income already subjected to final tax	(4,388)	(23,008)	(50,317)
Effect of foreign exchange gain	-	143	-
	<u>(\$1,927,088)</u>	<u>(\$298,175)</u>	<u>(\$535,124)</u>

25. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair value of the Company's financial assets and financial liabilities as at May 31, 2017 and December 31, 2016.

	May 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$1,556,415	\$1,556,415	\$4,186,918	\$4,186,918
Trade and other receivables	4,971,221	4,971,221	3,695,787	3,695,787
Due from related parties	8,810,402	8,810,402	14,138,969	14,138,969
Refundable lease deposits	1,634,871	1,634,871	1,613,428	1,595,775
	<u>\$16,972,909</u>	<u>\$16,972,909</u>	<u>\$23,635,102</u>	<u>\$23,617,449</u>
Financial Liabilities				
Trade and other payables*	\$4,998,245	\$4,998,245	\$3,816,935	\$3,816,935
Loans payable	19,542,971	19,547,880	20,793,334	20,788,462
Due to a related party	3,450,752	3,450,752	1,001,333	1,001,333
	<u>\$27,991,968</u>	<u>\$27,996,877</u>	<u>\$25,611,602</u>	<u>\$28,146,480</u>

* Excluding statutory payable and customers' deposits

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, trade and other payables, due to a related party and majority of loans payable, their carrying amounts approximate their fair values. These financial assets and liabilities are classified under Level 3 of the fair value hierarchy groups of the financial statements.

The fair value of the loans payable and refundable lease deposits is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. There were no significant unobservable inputs identified and no relationship was established between the unobservable inputs and the fair value of the loans payable and refundable lease deposits. These financial assets and liabilities are classified under Level 3 of the fair value hierarchy groups of the financial statements.

The fair value hierarchy groups the financial assets and liabilities into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers among levels in 2017 and 2016.

26. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise mainly of cash and cash equivalents, trade and other receivables, due from related parties, refundable lease deposits, trade and other payables (excluding statutory payable), loans payable and due to related parties. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Company's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk

Credit risk is the risk that the counterparty fails to fulfill its obligations to the Company. Counterparty such as banks and customer who pay on or before due date have minimum risk exposure since default in settling its obligations is remote. The Company deals only with reputable banks and customer to limit this risk.

The table below shows the gross maximum exposure to credit risk for the components of the Company's separate statement of financial position before taking into consideration collateral and other credit enhancements:

	2017	2016
Cash in banks and cash equivalents	\$1,553,675	\$4,184,121
Trade and other receivables	4,971,221	3,695,787
Due from related parties	8,810,402	14,138,969
Refundable lease deposits	1,634,871	1,613,428
	<u>\$16,970,169</u>	<u>\$23,632,305</u>

As at May 31, 2017 and December 31, 2016, the aging analysis of the Company's financial assets is as follows:

	2017					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks and cash equivalents	\$1,553,675	\$-	\$-	\$-	\$-	\$1,553,675
Trade and other receivables	4,971,221	-	-	-	622,071	5,593,292
Due from related parties	8,810,402	-	-	-	6,667,442	15,477,844
Refundable lease deposits	1,634,871	-	-	-	-	1,634,871
	\$16,970,169	\$-	\$-	\$-	\$7,289,513	\$24,259,682

	2016					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks and cash equivalents	\$4,184,121	\$-	\$-	\$-	\$-	\$4,184,121
Trade and other receivables	3,549,544	146,243	-	-	617,872	4,313,659
Due from related parties	14,138,969	-	-	-	-	14,138,969
Refundable lease deposits	1,613,428	-	-	-	-	1,613,428
	\$23,486,062	\$146,243	\$-	\$-	\$617,872	\$24,250,177

As at May 31, 2017 and December 31, 2016, the amount of cash in banks and cash equivalents and refundable lease deposits are neither past due nor impaired and were classified as "High Grade", while trade and other receivables, due from related parties were classified as "Standard Grade". The credit quality of such loans and receivables is managed by the Company using the internal credit quality ratings as follows:

High Grade. Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not belonging to high grade financial assets are included in this category.

Interest Rate Risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Company's interest rate risk relates to debt instruments such as bank and mortgage loans. The interest rates on these liabilities are disclosed in Note 12 to the separate financial statements.

The Company has no established policy on managing interest rate risk. Management believes that any variation in the interest will not have a material impact on the net profit of the Company.

Bank and mortgage loans as disclosed in Note 12 agreed at interest rates ranging from approximately 4% to 11% for bank loans and 9.2% per annum for mortgage loans; expose the Company to fair value interest rate risk. The Company has no variable interest rate.

