

SEC Number CS200319138

File Number

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.
AND ITS SUBSIDIARIES**

(Company's Full Name)

**Suite 3104 A West Tower PSEC Exchange Rd.
Ortigas Business District, Pasig City**

(Company's Address)

632 747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17 A

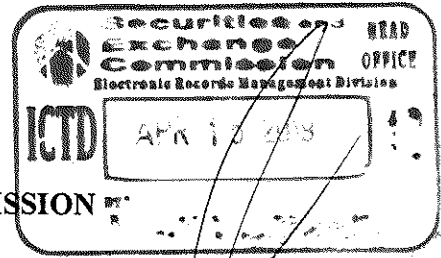
(Form Type)

(Amendment Designation if applicable)

For the Fiscal Year December 31, 2018

(Period Ended Date)

(Secondary License Type and File Number)



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2018
2. Commission identification number CS200319138
3. BIR Tax Identification No. 227-409-243-000
4. Exact name of issuer as specified in its charter Alliance Select Foods International, Inc.
5. Pasig City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Suite 3104 A West Tower PSEC Exchange Rd. Ortigas Business District, Pasig City
Address of issuer's principal office
1605
Postal Code
8. 632 747 - 3798
Issuer's telephone number, including area code
9. 1206 East Tower PSEC Exchange Rd. Ortigas Center Pasig City 1605
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of
common stock outstanding and
amount of debt outstanding

Common shares, P0.50 par value

2,499,712,463 shares

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

Yes [/] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Phil. Stock Exchange - Common shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

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

Yes [/] No []

Part I – BUSINESS AND GENERAL INFORMATION

Item 1 – BUSINESS

BACKGROUND

Alliance Select Foods International, Inc. (ASFII or the “Parent Company” or the “Company”) is a publicly listed corporation under Section 17.2 of the Securities Regulation Code (SRC). ASFII was registered with 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 from General Santos City, Mindanao, Philippines. On November 8, 2006, the Company’s shares were listed on the Philippine Stock Exchange through an initial public offering.

The Parent Company’s key business activity is the processing, canning, and export of tuna. It exports its products to Europe, North and South America, Asia, Africa, and the Middle East.

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”) in Indonesia.
January 2009	Acquired 39.00% stake in Prime Foods New Zealand, Ltd. (“PFNZ”) 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	Acquired 40.00% stake in Alliance MHI Properties, Inc. (“AMHI”) with Mingjing Holdings, Inc. (“MHI”) holding 60.00%.
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. This has been dissolved in November 2015.
July 2011	Undertook a stock rights offering to raise equity for the acquisition of Spence & Company Ltd. (“Spence”).
August 2011	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.
October 2012	Acquired 80.00% stake in Akaroa Salmon New Zealand Ltd. (“Akaroa”).
January 2013	Established Alliance Select Foods Pte. Ltd. (“ASF”), a Singapore based wholly-owned subsidiary. At present, this subsidiary is not operating.
March 2013	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 which stated that the Company shall have no further funding liability or obligation under the JVA.
August 2015	Completed stock rights offering.
October 2015	Divested from PFNZ and increased ownership interest in BGB from 68% to 100%.
December 2015	ASFII subscribed to preferred shares from the increase in authorized capital stock of AMHI, resulting in ASFII’s 98.89% ownership of AMHI.
October 2016	BGB increased its authorized capital stock to P350,000,000 divided into 350,000,000 shares of P1.00 each.
November 2016	ASFII subscribed to an additional 125,000,000 shares of BGB’s increase in authorized capital stock.
March 2018	The SEC 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 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.

In 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.

In September 2005, the Company acquired a 40% stake in FDCP, a can manufacturing company.

In May 2008, PT IAFI was established to acquire 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. PT IAFI started operations in July 2009 and is now primarily engaged in frozen tuna loins processing.

PT IAFI set up PT Van de Zee (PT VDZ), a fishing company in Indonesia in 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. Due to subsequent changes in Indonesian fishing regulations restricting foreign commercial fishing, PT 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 engaged in the business of processing, manufacturing, and distributing smoked salmon and other seafood under the Prime Smoke and Studholme brand. On October 2015, the Parent Company divested its interest in PFNZ.

In October 2009, the Parent Company and PFNZ established a joint-venture company called Big Glory Bay ("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. In October 2015, the Parent Company accepted PFNZ's BGB shares as partial payment for PFNZ's payment obligations to the Parent Company. This resulted in BGB becoming a 100% subsidiary of the Company. In 2016, BGB ventured into other seafood products.

On June 18, 2010, AMHI, a property holding company, was established. The Parent Company owned a 40.00% stake in the affiliate, while MHI, a Filipino company, owned the remaining 60.00% stake. 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) 56,000,000 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. AMHI's registered address is at Purok Saydala, Barangay Tumbler, General Santos City.

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 an extensive network of clients nationwide.

The Parent Company acquired an 80% stake in Akaroa in October 2012. 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. Akaroa 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. 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 Smolts NZ Ltd., a modern hatchery with high quality and a consistent supply of smolts (juvenile salmon).

PRODUCTS

Tuna

The Group's Tuna Division, comprised of ASFII and PT IAFI, sells processed tuna. The market for tuna is comprised of the institutional and retail markets. The end users of the institutional cans include restaurants, hotels, and commissaries. The retail pack 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.

In 2018, ASFII and PT IAFI introduced new product offerings comprising pouched tuna products and frozen loins, respectively. ASFII also introduced a premium tuna line under the “Bay of Gold” brand to the local retail market.

Salmon

BGB processes various salmon species and manufactures them into smoked and raw products for retail and institutional consumers. These are frozen and vacuum packed, and sold in different forms and cuts. Products are sold in retail stores under Prime New Zealand, Gold Standard, and Superfish in countries like Singapore, Hong Kong, Japan, and the Philippines, among others.

Spence sells the traditional and classic smoked salmon to supermarkets in the US under its own brand and via private label. 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 and Gravlax Pastrami Salmon.

Akaroa serves both the domestic and international markets. For international markets, Akaroa’s products are air-flown and delivered to retailers, distributors or direct customers in Singapore, Philippines, USA, and Hong Kong, among others.

Fishmeal

Fishmeal is the by-product of tuna and salmon processing operations. Fishmeal are sold as additives or primary ingredients for animal feeds.

REVENUE BREAKDOWN

The percentage contribution to the Group’s revenues broken down into major product lines for each of the three (3) years in the periods ended December 31, 2018, 2017 and 2016 are as follows:

Product	<i>December 31, 2018</i>	<i>December 31, 2017</i>	<i>December 31, 2016</i>
Tuna	69%	58%	56%
Fishmeal (Local)	2%	2%	2%
Salmon	29%	40%	42%
Total*	100%	100%	100%

DISTRIBUTION METHODS, SALES AND MARKETING

Tuna

ASFII and PT IAFI are mainly private label manufacturers of canned tuna. Up until last year, the Tuna Division of the Company has positioned itself as a supplier of canned tuna to a wide range of buyers and agents. Most of the products are finished and labeled, and are ready for shipment to their respective end-destinations. In 2018, ASFII diversified its product line, and introduced new product offerings, adding pouched tuna options and frozen tuna loins to its product line to the export market. ASFII also introduced a premium canned tuna line consisting of five variants under the Bay of Gold brand for the local market. Bay of Gold is present in major supermarkets nationwide.

At present, canned tuna is sold in both domestic and export markets while frozen tuna loins and pouched tuna products are sold in the export market. Fishmeal, on the other hand, is mainly sold to the domestic market.

Salmon

BGB's products are sold to major supermarkets in the Asia-Pacific region. The Company is also expanding market reach in the Philippines in retail through local supermarkets and foodservice clients. The domestic team has also tapped restaurants, hotels, catering services and commissaries that allow BGB products to be efficiently pipelined to customers.

For Spence, marketing efforts are focused on retail sales, with a special emphasis on brand name and innovation. Spence's sales efforts have been led by professionals with vast experience in the food and retail sector.

Akaroa's products are sold mostly to institutional clients.

COMPETITION

Tuna

There are seven (7) major companies engaged in tuna canning in the Philippines. Six are located in General Santos City and one in Zamboanga. These are General Tuna Corporation, Philbest Canning Corporation, Ocean Canning Corporation, Celebes Canning Corporation, Seatrade Canning Corporation, and Permex Producer & Exporter Corporation.

Most Philippine canned tuna processors produce two (2) can sizes: the retail pack and the institutional pack can sizes.

The US and EU markets account for approximately 75% of world tuna consumption and are the primary markets of Philippine canned tuna companies. Emerging markets such as Middle East and Asia provide opportunities for the Group to diversify its client base.

Tuna processing is a competitive industry in which price, product quality, and service, play an important role in the customer's purchasing decision.

Salmon

The smoked salmon industry in the US is highly fragmented. Each region has a number of local smokers with sales to that particular region only. According to estimates, Spence has the third largest market share in the North East region, where it is located. Spence's biggest competitor is a subsidiary of Marine Harvest Group, a publicly listed firm on the Oslo Bors.

In the Philippines, most competitors import smoked salmon to sell in retail outlets. BGB follows a unique business model where it imports premium-grade salmon and delicately processes it in its own smokehouse to sell a premium product from the Philippines. BGB also competes with other larger traders and small-time players to cater to institutional accounts. This market is very competitive and price sensitive.

Akaroa has a number of competitors who have their own marine farms in New Zealand. New Zealand King, its major competitor, is the country's largest salmon farmer. New Zealand King is listed in the New Zealand stock exchange.

FISH SOURCING

Tuna and Salmon

ASFII and PT IAFI both purchase their tuna from fish suppliers and from large traders. Skipjack and Yellowfin tuna are the main raw fish inputs for processed tuna products.

BGB sources its salmon primarily from New Zealand, Chile and Norway. This is then processed into hot or cold smoked salmon. Meanwhile, Akaroa's fresh chilled salmon and smoked products are sourced from its own farms.

Spence processes and markets mostly Atlantic salmon. While some of the Atlantic salmon are wild caught, the overwhelming majority of the Atlantic salmon consumed in the world is produced through aquaculture. The fish are grown in commercial fish farms. The two leading nations for Atlantic salmon are Norway and Chile.

Key Fishing Areas - Tuna

A key resource or catching area for tuna is the Pacific Ocean. According to the Western and Central Pacific Fisheries Commission's WCPFC Tuna Fisheries Yearbook 2017, world tuna catch in 2017 from this fishing area accounted for almost 70% of global tuna catch. The Western Pacific Ocean accounted for 54% of the total while the Eastern Pacific Ocean accounted for another 15% of the global tuna catch. The Pacific Ocean is followed by the Indian Ocean and accounts for 21% of the catch with the Atlantic Pacific accounting for the balance 10%.

Key Sourcing Area – Salmon

Almost all of the salmon processed by Spence, BGB and Akaroa are sourced from fish farms in New Zealand, Chile and Norway. This ensures a consistent supply of raw materials for the Company's salmon subsidiaries.

CUSTOMERS

The Tuna Division has a client base spread over 60 countries. Although our business is based on long term relationships built with our customers, both ASFII and PT IAFI do not have any major existing multi-year sales contracts.

In 2018, the salmon products of BGB were sold both in international and local markets. Spence sells its products to major retailers in the U.S. Akaroa sells its products domestically and has been growing its export customers to complement the increase in harvest size and diversify its customer base.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

Alliance MHI Properties, Inc. (AMHI)

AMHI owns the land in General Santos, Philippines, where the Group's processed tuna and smoked salmon operating facilities are located and leases it to ASFII and BGB. The existing lease is until December 31, 2020.

ACCREDITATIONS, PATENTS & TRADEMARKS

The Group is accredited by a number of international rating and accrediting agencies, as well as domestic rating and inspection bodies.

The Group's tuna operations in General Santos, Philippines and in Bitung, Indonesia have passed various tests and standards for the quality of its products.

In addition to the required government permits and licenses such as the local government business and sanitary permits, and regulatory licenses like the Food and Drug Administration licenses (FDA) and Hazard Analysis Critical Control Point System (HACCP's), the Group also adopts globally-acknowledged best practices in its canned tuna and smoked salmon operations. For its tuna operations, the Group has received, among others, certifications of conformity with the United States Food and Drug Administration, International Food Standard, British Retail Consortium (BRC, Kosher), Islamic Da'wah Council of the Philippines (IDCP Halal), Marine Stewardship Council

(MSC), Business Social Compliance Initiative (BSCI), Initiative Clause Sociale (ICS) and Earth Island Institute-Dolphin Safe.

For its smoked salmon and other smoked seafood operations, the Group, aside from the government permits and licenses such as FDA License to Operate as Manufacturer, Exporter, Distributor, and Importer, and its Halal certifications recognized by the the Bureau of Fisheries and Aquatic Resources (BFAR) and Certificates of Origin, has received its' Certificate of Approval from the European Union, HACCP, as well as Kosher.

In addition, the Group also has registered trademarks: "Spence & Co. Ltd.", "Sea Harvest", "Big Glory Bay", "Gold Standard Salmon", "Prime New Zealand", "Prime Smoke" "Akaroa Salmon", "Wagyu of Salmon", and "Superfish" and "Bay of Gold." -

Most of ASFII and PT IAFI's clients have their own brand names. As industry practice, tuna processing can include labeling services for clients carrying their own brands. As for clients who don't have existing brands or those who are looking for alternative brand names, ASFII offers its house brand, Sea Harvest.

REGULATORY FRAMEWORK/GOVERNMENT APPROVAL

Industry-particular Governmental Laws and Approvals

The Bureau of Fisheries and Aquatic Resources (BFAR) is a line bureau reconstituted under the Department of Agriculture, by virtue of Republic Act No. 8550 (Philippine Fisheries Code of 1998). The Philippine Fisheries Code provides for the development, improvement, management, and conservation of the country's fisheries and aquatic resources.

ASFII received a certification from BFAR authorizing the implementation of the Hazard Analysis Critical Control Point (HACCP) System, a method for food safety standards recognized internationally.

ASFII has a license granted by the Food and Drug Administration (Philippines) to operate as a food manufacturer/exporter that is valid until June 3, 2021. The license is revalidated on a yearly basis.

BGB has received a certification of recognition for the implementation of HACCP System from the Bureau of Fisheries and Aquatic Resources (BFAR).

ASFII and BGB are registered with the Food and Drug Administration (FDA). ASFII is registered as a Food Manufacturer until June 3, 2021; while BGB is registered as a food manufacturer/exporter of processed seafood products, as well as food distributor and importer. Its licenses to operate are valid until May 25, 2021 and September 12, 2021, respectively.

For PT IAFI, the Ministry of Marine Affairs & Fisheries of Indonesia awarded the HACCP certification on behalf of EU after PT IAFI successfully passed a series of tests conducted by the Ministry on March 20, 2014. PT IAFI is HACCP certified to process Canned Tuna.

Spence is certified by the United States Food and Drug Administrations and SOF. Meanwhile, Akaroa holds certifications from both Titoki and Lucas Bays for specie farming, as well as New Zealand Food Safety Authority.

Environment-particular Governmental Laws and Approvals – Environmental & Safety Issues

The Philippine Environmental Impact Statement System (Presidential Decree No. 1586, as amended) covers projects and undertakings that are classified as environmentally critical as well as projects situated in environmentally critical areas. These projects or undertakings are required to be covered by an Environmental Compliance Certificate (ECC). ASFII's operation of its processing and production facilities is classified as an environmentally critical project.

ASFII has current ECC, Waste Water Discharge permit, and a permit to Operate (Boiler).

For its Bitung facility, PT IAFI was awarded the Certificate of Recommendation by Badan Lingkungan Hidup on April 8, 2015, certifying that PT IAFI complies with environment and safety regulations.

In 2018, Greenpeace Southeast Asia's Tuna Cannery Report ranked both the Group's Philippine and Indonesian tuna facilities as no. 1 in the respective localities, following Sustainability, Sourcing, Traceability, Legality, Driving Change, Equity, and Transparency criteria. For the Philippines in particular, ASFII is the only green rated cannery by Greenpeace.

BGB obtained an Environmental Compliance Certificate on February 12, 2010 which is still valid as of date. In addition to this, BGB also has a Waste Water Discharge Permit which is valid until June 15, 2019. A Permit to Operate (Diesel Engine Generator) was also issued in favor of BGB on October 10, 2011, valid until June 26, 2017. BGB was also registered with the United States Food and Drug Administration (USFDA) on March 26, 2015.

Business-particular Governmental Laws and Approvals: Labor and Employment

The Department of Labor and Employment (DOLE) through the Labor Standard Enforcement Division of DOLE Region XII Office, conducts regular inspections of the General Santos plant to ensure compliance with labor laws, particularly those relating to occupational health and safety.

NUMBER OF EMPLOYEES

As of December 31, 2018, the Group had a total of 1,956 employees and contractors, comprising from its head office in Pasig City, its tuna facilities and its smoked salmon facilities in General Santos City, Philippines, and its offices and/or plants in Indonesia, Thailand, New Zealand, and America.

MAJOR RISK FACTORS

Risks relating to tuna supply

To ensure continued profitability, the Group's tuna operations need timely and adequate access to the primary raw material, tuna. Fish suppliers should be able to catch tuna where it is abundant without any unreasonable restrictions placed on their operations.

Traditionally, Filipino fishermen deliver frozen tuna caught from Philippine, Indonesian, and international waters. However, in the last few years, there has been a trend toward resource nationalization and environmental sustainability. Both these trends have presented different kinds of challenges. The Group mitigates tuna supply risk by expanding its supplier base, and strengthening its relationships with key fresh and frozen tuna suppliers.

Risk relating to salmon supply

BGB sources its salmon from New Zealand, Chile, and Norway.

Akaroa Salmon New Zealand Ltd. has its own salmon farms and sources all of its salmon raw materials from its farms.

Spence procures its salmon raw material from local fish brokers or directly from farm owners in Chile, Iceland, the United States, Norway, or Scotland. Supplies from these farms fluctuate and may carry with them a risk of outbreak of algae bloom and contagious diseases that may affect supply, and hence, prices.

Risks relating to competition and tuna selling prices

Aside from the market price of fish, competition from Philippine and international tuna canners affects the market price of canned tuna. The Tuna Division continuously addresses this situation by ensuring that its position with respect to supply and demand is as close as possible. Furthermore, the Tuna Division is undertaking efficiency improvement initiatives such as supply chain planning & optimization, and cost reduction to mitigate risks related to competition and tuna selling prices.

Risks relating to competition and salmon selling prices

BGB faces salmon selling price risks from its competitors and suppliers. However, it is able to command a premium because it has established itself as a producer of high quality smoked salmon.

Spence also operates in a very competitive market and though price is not the only deciding factor in a consumers mind, it does play a role. Spence distinguishes itself from its competitors on the quality of products, strong customer relationships and innovation.

Akaroa's excellent fish quality and handling means that it can command premium pricing. It has become a preferred vendor to a number of its clients.

Risks relating to quality assurance

Processed tuna and smoked salmon are for human consumption. As such, a high quality assurance standard for the product is required as product failure can affect human health. The presence of toxins, foreign materials, and the like in the finished products would necessitate the recall of an entire production batch. Product failures would also have an adverse negative effect on manufacturer's reputation.

The Group's quality assurance department is composed of experienced and trained personnel, with specialties ranging from microbiology to fisheries to engineering and sciences. It is responsible for the plant's HACCP plan, Good Manufacturing Practices (GMP), and hygiene compliance.

The risks the Group faces in this area include off-spec products and packaging, failed microbiological results, and substandard laboratory analytical test results. These possible risks are prevented and/or mitigated through a production process that places a premium on best food safety practices and quality procedures.

Risks relating to the leasing of land and facilities

Some properties (Spence, Akaroa) where ASFII's facilities are located are being leased from related or third parties. The risks associated with this include non-renewal, and renewal of the lease under unfavorable conditions. ASFII mitigates these risks by entering into long term contracts with the land owners.

Risks relating to contractual arrangements

Due to the commodity nature of the tuna industry, buyers will go to the suppliers that provide the best value.

At present, the Company's contractual arrangement with its buyers is undertaken on a "per purchase order" basis with a fixed shipment period. ASFII undertakes to match its contractual obligations to its purchase of raw materials as much as possible to minimize its exposure to risks related to contractual arrangements and market volatility.

Item 2 – PROPERTIES and LEASE AGREEMENTS

ASFII

The Parent Company leases the land where its canned tuna plant in the Philippines is located from AMHI. It pays monthly fees of P.6 million for the first year of lease agreement with a 5% lease fee increase per annum. Lease period is from January 1, 2018 to December 31, 2023.