The Company has no borrowings with floating interest rate.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Company's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

- a. To ensure that adequate funding is available at all times;
- b. To meet commitments as they arise without recurring unnecessary costs; and
- c. To be able to assess funding when needed at the least possible cost.

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal.

2017				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	Nil	\$5,147,848	--	\$5,147,848
Loans payable	2.50% - 9.59% p.a	19,679,724	54,466	19,734,190
Due to a related party	0.4% p.a	3,454,203	-	3,454,203
		\$28,281,775	\$54,466	\$28,336,241

*Excluding statutory payable amounted to \$62,494

2016				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	Nil	\$3,816,935	\$-	\$3,816,935
Loans payable	2.50% - 9.59% p.a	20,978,372	47,924	21,026,296
Due to a related party	0.4% p.a	1,005,338	-	1,001,333
		\$25,800,645	\$47,924	\$25,844,564

*Excluding statutory payable amounted to \$50,703

Foreign Currency Risk

The Company has transactional currency exposures arising from purchase and construction contract transactions denominated in currencies other than the reporting currency. The Company does not enter into forward contracts to hedge currency exposures.

As part of the Company's risk management policy, the Company maintains monitoring of the fluctuations in the foreign exchange rates, thus managing its foreign currency risk.

The carrying amounts of the Company's Philippine Peso denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	2017	2016
Cash and cash equivalents	\$321,883	\$2,011,822
Trade and other receivables	106,665	149,312
Due from related parties	5,692,446	4,886,649
Trade and other payables	(2,674,901)	(2,657,434)
Loans payable	(3,131,721)	(5,586,421)

Management's Assessment of the Reasonableness of Possible Change in Foreign Exchange Rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items adjusted and translated at period end for a 10% change in foreign currency rates.

The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in net profit when the U.S. Dollar strengthens by 10% against the relevant currency. For a 10% weakening of the U.S. Dollar against the Philippine Peso, there would be an equal and opposite impact on the net profit and the balances on the following table would be negative.

The following table details the Company's sensitivity to a 10% increase and decrease in the U.S. Dollar against the relevant foreign currency.

	Effect on Loss Before Tax	
	2017	2016
Cash and cash equivalents	(\$32,188)	(\$201,182)
Trade and other receivables	(10,665)	(14,931)
Due from related parties	(569,245)	(488,665)
Trade and other payables	267,490	265,743
Loans payable	313,172	312,631
	(\$31,436)	(\$126,404)

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Company maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Company considers the equity presented in the separate statements of financial position as its core capital.

The Company monitors capital using debt-to-equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at May 31, 2017 and December 31, 2016 follows:

	2017	2016
Debt	\$28,332,268	\$25,808,144
Equity	28,377,724	37,848,082
Debt-to-Equity Ratio	1.00:1	0.68:1

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is 32% as at May 31, 2017 and December 31, 2016.



**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Unit 1206 East Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

We have audited the accompanying separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at and for the period ended May 31, 2017, on which we have rendered our report dated July 20, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has two hundred thirty nine (239) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 5908522

Issued January 3, 2017, Makati City

July 20, 2017

Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Unit 1206 East Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at and for the period ended May 31, 2017, and have issued our report thereon dated July 20, 2017. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Adoption of Effective Accounting Standards and Interpretations

These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic separate financial statements or to the basic separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.


EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 1021-AR-2 Group A

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July 20, 2017
Makati City, Metro Manila



ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
May 31, 2017

Deficit at beginning of year as shown in the financial statements	(\$22,528,486)
Less deferred tax assets at the beginning of year	(7,732,162)
Add deferred tax liability at the beginning of year	17,748
Total deficit, as adjusted at beginning of year	(14,778,576)
Net loss during the year closed to retained earnings	(9,470,358)
Add (less):	
Movement in deferred tax assets	(1,944,847)
Movement in deferred tax liability	(17,748)
Unrealized foreign exchange loss	58,819
Treasury shares	(5,774)
Total deficit available for dividend declaration at end of year	\$-

Reconciliation:	
Deficit at end of year as shown in the financial statements	(\$31,998,844)
Less:	
Deferred tax asset as at end of year	(9,677,009)
Unrealized foreign exchange loss	58,819
Less treasury shares	(5,774)
Total deficit available for dividend declaration at end of year	\$-

ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
MAY 31, 2017**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Hedge Accounting			✓
PFRS 8	Operating Segments			✓
PFRS 9 (2014)	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an investor and its Associate or Joint Venture	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests In Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 13	Fair Value Measurement	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 16	Leases	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS38	Intangible Assets			✓
	Amendments to PAS 28: Clarification of Acceptable Methods of Amortization	✓		
PAS39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS40	Investment Property			✓
PAS41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