The Parent Company also leases a warehouse from AMHI, also located at the AMHI compound. It pays monthly fees of P66,274.88 with a 5% lease fee increase per annum. Lease period for the warehouse is from June 1, 2018 to May 31, 2023.

The Parent Company leases from Greenhills Properties, Inc. its office spaces located at Suite 3104 in the Philippine Stock Exchange Centre West Tower, Pasig City for a gross monthly rate of P223,200 for the first year. The term of the lease is a period of five (5) years, commencing on August 2018, renewable upon mutual agreement of the parties.

PT IAFI

PT IAFI's facilities are located in the town of Bitung, North Sulawesi in Indonesia. The land area occupied by the factory complex is 14,200 sqm.

PT IAFI owns its production and processing facilities in Bitung Indonesia. These include the land, production facilities, administration building, and all plant and office equipment.

BGB

BGB's facilities are also located in the same compound where ASFII's tuna processing plants are located in General Santos City, Mindanao, Philippines. BGB is leasing the land with an area of 985.88 sqm. from AMHI. The rental cost is P22,182 per month and the lease agreement expires on December 31, 2023.

SPENCE

Spence does not own any property. The processing facilities are leased from Gael Land Realty LLC. The lease will continue until May 31, 2020. The lease agreement provides ASFII and Spence the option to purchase the property in the future or the right of first refusal. Spence owns the trademark "Spence & Co., Ltd."

AKAROA

Akaroa's factory, situated at 6 Pope Street, is being rented from New Zealand Guardian Trust Company Ltd. The rental payable per annum is NZ\$61,800. Akaroa is currently building a new and bigger facility.

AMHI

AMHI owns land with an area of 68,751sqm. situated at Purok Saydala, Baranggay Tambler, General Santos City, South Cotabato. AMHI leases this land to ASFII and BGB under long-term lease contracts.

Item 3 – LEGAL PROCEEDINGS

The pending and material legal proceedings involving the Company as of December 31, 2018 are as follows:

1. ***Alliance Select Foods International, Inc., represented in this derivative suit by Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Chua v. George E. Sycip, Jonathan Y. Dee, Alvin Y. Dee, Ibarra A. Malonzo, Joanna Y. Dee-Laurel, Teresita Ladanga, and Grace Dogillo, Commercial Case No. 14-220***

On May 27, 2014, shareholders Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Chua filed a derivative suit purportedly on behalf of the Company against former Directors Messrs. George E. Sycip, Jonathan Dee, Alvin Y. Dee and Ibarra Malonzo, and certain senior executives of the Company at that time. The derivative suit prayed, among others, for the appointment of an interim management committee, and to compel an accounting and return of Company funds allegedly diverted to corporations controlled by the family of respondents Messrs. Jonathan and Alvin Dee. On 03 February 2015, the respondents filed a motion praying to declare the application of an interim management committee moot and academic in view of the change in the composition of the Company's Board of Directors and management. The Complainants filed a Motion to Inhibit on February 28, 2015, which was granted by the Pasig RTC Branch 159 on January 5, 2016. The case was eventually re-raffled to Pasig RTC Branch 154 on February 1, 2016.

Subsequently, George SyCip filed a Petition for Certiorari before the Court of Appeals, alleging that the inhibition was improper. The Court of Appeals granted said petition. Upon appeal to the Supreme Court, the Supreme Court affirmed the ruling of the Court of Appeals in its Resolution, dated September 19, 2018 (S.C. G.R. No. 239426).

2. ***Alliance Select Foods International, Inc. v. Hedy S.C. Yap-Chua and Albert Hong Hin Kay, I.S. No. INV-14F-02786***

On June 11, 2014, the Company, to protect its interests, filed a criminal complaint for Revealing Secrets with Abuse of Office against two of its then directors, Ms. Hedy S.C. Yap-Chua and Mr. Albert Hong Hin Kay, because it had reasonable cause to believe that Ms. Yap-Chua and Mr. Hong revealed to third parties information relating to the Company's financials given to them in confidence, in breach of their fiduciary duty to the Company. The Office of the City Prosecutor of Pasig City dismissed the case, and the Company has since filed its appeal with the Department of Justice, where the case remains pending.

3. ***In the matter of Alliance Select Foods International, Inc., SEC-EPD Case No. 14-3042***

On September 18, 2014, the Company received a letter dated September 12, 2014 from the SEC – Enforcement and Investor Protection Department (SEC-EIPD) directing the Company to submit a written explanation on the allegations of shareholder Mr. Necisto U. Sytengco within fifteen (15) days from receipt of said letter. Mr. Sytengco filed letter-complaints with the SEC alleging that his rights as shareholder were disregarded during the Company's Annual Stockholders' Meeting held on June 16, 2014 because he was barred from entering the venue of said meeting, purportedly in violation of the Revised Code of Corporate Governance (CG Code) provisions on shareholders' rights. On September 23, 2014, or five (5) days from receipt of the SEC letter, the Company filed its letter-response to the SEC explaining that Mr. Sytengco was barred from entering the venue because of his behavior which was disruptive to the meeting.

In an Order dated October 28, 2014, the SEC-EIPD erroneously held that the Company failed to comply with its directive to submit a written explanation, and adjudged the Company liable for the alleged violations of the CG Code. On November 21, 2014, the Company appealed the SEC-EPID Order before the SEC En Banc, where the same remains pending.

4. ***Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, Albert Hong Hin Kay and Hedy S.C. Yap Chua v. Alliance Select Foods International, Inc., George E. Sycip, Jonathan Y. Dee, Raymond K.H, See, Marie Grace T. Vera-Cruz, Antonio C. Pacis, Erwin M. Elechicon and Barbara Anne C. Migallos, Commercial Case No. 15-234***

On August 5, 2015, Harvest All Victory Fund Limited, Bondeast Private Limited, Albert Hong Hin Kay and Hedy S.C. Yap Chua ("Harvest All et al") filed a Complaint (with application for the issuance of Writ of Preliminary Mandatory Injunction and Temporary Restraining Order/Writ of Preliminary Injunction) with the Pasig Regional Trial Court ("Pasig RTC"), against Alliance Select Foods International, Inc., its then Directors Messrs. George E. Sycip, Jonathan Y. Dee, and current Directors Raymond K.H. See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, and Erwin M. Elechicon and Corporate Secretary Barbara Anne C. Migallos (the "Company") praying, among others, that the Company be restrained from carrying out its Stock Rights Offering, and that the Company be compelled to hold its Annual Stockholders' Meeting prior to the said Stock Rights Offering. The Stock Rights Offering would raise gross proceeds of P1,000,000,000.00 to be used for needed capital expenditures, repayment of loans, installation of a new management information system, and working capital requirements of the Company.

In a Resolution dated August 14, 2015, the Pasig RTC denied the prayer for a Temporary Restraining Order. The Pasig RTC held that Harvest All et al. failed to show that it had a clear and unmistakable right that was or would be violated by the conduct of Annual Stockholders' Meeting after the Stock Rights Offering. The Pasig RTC noted that Temporary Restraining Order is unwarranted because Harvest All et al were granted the right to subscribe to the Stock Rights Offering to prevent the dilution of shareholdings and voting rights feared by Harvest All et al.

In a Resolution dated 24 August 2015, the Pasig RTC dismissed the Complaint for lack of jurisdiction over the subject matter of the case due to Harvest All et al's failure to pay the correct filing fees (the "RTC Resolution").

In the meantime, the offer period for the Stock Rights Offering, which commenced on August 17, 2015, ended on August 26, 2015. On September 7, 2014, the Company's Board scheduled the Company's Annual Stockholders' Meeting on November 17, 2015 with record date on October 20, 2015. The Board of Directors later on decided to reschedule the Annual Stockholders' Meeting to December 16, 2015.

Harvest All et al. filed a Petition for Review with the Court of Appeals to reverse and set aside the RTC Resolution dismissing the Complaint. It also prayed that the Company be restrained from implementing the October 20, 2015 record date of the Annual Stockholders' Meeting, and to compel the Company to set the record date of the Annual Stockholders' Meeting to a date prior to the Stock Rights Offering.

On 15 December 2015, the Court of Appeals issued a Resolution of even date granting Harvest All et al.'s prayer for a Temporary Restraining Order (TRO), effective for a period of 60 days from notice, enjoining the parties to maintain and preserve the status quo pending resolution of the Petition for Review, after Harvest All et al posts the required bond (the "TRO Resolution"). The Court of Appeals issued the TRO the next day, or on 16 December 2015, the date of the Meeting. The Company received the TRO a few hours before said Meeting. The Company and the respondent directors and officers filed motions for reconsideration of the TRO Resolution and to dissolve the TRO.

The Court of Appeals rendered a Decision dated February 15, 2016 sustaining the position of the Company that Harvest All Investment Ltd., et.al, should pay the correct filing fees for its Complaint with the Pasig RTC. Both parties filed their respective Motions for Reconsideration, and both were subsequently denied.

Jonathan Dee filed a Petition for Review on Certiorari with the SC to set aside the ruling of the CA and affirm the ruling of the Pasig RTC dismissing the case (SC G.R. No. 224834).

Harvest All et al. on the other hand filed their only Petition for Review on Certiorari with the SC questioning the ruling of the CA that though the case should not be dismissed because Harvest All et al. was not in bad faith in not filing the proper filing fee, the latter should pay the filing fee based on the 2015 SRO, which would amount to approximately Php 20 Million)

The Petitions for Review on Certiorari were consolidated by the SC. On March 15, 2017, the SC rendered a Decision in favor of the petition of Harvest All, et al., ruling that the intra-corporate controversies may involve a subject matter which is either capable or incapable of pecuniary estimation, and remanded the case back to the RTC to assess the correct filing fees, and upon payment, to proceed with the regular proceedings of the case. The Company, as well as the other Defendants filed their respective motions for reconsiderations.

The Supreme Court denied the motions for reconsideration with finality and the case was remanded back to the Regional Trial Court of Pasig City, under Judge Lingan (RTC 159). Thereafter, the Company filed a Motion for Factual Determination of Mootness, arguing that the cause of action of Plaintiffs is already moot and academic. Defendant Migallos likewise filed a Motion to Dismiss arguing also that the case is already moot and academic.

Plaintiffs however, filed a Motion for Inhibition against Judge Lingan, which said Judge granted. Defendant SyCip filed a Petition for Certiorari and Mandamus with Application for the Issuance of TRO and/or Writ of Preliminary Injunciton against Judge Lingan for inhibiting from the case (CA-G.R. SP No. 158324).

The case is now pending before Pasig RTC 265, Acting Presiding Judge Acerey C. Pacheco

Item 4 – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

I. Annual Stockholders Meeting (for 2018)

- a. Date: July 4, 2018
 Time: 2:30 PM
 Place: The Philippine Stock Exchange Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila 1605

b. Election of Officers:

Regular Directors:

- | | | |
|-----------------------------|---|---------------------------------|
| 1. Raymond K.H. See | – | 1,770,878,972- cumulative votes |
| 2. Marie Grace T. Vera Cruz | – | 1,770,838,774 cumulative votes |
| 3. Joseph Peter Y. Roxas | – | 1,770,790,980 cumulative votes |
| 4. Gabriel A. Dee | – | 1,770,801,354 cumulative votes |
| 5. Antonio C. Pacis | – | 1,770,790,980 cumulative votes |

Independent Directors:

- | | | |
|-----------------------|---|--------------------------------|
| 1. Erwin M. Elechicon | – | 1,770,797,463 cumulative votes |
| 2. Dobbin A. Tan | – | 1,770,800,057 cumulative votes |

c. Matters Voted Upon:

Item	Yes	No	Abstain	Objection
1. Reading and approval of the Minutes of the 2017 Annual General Meeting of Stockholders held on June 15, 2017 and the Special Meeting of Stockholders held on September 7, 2017,	1,770,878,972 (70.84%)	1	370,476,411 (14.82%)	
2. Approval of the Annual Report and the Audited Financial Statements for the Year ended December 31, 2017	1,770,878,972 (70.84%)	370,435,889 (14.82%)	40,523	

3. Ratification and Approval of Acts of the Board of Directors and Executive Officers for the Corporate year 2017-2018	1,770,878,972 (70.84%)	370,435,889 (14.82%)	40,523 -	
4. Appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2019	1,770,868,599 (70.84%)	370,435,889 (14.82%)	50,896	

**All matters reported under Item 4 have also been published in the Company's website at www.allianceselectfoods.com.*

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 – MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The company’s common stock equity, its only class of shareholders, is traded on the Philippine Stock Exchange under the stock symbol FOOD. Quarterly High and Low prices for the last two (2) fiscal years, without stock adjustments, are as follows:

	2016		2017		2018	
	High	Low	High	Low	High	Low
Q1	0.81	0.57	0.82	0.80	0.66	0.63
Q2	1.01	0.70	0.86	0.84	0.62	0.55
Q3	1.35	0.80	0.79	0.77	0.59	0.57
Q4	1.06	0.79	0.62	0.61	1.10	1.04

On December 31, 2018, the last trading day for the year, the closing price for FOOD was ₱0.62per share.

The number of shareholders of record as of December 31, 2018 is 201 and the total number of shares outstanding on that date were 2,499,712,463 net of 287,537 treasury shares.

Public float as of December 31, 2018 is 31.86%.

Top 20 shareholders as of December 31, 2018 were:

Name	No. of shares	% ownership
1. PCD Nominee Corporation (Filipino)	2,022,302,024	80.89%
2. Harvest All Investment Limited	177,261,165	7.09%
3. Victory Fund Limited	138,474,015	5.54%
4. PCD Nominee Corporation (Foreign)	83,713,124	3.35%
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 V.	3,805,000	0.15%
10. S. Chandra Das	2,604,760	0.10%
11. Oriental Tin Can & Metal Sheet MFG	2,210,385	0.09%

12. FDCP Inc.	1,894,045	0.08%
13. Cheng, Berck Yao	1,200,000	0.05%
14. Tri-Marine International (Pte) Ltd.	1,170,472	0.05%
15. Damalerio Fishing Corp.	920,656	0.04%
16. DFC Tuna Venture Corporation	617,248	0.02%
17. Phil. Fisheries Development Authority	346,207	0.01%
18. Amadeo Fishing Corp.	294,874	0.01%
19. Alliance Tuna International Inc.	257,464	0.01%
20. GENPACCO, Inc.	172,973	0.01%

As of February 28, 2019, foreign ownership of the company's common stock equity stands at 18.34% or 458,370,329 - common shares. Locally owned common stock stands at 81.66% or 2,041,342,134 common shares. Currently, there is no foreign ownership limitation applicable to FOOD.

Item 6 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATION

The following discussion should be read in conjunction with the accompanying consolidated financial statements of Alliance Select Foods International, Inc., and its Subsidiaries (the “Group”) which comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended. The financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. PFRS is an International Financial Reporting Standards equivalent.

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

CY 2018 COMPARED TO CY 2017

I. FINANCIAL HIGHLIGHTS

<i>Amount in US \$’000</i>	Years Ended December 31		
	<i>2018</i>	<i>2017</i>	<i>% Change</i>
Revenue	\$97,134	\$72,192	35%
Gross profit	12,340	9,449	31%
Gross margin	13%	13%	
Selling & Administrative Expenses	7,341	8,117	-10%
Finance Cost	1,504	788	91%
Profit -for the year	2,603	1,563	67%
Non-controlling interest	79	126	-37%
Profit- attributable to equity holders of the parent	2,524	1,437	76%
Net Profit - Margin	3%	2.0%	
EBITDA	6,073	2,501	143%
<i>EBITDA margin</i>	6%	3%	
Return on equity (ROE)	7%	4%	
Earnings - per share	0.0010	0.0006	68%

Book value per share	0.0154	0.0135	14%
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II. OPERATING PERFORMANCE

The Group's consolidated revenues of \$97 million in 2018 were 35% higher than the revenues of \$72 million in 2017. In 2018, about 71% of total revenues were contributed by tuna-related products and the remaining 29% were contributed by salmon-related products. There is a 59% growth and 3% decline in revenue for the tuna and salmon segments, respectively. The continuous enhancement of key processes in the organization enabling instantaneous response for bid/offer requests, well-timed procurement of raw materials, efficient production and dependable delivery of orders translated to volume growth in the export canned tuna business by 36%. The relatively flat revenue from salmon-related products was mainly due to the re-focus on branded products in the USA and supply issues resulting from the algae bloom in 2017 in New Zealand.

The Group's gross profits of \$12 million in 2018 were 31% higher than gross profits of \$9 million in 2017. The gross profit margin is at 13% in 2018 and 2017, respectively. The salmon business experienced a decline in gross profit margin, particularly due to higher raw material prices and lower volume manufactured and sold.

The frequent shut downs of PT IAFI is due to its inability to source low-cost fish 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 have made foreign commercial fishing in Indonesian waters practically impossible, resulting in higher fish prices and insufficient supply for tuna canneries across Indonesia.

Over the past three years, the Group has successfully implemented measures to reduce selling and administrative expenses and has 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 2018, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$209,488. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for trade and other receivables amounting to \$80,000. 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 \$1.5 million in 2018 were 91% higher than its finance costs of \$0.8 million in 2017. Increase in finance cost can be attributed to higher prevailing borrowing rates and the greater working capital requirement to support growing operation particularly in securing raw materials.

The Group ended the year with a net income of \$ 2.6 million from \$ 1.6 million in 2017.

III. FINANCIAL CONDITION

Balance Sheet Highlights	Years Ended December 31		
	2018	2017	% Change
<i>Amount in US\$'000</i>			
Cash & cash equivalent	\$7,012	\$4,427	58%
Receivables	11,849	9,414	26%
Inventories	13,946	14,155	-1%
Other current assets	8,155	5,612	45%
Total Current Assets	\$40,961	\$33,608	22%
Property & Equipment	15,486	16,104	-4%
Total Assets	\$77,039	\$70,519	9%
Trade and Other Payables	\$9,119	\$9,745	-6%
Bank Loans	30,917	24,286	27%
Total Current Liabilities	40,315	36,358	11%
Total Liabilities	40,748	36,830	11%
Total Stockholders' Equity	36,291	33,688	8%
Total Liabilities & SE	\$77,039	\$70,519	9%

The 26% increase in Trade Receivables was primarily due to an increase in 4th quarter sales that will be collected in 2019.

The increase in other current assets was mainly due to advance payments made to suppliers of raw materials.

There was no impairment of goodwill recognized during the year.

The 27% increase in Loans Payable can be attributed to the higher working capital requirement to support the growing operation, particularly in securing raw materials.

Amounts as of December 31	2018	2017
Current Ratio	1.02	0.92
Debt-to-equity Ratio	1.12	1.09

IV.SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	Years Ended December 31	
	2018	2017
Operating cash flows before working capital changes	\$5,191,754	\$2,323,618
Net cash from (used in) from operating activities	221,517	(6,727,443)
Net cash used in investing activities	(396,955)	(1,245,998)
Net cash flows from financing activities	2,798,074	5,044,710

Net cash used in investing activities included the following:

	Years Ended December 31	
	2018	2017
Additions to property, plant and equipment	(\$421,342)	(\$1,334,114)
Proceeds from sale of property, plant and equipment	24,387	88,116

Major components of cash flow provided by financing activities are as follows:

	Years Ended December 31	
	2018	2017
Proceeds from bank loans	\$48,426,236	\$29,164,744
Payment of bank loans	(41,805,631)	(25,684,118)
Payment of interest	(1,771,551)	(442,314)
Due to related parties	(2,050,980)	2,006,398

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 on 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, 2018, there were no material events or uncertainties known to management that had a material impact on past performance or 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.

V. KEY PERFORMANCE INDICATORS

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

Key performance indicator	Years ended December 31	
	2018	2017
Revenue growth rate	35%	20%
Net profit margin	3%	2%
Current ratio	1.02	0.92
Debt to equity ratio	1.12	1.09
Return on average stockholders' equity	7%	4%

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.

Item 7 – FINANCIAL STATEMENTS

The Audited Financial Statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this form 17-A.

Item 8 – CHANGES AND DISAGREEMENTS WITH ACCOUNTANT AND FINANCIAL DISCLOSURE

None.

Item 9 – INDEPENDENT PUBLIC ACCOUNTANTS AND AUDIT RELATED FEES

Independent Public Accountants

As endorsed by the Audit Committee in line with Audit Committee's approval policies and procedures for external audit services, the Board of Directors of the Company in its meeting on September 7, 2015 approved the appointment of Reyes, Tacandong & Co. as the Company's independent external auditors for the year 2015. On March 1, 2016, the Stockholders of the company ratified the appointment of said auditing firm as independent auditor of the Company for 2015. During the Annual Stockholders' Meeting held on June 28, 2016, the stockholders ratified the appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2016. During the Annual Stockholders' Meeting held on July 4, 2018, the stockholders ratified the re-appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2018.

Audit Related Fees

The following table sets out the aggregate fee billed for professional services rendered by Reyes, Tacandong & Co. for CY 2018 and PYs 2017 and 2016.

Audit and Audit-Related Fees	2018	2017	2016
Regular Audit	₱ 1,345,000	₱ 1,280,000	₱ 1,000,000
Review of proposed equity restructuring	-	600,000	-
Long Form Audit	-	-	-
Review of Forecast	-	-	-
All Other Fees	134,500	128,000	150,000
Total Audit and Audit-Related Fees	₱ 1,479,500	₱ 2,008,000	₱ 1,150,000

Part III – CONTROL AND COMPENSATION INFORMATION

Item 10 – DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of Directors

Director	Nationality	Position	Age	Year Position was Assumed
Antonio C. Pacis	Filipino	Chairman of the Board	78	2014
Gabriel A. Dee	Filipino	Vice Chairman	54	2018
Raymond K.H. See	Filipino	Director, President & CEO	51	2014
Marie Grace T. Vera Cruz	Filipino	Director	38	2014
Joseph Peter Y. Roxas	Filipino	Director	57	2016
Erwin M. Elechicon	Filipino	Independent Director	59	2016
Dobbin A. Tan	Filipino	Independent Director	55	2016

ANTONIO C. PACIS - 78, Filipino citizen; Chairman of the Board

Mr. Pacis obtained his law degree from the Ateneo Law School in 1965 and his masteral 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.

GABRIEL A. DEE - 54, Filipino citizen; Vice-Chairman

Mr. Dee obtained his law degree from the University of the Philippines College of Law in 1988 and his MBA Units at Ateneo De Manila Graduate School of Business from 1990-1992.

He is the Managing Partner of Picazo Buyco Tan Fider & Santos Law Offices from 2006 to date. He is a Director and Corporate Secretary of various listed and unlisted corporations, including several financial institutions. He is also a resource person for various seminars on IPO's, Listings and Estate Planning.

Mr. Dee has been practicing law since 1989. He is a professor of law teaching Corporation Law at the Lyceum College of Law and UP College of Law.

RAYMOND K. H. SEE - 51, 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 - 38, 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 - 57, 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 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 - 59, Filipino citizen; Independent Director

Mr. Elechicon is currently the Chairman of the Board of Directors of Silver Machine Digital Communications, Inc. He is also a member of the Board of Directors of UnionBank of the Philippines, Inc.; a founding Partner of the T88C Company; and a member of the Board of Directors of Facility Servisys, Inc. He was a former member of the Board of Directors of PETRONAS Dagangan Berhad (Malaysia) and U-BIX Philippines Corporation.

He started his career with The Procter & Gamble Company and stayed for over 26 years until 2005, when he was Vice President – Fabric & Home Care, responsible for the ASEAN/ Australia / NZ / India Region. He then became the President of Greenwich Pizza Company from 2006-2008 and Fresh N' Famous Foods, Inc. (Chowking) from 2008-2010. He was also the Head of International Business Development of Jollibee Foods Corporation from 2010-2011.

In addition, Mr. Elechicon is the Vice Chairman and member of the Board of Trustees of Ateneo de Iloilo, Inc.; President and member of the Board of Trustees of the P&Gers Fund, Inc.; Past President and member of the Board of Trustees of the Ateneo Association of Former Resident Students, Inc.; and member of the Board of Directors of Pag-Inupdanay Community Academy, Inc.

He graduated with a degree in Economics, *Cum Laude*, from the Ateneo de Manila University. He also completed courses in Finance and Marketing at Columbia University and at Kellogg School of Management, respectively.

DOBBIN A. TAN - 55, 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.

Executive/Principal Officers

Officer	Nationality	Position	Age	Year Position was Assumed
Raymond K.H. See	Filipino	President & CEO	51	2014
Lisa Angela Y. Dejadina	Filipino	SVP – Operational Excellence and Business Development	36	2014
Barbara Anne C. Migallos	Filipino	Corporate Secretary	64	2015
Ma. Kristina P. Ambrocio	Filipino	Asst. Corporate Secretary and Compliance Officer	40	2015

EXECUTIVE OFFICERS

RAYMOND K.H. SEE – 51, 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 – 36, 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 – 64, 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.

MA. KRISTINA P. AMBROCIO - 40, 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.

Significant Employees

No single person is expected to make a significant contribution to the business since the Group considers the collective efforts of all its employees as instrumental to the overall success of its performance.

Involvement in Certain Legal Proceedings

Except as otherwise discussed below and to the best of the Company's knowledge, there has been no occurrence during the past five (5) years to date of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

The pending and material legal proceedings involving the Company's Directors and Officers, as of December 31, 2018 are as follows:

1. ***People of the Philippines vs. Annsley B. Bangkas, George E. Sycip, , Alvin Y. Dee, Jonathan Y. Dee, and Ibarra A. Malonzo***, (Criminal Case Nos. M-PSG-18-00148-CR and M-PSG-18-00149-CR)

On February 13, 2014, shareholders Harvest All Investment Limited, Victory Fund Limited, and Bondeast Private Limited ("Harvest All et al") filed a criminal complaint with the Office of the City Prosecutor of Pasig City against the Company's then Chairman, Mr. George E. Sycip, and then Assistant Corporate Secretary Annsley B. Bangkas for allegedly denying its right to inspect company records in violation of the pertinent provisions of the Corporation Code. Harvest All et al filed the complaint despite being informed that its request to inspect company records was

not being denied, and that action thereon was merely being deferred until the Board has determined the propriety of allowing the inspection.

On March 11, 2014, Harvest All et al. filed another complaint with the Office of the Pasig City Prosecutor, this time against then Directors Mr. Sycip, Mr. Jonathan Y. Dee, Alvin Dee and Ibarra A. Malonzo again for alleged violations of the Corporate Code provisions on the right to inspect company records. The complaint was filed despite a resolution by the Board to refer the matter to independent counsel to determine whether the request was made in good faith and for a legitimate purpose consistent with the applicable provisions of the Corporation Code.

The said complaints were consolidated and transferred to the Department of Justice – Manila (“DOJ”). In a Resolution dated July 28, 2015, the DOJ dismissed the consolidated complaints. The DOJ held that Messrs. Sycip, Alvin and Jonathan Dee, and Malonzo, and Ms. Bangkas did not deny Harvest All et al.’s request to inspect company records. The DOJ further held that the delays in acting on the request were reasonable and not unlawful, and that the referral of the matter to independent counsel was not tantamount to a denial of the request to inspect company records. On September 1, 2015, Harvest All et al. filed a Motion for Reconsideration which was subsequently denied. Harvest All et al. then filed a Petition for Review dated August 30, 2016 before the Department of Justice. Thereafter, the Respondents filed their Comments/Replies.

The DOJ issued a Resolution, dated December 4, 2017, finding probable cause against respondents under Sections 74 and 75, in relation to Sec. 144 of the Corporation Code.

On December 20, 2017, Respondent Sycip filed his Motion for Reconsideration, dated December 15, 2017. On the same date, Respondent Malonzo filed his separate Motion of Reconsideration, dated the same date. Informations dated December 22, 2017 were filed with the Metropolitan Trial Court of Pasig City. Subsequently, warrants of arrests were issued by Pasig MTC Branch 72, where pending incidents are currently awaiting resolution.

Ansley B. Bangkas, Alvin Y. Dee, Jonathan Y. Dee, and Ibarra A. Malonzo are no longer Directors or Officers of the Company; while George SyCip ceased to be a Director of the Company as of July 2018.

2. ***Alliance Select Foods International, Inc., represented in this derivative suit by Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Chua v. George E. Sycip, Jonathan Y. Dee, Alvin Y. Dee, Ibarra A. Malonzo, Joanna Y. Dee-Laurel, Teresita Ladanga, and Grace Dogillo, Commercial Case No. 14-220***

On May 27, 2014, shareholders Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Chua filed a derivative suit purportedly on behalf of the Company against the Company’s then directors, Mr. George E. Sycip, Jonathan Dee, Alvin Y. Dee and Ibarra Malonzo, and certain senior executives of the Company at that time. The derivative suit prayed, among others, for the appointment of an interim management committee, and to compel an accounting and return of Company funds allegedly diverted to corporations controlled by the family of respondents Messrs. Jonathan and Alvin Dee. On 03 February 2015, the respondents filed a motion praying to declare the application of an interim management committee moot and academic in view of the change in the composition of the Company’s Board of Directors and management. The Complainants filed a Motion to Inhibit on February 28, 2015, which was granted by the Pasig RTC Branch 159 on January 5, 2016. The case was eventually re-raffled to Pasig RTC Branch 154 on February 1, 2016.

Subsequently, George SyCip filed a Petition for Certiorari before the Court of Appeals, alleging that the inhibition was improper. The Court of Appeals granted said petition. Upon appeal to the Supreme Court, the Supreme Court affirmed the ruling of the Court of Appeals in its Resolution, dated September 19, 2018 . (S.C. G.R. No. 239426)

3. ***Hedy S.C. Yap-Chua and Albert Hong Hin Kay v. George E. Sycip, Jonathan Y. Dee, Ibarra A. Malonzo, and Avelino M. Sebastian, Jr., Commercial Case No. 14-219***

On May 12, 2014, Ms. Hedy S.C. Yap-Chua and Mr. Albert Hong Hin Kay filed a Petition for the Declaration of Nullity of Board Resolutions and Inspection of the Corporate Books and Records, with Prayer for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the Regional Trial Court of Pasig City (Pasig RTC) against the Company’s former directors, Mr. George E. Sycip, Messrs. Jonathan Y. Dee, Alvin Y. Dee

and Ibarra A. Malonzo, and then Corporate Secretary, Mr. Avelino M. Sebastian. Ms. Yap-Chua and Mr. Hong sought to nullify, among others, the resolution of the Board dated May 5, 2014 approving the private placement of Strongoak, Inc. of P563,679,956 into the Company, and the issuance of 430,286,226 of the Company's common shares to Strongoak, Inc. pursuant thereto.

The Company moved to intervene in this case. The RTC Pasig denied such intervention. The Company appealed to the Court of Appeals via a Petition for Review dated July 25, 2014. This was docketed as CA G.R. No. 136402.

On May 23, 2014, the judge issued an order stating that "After a careful consideration of the allegations in the Petition with Prayer for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction, this Court finds that the prayer for the TRO does not appear to be of extreme urgency; hence, the same is hereby BYPASSED." The Petition remains pending before the Pasig RTC.

The Complainants filed a Motion for Inhibition, which was granted by Pasig RTC Branch 159. The case was eventually re-raffled to Pasig RTC Branch 161 on March 21, 2016, where it remains pending as of date.

On March 29, 2016, the Company received the CA Decision dated March 14, 2016, granting the Company's Petition to Intervene in the case. Ms. Yap-Chua et al. filed a motion for reconsideration of the said Decision but was subsequently denied also. The Company received on February 2, 2017 the Petition for Review on Certiorari of Hedy Yap-Chua et al. with the Supreme Court. (SC G.R. No. 226182 [CA-GR. SP No. 136402]).

Meanwhile, in the main case pending with the Pasig RTC, proceedings have been suspended on the ground that there are issues related to the instant case that are pending before the higher courts.

4.

People of the Philippines vs. Jonathan Y. Dee, Marie Grace T. Vera Cruz, George E. Sycip, Antonio C. Pacis and Raymond K.H. See, Criminal Case Nos. M-PSG-18-02275-CR and M-PSG-18-02276-CR

On February 24, 2015, Ms. Hedy S.C. Yap-Chua filed a Complaint-Affidavit with the Department of Justice ("DOJ") against incumbent Directors Marie Grace T. Vera Cruz, Raymond K.H. See and Antonio C. Pacis, and former directors Mr. Jonathan Y. Dee and George E. Sycip ("Respondent Directors") for alleged violations of the Corporate Code provisions on the right to inspect company records. The Board approved Ms. Yap-Chua's request to inspect company records, subject to a procedure to ensure an orderly inspection and that proprietary information does not become public. However, the respective lawyers of the Company and Ms. Yap-Chua could not come to an agreement on the said procedure for inspection.

At the special meeting of the Board on September 17, 2014 called at the request of Ms. Yap-Chua and specifically to discuss the matter, the Board, by the vote of the Respondent Directors, resolved to direct the lawyers of the Company and of Ms. Yap-Chua to meet face-to-face to resolve their differences regarding said procedure. Ms. Yap-Chua alleged in her Complaint-Affidavit that the procedure proposed by the Company, and the referral of the matter to the lawyers, was tantamount to a denial of her right to inspect company records.

In a Review Resolution dated March 20, 2018, the DOJ resolved the complaint finding probable cause against the respondents.

Respondent See, Vera Cruz, and Pacis filed their motions for reconsideration and supplemental motions for reconsiderations; while Defendant Jonathan Dee filed a Petition for Review before the DOJ. These actions are all pending resolution by the DOJ.

Meanwhile, the Pasig City Metropolitan Trial Court (MTC) quashed issued warrants of arrest on separate motions by Respondent See, and Respondents Vera Cruz, and Pacis, and remanded the case back to the DOJ for completion of preliminary investigation proceedings (NPS Docket No. XVI-INV-15B-00053).

5. *Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, Albert Hong Hin Kay and Hedy S.C. Yap Chua v. Alliance Select Foods International, Inc., George E. Sycip, Jonathan Y. Dee, Raymund K.H, See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, Erwin M. Elechicon and Barbara Anne C. Migallos, Commercial Cas No. 15-234*

On August 5, 2015, Harvest All Victory Fund Limited, Bondeast Private Limited, Mr. Albert Hong Hin Kay and Ms. Hedy S.C. Yap Chua ("Harvest All et al") filed a Complaint (with application for the issuance of Writ of Preliminary Mandatory Injunction and Temporary Restraining Order/Writ of Preliminary Injunction) with the Pasig Regional Trial Court ("Pasig RTC"), against Alliance Select Foods International, Inc., its then Directors Messrs. George E. Sycip and Jonathan Y. Dee, its current Directors Raymund K.H, See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, and Erwin M. Elechicon and its Corporate Secretary Barbara Anne C. Migallos (the "Company") praying, among others, that the Company be restrained from carrying out its Stock Rights Offering, and that the Company be compelled to hold its Annual Stockholders' Meeting prior to the said Stock Rights Offering. The Stock Rights Offering would raise gross proceeds of P1, 000,000,000.00 to be used for needed capital expenditures, repayment of loans, installation of a new management information system, and working capital requirements of the Company.

In a Resolution dated August 14, 2015, the Pasig RTC denied the prayer for a Temporary Restraining Order. The Pasig RTC held that Harvest All et al failed to show that it had a clear and unmistakable right that was or would be violated by the conduct of Annual Stockholders' Meeting after the Stock Rights Offering. The Pasig RTC noted that Temporary Restraining Order is unwarranted because Harvest All et al were granted the right to subscribe to the Stock Rights Offering to prevent the dilution of shareholdings and voting rights feared by Harvest All et al.

In a Resolution dated 24 August 2015, the Pasig RTC dismissed the Complaint for lack of jurisdiction over the subject matter of the case due to Harvest All et al's failure to pay the correct filing fees (the "RTC Resolution").

In the meantime, the offer period for the Stock Rights Offering, which commenced on August 17, 2015, ended on August 26, 2015. On September 7, 2014, the Company's Board scheduled the Company's Annual Stockholders' Meeting on November 17, 2015 with record date on October 20, 2015. The Board of Directors later on decided to reschedule the Annual Stockholders' Meeting to December 16, 2015.

Harvest All et al filed a Petition for Review with the Court of Appeals to reverse and set aside the RTC Resolution dismissing the Complaint. It also prayed that the Company be restrained from implementing the October 20, 2015 record date of the Annual Stockholders' Meeting, and to compel the Company to set the record date of the Annual Stockholders' Meeting to a date prior to the Stock Rights Offering.

On 15 December 2015, the Court of Appeals issued a Resolution granting Harvest All et al.'s prayer for a Temporary Restraining Order (TRO), effective for a period of 60 days from notice, enjoining the parties to maintain and preserve the status quo pending resolution of the Petition for Review, after Harvest All et al posts the required bond (the "TRO Resolution"). The Court of Appeals issued the TRO the next day, or on 16 December 2015, the date of the Meeting. The Company received the TRO a few hours before said Meeting. The Company and the respondent directors and officers filed motions for reconsideration of the TRO Resolution and to dissolve the TRO.

The Court of Appeals rendered a Decision dated February 15, 2016 ruling on the merits of the case in which the TRO was issued. The Court granted the Petition of shareholders Harvest All Investment Ltd., et al., but sustained the position of the Company that Harvest All Investment Ltd., et.al, should pay the correct filing fees for its Complaint with the Pasig RTC. Both parties filed their respective Motions for Reconsideration, and both were subsequently denied.

Jonathan Dee filed a Petition for Review on Certiorari with the SC to set aside the ruling of the CA and affirm the ruling of the Pasig RTC dismissing the case (SC G.R. No. 224834).

Harvest All et al. on the other hand filed a Petition for Review on Certiorari with the SC questioning the ruling of the CA that though the case should not be dismissed because Harvest All et al. was not in bad faith in not filing the proper filing fee, the latter should pay the filing fee based on the 2015 SRO, which would amount to approximately Php 20 Million)

The Petitions for Review on Certiorari were consolidated by the SC. On March 15, 2017, the SC rendered a Decision in favor of the petition of Harvest All, et al., ruling that the intra-corporate controversies may involve a subject matter which is either capable or incapable of pecuniary estimation, and remanded the case back to the RTC to assess the correct filing fees, and upon payment, to proceed with the regular proceedings of the case. The Company, as well as the other Defendants filed their respective motions for reconsiderations.

The Supreme Court denied the motions for reconsideration with finality and the case was remanded back to the Regional Trial Court of Pasig City, under Judge Lingan (RTC 159). Thereafter, the Company filed a Motion for Factual Determination of Mootness, arguing that the cause of action of Plaintiffs is already moot and academic. Defendant Mígallos likewise filed a Motion to Dismiss arguing also that the case is already moot and academic.

Plaintiffs, however, filed a Motion for Inhibition against Judge Lingan, which said Judge granted. Defendant SyCip filed a Petition for Certiorari and Mandamus with Application for the Issuance of TRO and/or Writ of Preliminary Injunction against Judge Lingan for inhibiting from the case pending before the Court of Appeals (CA-G.R. SP No. 158324).

The case is now pending before Pasig RTC 265, Acting Presiding Judge Acerey C. Pacheco..

6. *Victory Fund Limited, Harvest All Investment Limited, Bondeast Private Limited and Hedy S.C. Yap Chua vs. Jonathan Y. Dee, Alvin Y. Dee, Joanna Y. Dee-Laurel, George E. Sycip, Teresita S. Ladanga, Grace S. Dogillo, Arak Ratborihan, Raymond K.H. See, Marie Grace T. Vera Cruz, Antonio C. Pacis, and John and Jane Does, NPS Docket No. XVI-INV-16B-01028*

The complainants are minority shareholders of ASFII who allege that the respondents improperly used their investment in the Company to engage in supposedly illegal activities and transactions. The Complaint also stated that damage and prejudice was caused to the complainants as a result of respondents' actions, which included the alleged diminution of complainants' property rights due to a supposedly deliberate dilution of the complainants' shareholdings in ASFII. The complainants further asserted that their proportionate rights as shareholders were diminished, such as their entitlement to representation in the Board of Directors of ASFII.

The complainants submitted a Supplement to the Joint Complaint-Affidavit to include the supposed damage incurred by the complainants when they were not elected to the Board of Directors of the Company during the Annual Stockholders Meeting on 01 March 2016.

Meanwhile, Jonathan Dee, Alvin Dee, Joanna Dee-Laurel, and Tess Ladanga (Perjury Complainants) filed a complaint for perjury against Yap-Chua, which was consolidated with the above case.

In a Joint Resolution dated July 12, 2016, the Investigating Prosecutor dismissed the complaint for syndicated estafa, falsification of public documents and perjury.

Both Syndicated Estafa and Falsification Complainants and Perjury Complainants filed their respective Petition for Partial Review with the DOJ.

The DOJ issued a Joint Resolution dated March 31, 2017 denying both petitions for partial review, affirming the dismissal of the complaints.

On Motion for Reconsideration, the DOJ promulgated its March 27, 2018 Resolution dismissing the charges of Syndicated Estafa and Falsification of Public Documents against Raymond K.H. See, Marie Grace T. Vera Cruz and Antonio C. Pacis. On the other hand, while likewise dismissing the charge of Syndicated Estafa and Falsification of Public Documents against the rest of the respondents, the DOJ found probable cause for Estafa against Jonathan Y. Dee, Alvin Y. Dee, Joanna Y. Dee-Laurel, George E. Sycip, Teresita S. Ladanga, Grace S. Dogillo, and Arak Ratborihan.

Jonathan Dee, Alvin Dee, Joanna Dee-Laurel, and Teresita Ladanga filed a joint Motion for Partial Reconsideration, while George SyCip filed his separate Motion for Partial Reconsideration before the DOJ, which are pending before the DOJ.

Complainants Hedy et al. filed a Petition for Certiorari before the Court of Appeals alleging that there is grave abuse of discretion on the part of the DOJ in finding probable cause only to a lower charge of simple estafa instead of syndicated estafa and/or dismissing the charge against Raymond See, Grace Vera Cruz and Antonio Pacis, pending before the Court of Appeals.

Item 11 – EXECUTIVE COMPENSATION

Information on the aggregate compensation paid or accrued during the last five fiscal years and to be paid in the ensuing fiscal year to the Parent Company’s Chief Executive Officer and four other most highly compensated executive officers follows:

	Year	Salaries Amounts in P’000	Bonuses/Other Income Amounts in P’000
CEO and the four most highly compensated officers named above	2015	P 12,998	P 268
	2016	P 14,885	P 235
	2017)	P 14,865	P 215
	2018	P 15,051	P 2,407
	2019 (est)	P 16,939	P 273
Aggregate compensation paid to all officers and directors as a group unnamed	2015	P 19,624	P 393
	2016	P 23,360	P 578
	2017)	P 19,417	P 679
	2018	P 21,953	P3,951
	2019 (est)	P 25,038	P 1,012

The following are the Parent Company’s top five (5) compensated executive officers:

Raymond K.H. See	President and CEO
Edward L. Noma	Procurement Manager
Lisa Angela Y. Dejadina	Senior Vice President for Operations
Donna D. Javier	Sales and Marketing Manager
Ma. Kristina P. Ambrocio	General Counsel, Asst. Corporate Secretary and Compliance Officer

Compensation of Directors

Standard Arrangements

Under the amended By-Laws, as compensation, the Board shall receive and allocate an amount of not more than 10% of the Group's EBITDA during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

At present, there are no arrangements for compensation for Directors. Directors, however, receive reasonable per diem allowances.

Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Item 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following are the number of Shares representing more than 5% of the Parent Company's issued and outstanding capital stock as of December 31, 2018:

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	PCD Nominee Corporation (Filipino) 37 th Fl., Tower One, Enterprise Center, Paseo de Roxas corner Ayala Avenue, Makati City	PCD Nominee Corporation (Filipino)	Filipino	2,022,302,024	80.89%

Common	Harvest All Investment Ltd. 4304-43F China Resources Bldg., 26 Harbour Road, Wanchai, Hong Kong	Harvest All Investment Ltd.	Chinese / Hong Kong	177,261,165	7.09%
	Total			2,199,563,189	87.98%

Security ownership of Directors, Officers and Management as of December 31, 2018:

Security Ownership of Directors

Title of Class	Name of Beneficial Owner	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	Citizenship	% of Capital Stock
Common	Erwin M. Elechicon	200	0	Filipino	0.00%
Common	Antonio C Pacis	400	0	Filipino	0.00%
Common	Joseph Peter Y. Roxas	100,000	356,000/through Eagle Equities, Inc. 1,785,000/through Glory Y. Roxas (member of immediate family) – through Eagle Equities, Inc.	Filipino	0.08%
Common	Raymond K. H. See	5,000	10,521/through Asiasec Equities, Inc.	Filipino	0.00%
Common	Gabriel A. Dee	1,000		Filipino	0.00%
Common	Dobbin A. Tan	10,000	0	Filipino	0.00%
Common	Marie Grace T. Vera Cruz	400	0	Filipino	0.00%
	TOTAL	117,000	2,151,521		0.08%

Security Ownership of Management

Title of Class	Name of Beneficial Owner	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	Citizenship	% of Capital Stock
Common	Raymond K.H. See	5,000	10,521/through Asiasec Equities, Inc.	Filipino	0.00%
-	Lisa Angela Y. Dejadina	0	0	Filipino	0.00%
-	Barbara Anne C. Migallos	0	0	Filipino	0.00%
-	Ma. Kristina P. Ambrocio	0	0	Filipino	0.00%
-					
	TOTAL	5,000	10,521		0.00%

Voting Trust or Similar Agreements

There are no existing voting trust or similar agreements.

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Parent Company, which may cause delay, deferment, or in any manner prevent a change in control of the Parent Company.

Item 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the course of its regular business, the Parent company entered into some related party transactions. For details please refer to Note 13 of the attached Notes to the Financial Statements.

Part IV – CORPORATE GOVERNANCE

Item 14 – CORPORATE GOVERNANCE

In compliance with SEC Regulations, please refer to the attached Integrated Annual Corporate Governance Report (IACGR) which was submitted to the SEC on March 30, 2018 and posted on the Company's website on March 30, 2018.

The Company stays faithful to the recommended and best practices as far as Corporate Governance standards are concerned. It participates and follows the standards prescribed by the Securities & Exchange Commission (SEC) and the Philippines Stock Exchange (PSE). The Company filed its revised Manual of Corporate Governance (containing revisions as of July 2014) with the SEC on July 31, 2014. It also filed its Consolidated Changes to the Annual Corporate Governance Report on January 14, 2016. Since then, the Company has filed two (2) amendments to the Company's ACGR to reflect the changes made after the Company's stockholders' meeting held on March 01, 2016. All amendments and changes have been posted in the Company's website before the prescribed deadline.

In addition, the Company has been regularly submitting corporate governance surveys as required by the PSE Memorandum 2010-0574 dated November 26, 2010. Since this requirement came into force, the Company has been participating in these surveys and filing it with the Exchange in a timely manner. A Compliance Report on Corporate Governance was submitted to the Exchange on March 29, 2016 for the year ended December 31, 2015.

On June 1, 2017, in compliance with SEC Memorandum Circular No. 8 Series of 2017, Alliance Select Foods International, Inc. (FOOD) submitted with the SEC its 2017 Corporate Governance Manual. The same was adopted by the Board of Directors of FOOD in a special meeting held on May 30, 2017.

The attendance of the Board members during Board of Directors meetings held in CY 2018 was as follows:

	23 Mar	10 May	3 July	4 July	13 Aug	7 Nov	Attendance
George E. SyCip	P	P	A	NA			90
Antonio C. Pacis	P	P	P	P	P	P	100
Raymond K.H. See	P	P	P	P	P	P	100
Marie Grace T. Vera Cruz	P	P	P	P	A	P	90

Dobbin A. Tan	P	P	P	P	P	P	100
Erwin M. Elechicon	P	P	P	P	P	P	100
Joseph Peter Y. Roxas	P	P	P	P	P	P	100
Gabriel A. Dee	NA/ Starts Aug 13			P	P	P	100

P = Present

A = Absent

N = Not a Director

** There were 6 meetings held during the year 2018.*

Per the Company's Manual on Corporate Governance the Board has taken the lead in following recommended standards of Corporate Governance. To reflect its commitment to set, and maintain, high standards of governance, the Board has set up various Board Committees to guide the attainment of corporate goals. These Committees are:

Audit Committee – The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the Company's corporate governance processes relating to:

- (i) The quality and integrity of the company's financial statements and financial reporting process;
- (ii) The adequacy and effectiveness of the Company's internal control systems;
- (iii) Compliance with accounting standards, legal and regulatory requirements, including the Company's disclosure policies and procedures;
- (iv) Independence and performance of the Company's internal and external auditors;
- (v) Evaluation of risk management policies and process.

The Committee is accountable to the Board for its performance and shall prepare the report of the Committee required to be in the Company's annual report.

The Committee's duties and responsibilities include, among others, monitoring the integrity of the financial information provided by the Company, monitoring and assessing the role and effectiveness of the internal audit function, reviewing the external auditors scope of work, reviewing the effectiveness of the system for monitoring compliance with laws and regulations, overseeing interested party transactions, ensuring that the management establishes sound risk management policies and systems and performing any other activities consistent with the committees charter and Company By-Laws etc.

Executive Committee – The primary responsibility of the committee is to act on behalf of the Board on matters that require urgent and prompt action. In cases where the full Board cannot convene, but urgent matters need to be acted upon, the Committee exercises the power of the Board though it is subordinated to and responsible to the full Board at all times.

The committee can act on all matters except change the Company Articles of Incorporation and By-Laws, adopt an agreement on Mergers & Acquisitions, declare dividends or authorize issuance of stock, amend or rescind previous Board resolutions and recommend sale, lease or exchange of corporate property and assets.

The Committee has to report all the actions it takes to the Board.

Corporate Governance Committee – The committee’s primary responsibility is to pre-screen and short-list all candidates nominated to become a member of the Board of Directors. It should also define, or re-define, as the case may be, the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

Its responsibilities also include establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation’s culture, strategy and control environment. Moreover, the committee is to designate amount of remuneration to attract and retain competent corporate officers. Also, the committee should establish a formal and transparent procedure for developing a policy on executive remuneration and fixing the remuneration packages of individual directors.

Other committees of the Company include the Board Risk Oversight Committee and Related Party Transactions Committee.

The Company’s Compliance Officer constantly monitors and evaluates compliance of the Directors and officers to its Manual on Corporate Governance. The Company has fully complied with the requirements of the Manual on Corporate Governance and the company will continue to take steps, as needed, to improve its corporate governance.

Part V – EXHIBITS AND SCHEDULES

Part V – EXHIBITS AND SCHEDULES

Item 15 – EXHIBITS AND REPORTS

(a) Exhibits

The exhibits indicated in the Index to Exhibits, are either not applicable to the Company or have been previously submitted.

(b) Reports on SEC Form 17-C

LIST OF REPORTS ON SEC FORM 17- C (During the last 6-month period covered by the Annual Report)

Date Reported	Subject
March 23, 2018	Appointment of Ms. Nimpa H. Reyes as Chief Audit Executive
March 23, 2018	Setting of the Date of the Annual Stockholders' Meeting
March 23, 2018	Approval of FOOD's 2017 Performance and Audited Financial Statements.
March 27, 2018	Equity Restructuring of FOOD

March 27, 2018	SEC Approves FOOD Equity Restructuring
March 28, 2018	Amendment of the Articles of Incorporation
March 28, 2018	Amendment of Articles of Incorporation disclosure attaching the Certificate of Approval of Decrease of Capital Stock, Certificate of Approval of Equity Restructuring, and Certificate of Filing Amended Articles of Incorporation.
March 27, 2018	Reduction of the par value of the Company's shares
March 27, 2018	Amended Quasi-Reorganization disclosure to attached the Certificate of Approval of Decrease of Capital Stock, Certificate of Approval of Equity Restructuring, and Certificate of Filing Amended Articles of Incorporation.
April 13, 2018	DOJ Reaffirms Findings Clearing Alliance Select Management of Fraud Charges
April 13, 2018	Joint Complaint-Affidavit (for Syndicated Estafa under Presidential Decree No. 1689, in relation to Article 315 (2)(a) of the Revised Penal Code, and Falsification of Public Documents under Article 172 (1) of the Revised Penal Code) disclosure was amended as FOOD received the Joint Resolution of the DOJ dated March 27, 2018, on the motion for reconsideration reaffirming the dismissal of syndicated estafa charges against new and incumbent officers and directors Raymond K. H. See, Marie Grace T. Vera Cruz and Antonio C. Pacis for lack of merit and insufficiency of evidence.
April 16, 2018	Equity Restructuring of FOOD disclosure was amended to update that FOOD intends to provide complete details on the Procedure for Updating Stock Certificates from April 13, 2018 to April 20, 2018.
April 16, 2018	Amendment of the Articles of Incorporation disclosure was amended to update the date to as when FOOD will provide the complete details on the Procedure for Updating Stock Certificates from April 13, 2018 to April 20, 2018.
April 16, 2018	Press Release: New Leadership Turns Alliance Select Around: FOOD Revenue Up by 20% and Delivers Profit for the First Time Since 2011
April 17, 2018	Reduction of the par value of the Company's shares disclosure was amended to update the date to as when FOOD will provide the complete details on the Procedure for Updating Stock Certificates from April 13, 2018 to April 20, 2018.

April 23, 2018	Amendment of the Articles of Incorporation disclosure was amended to attach the Procedure for Updating Stock Certificates.
April 23, 2018	Reduction of the par value of the Company's shares disclosure was amended to provide the start date when the old stock certificates can be replaced, the documentary requirements and process for Individual Shareholders, and Corporate Shareholders to update Stock Certificates. This was also amended to provide the procedures for replacement of lost stock certificates.
April 23, 2018	Equity Restructuring of FOOD disclosure was amended to provide the start date when the old stock certificates can be replaced, the documentary requirements for Individual Shareholders, and corporate shareholders on how to update Stock Certificates. This was also amended to provide the procedures for replacement of lost stock certificates.
May 11, 2018	Setting of the Date of the Annual Stockholders' Meeting disclosure was amended to move it to July 4, 2018 from June 15, 2018 during the Regular Meeting held on May 10, 2018. The Proxy Deadline was moved.
May 16, 2018	Press Release: Alliance Select Reports Outstanding Q1 Revenue and NIAT Growth
May 18, 2018	Setting of the Date of the Annual Stockholders' Meeting disclosure was amended to reflect the time of the meeting to 2:30 PM, the venue and the agenda of the meeting.
June 26, 2018	Clarification on the News Report: "Sycip scion, 4 associates indicted in ownership row"
July 4, 2018	Election of Atty. Gabriel A. Dee as new director to the Board
July 4, 2018	Results of 2018 Annual Stockholders' Meeting of FOOD.
July 4, 2018	Press Release: Alliance Select Re-Elects Leaders Behind Turnaround During 2018 Stockholders' Meeting
July 4, 2018	Results of the 2018 Organizational Meeting of the Board of Directors
July 24, 2018	Results of 2018 Annual Stockholders' Meeting of FOOD disclosure was amended as Certain votes previously tabulated as "Abstain" votes were changed to "Votes against" at the request of a group of stockholders. The change does not affect the outcome of the election of Directors.

July 31, 2018	Press Release: Alliance Select Foods launches affordable luxury line of premium tuna.
August 6, 2018	Clarification on the News Report: "Court orders arrest of Sycip."
August 13, 2018	Change of Office Address and contact details
August 14, 2018	Press Release: Alliance Select Posts Breakthrough 2018 First Half Revenue
September 24, 2018	Change of Contact Details
Nov 7, 2018	Resignation of Ms. Maria Cristina C. Villaruz as Assistant Treasurer and Data Protection Officer
November 7, 2018	Appointment of Ms. Jennifer Porsuelo as Assistant Treasurer and Data Protection Officer
November 7, 2018	Board Meeting discussed the Financial Highlights for the nine months ended September 30, 2018.
November 14, 2018	Press Release: Alliance Select delivers strongest performance yet
December 7, 2018	Clarification on the News Report: "Court recalls arrest warrants vs Alliance Select execs"

EXHIBIT TABLE

SECURITIES REGULATION CODE FORMS

	Description	17-A	2014 17-A Filing
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	x	N/A
5	Instruments Defining the Rights of Security Holders, Including Indentures	x	N/A
8	Voting Trust Agreement	x	N/A
10	Annual Report to Security Holders, FORM 17-Q or Quarterly Report to Security Holders—n1	x	Please refer to the First Quarter 17-Q
13	Letter re: Change in Certifying Accountant—n2	x	N/A
15	Letter re: Change in Accounting Principles	x	N/A
16	Report Furnished to Security Holders	x	Please refer to First Quarter 17Q

18	Subsidiaries of the Registrant	x	Please refer to latest Amended General Information Sheet, with corresponding jurisdiction of incorporation
19	Published Report Regarding Matters Submitted to Vote of Security Holders	x	N/A
20	Consents of Experts and Independent Counsel	x-n3	N/A
21	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	x	N/A
29	Additional Exhibits	x	Consolidated 2014 ACGR, pursuant to SEC Advisory dated 12 March 2015

n1 In the case of SEC Form 17-A, where the annual report to security holders is incorporated by reference into the text of FORM 17-A. Note: SRC Rule 12.2 prohibits information from being incorporated by reference to the prospectus.

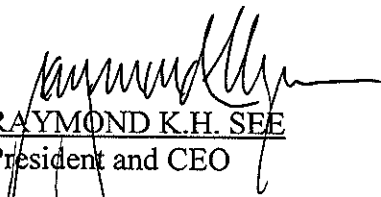
n2 If required pursuant to Part III, paragraph B(3) of this Annex C.

n3 Where the opinion of the expert or independent counsel has been incorporated by reference to a previously filed SEC Form 12-1 registration statement.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the city of PASIG CITY on 05 APR 2019.

By:


RAYMOND K.H. SEE
 President and CEO

LISA ANGELA Y. DEJADINA
 Senior Vice President of Group Operations



MA. KRISTINA P. AMBROCIO
 VP Legal and Compliance Officer

SUBSCRIBED AND SWORN to before me this 05 APR 2019 day of 2019 at Pasig City, affiants exhibited to me their government issued identification cards, as follows:

Name	Competent evidence of Identity	Date of Issue	Valid until
Raymond K.H. See	Passport No. EC3695414	March 17, 2015	March 16, 2020
Lisa Angela Y. Dejadina	Passport No. P1427002A	December 30, 2016	December 29, 2021
Ma. Kristina P. Ambrocio	IBP No. 52615		

Doc. No. 252;
 Page No. 52;
 Book No. I;
 Series of 2019.




ATTY. GINO MARCO P. BAUTISTA
 Notary Public for Pasig, San Juan, and Pateros
 Commission No. 135 (2018-2019)
 Until December 31, 2019
 3104 A, West Tower, Phil. Stock Exchange Centre,
 Exchange Road, Ortigas Center, Pasig City
 PTR No. 5281587/1-14-2019/Pasig City
 IBP No. 069385/1-15-2019/Quezon City
 Roll of Attorneys No. 58507
 MCLE Compliance No. V-0020739;4-20-2016



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **Alliance Select Foods International, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to read "Antonio C. Pacis", written over a horizontal line.

ANTONIO C. PACIS
Chairman of the Board

A handwritten signature in black ink, appearing to read "Raymond K.H. See", written over a horizontal line.

RAYMOND K.H. SEE
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Jennifer C. Porsuelo", written over a horizontal line.

JENNIFER C. PORSUELO
Group Comptroller

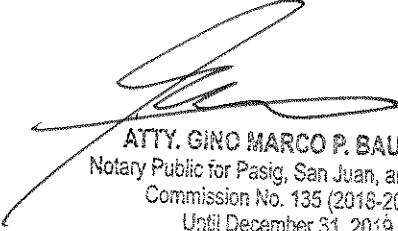
Signed this 5th day of April 2019.

SUBSCRIBED AND SWORN to before me this 5th day of April 2019 at Pasig City, affiants exhibited to me their government issued identification cards, as follows:

Name	Competent evidence of Identity	Date of Issue	Valid until
Antonio C. Pacis	Passport No. EC5839503	October 30, 2015	October 29, 2020
Raymond K.H. See	Passport No. EC3695414	March 17, 2015	March 16, 2020
Jennifer C. Porsuelo	PRC No. 0109384	September 25, 2018	October 18, 2021

Doc. No. 251;
Page No. 52;
Book No. I;
Series of 2019.




ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
3104 A, West Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
PTR No. 5281587/1-14-2019/Pasig City
IBP No. 069385/1-15-2019/Quezon City
Roll of Attorneys No. 58507
MCLE Compliance No. V-0020739;4-20-2016

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A West Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018, 2017 and 2016, 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of Goodwill

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its recorded goodwill for impairment. This annual impairment test was significant to our audit because the assessment process is complex and highly judgmental and is based on assumptions that are affected by future market or economic conditions. The Group's goodwill of \$9.50 million represents 12% of the total consolidated assets as at December 31, 2018. Our audit procedures included, among others, review of management's impairment analysis and cash flow projections and evaluation of the assumptions used by the Group. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill in accordance with PAS 36. The Group's disclosures are included in Notes 2, 3 and 4 to the consolidated financial statements.

Valuation of Inventories

Inventories are initially measured at cost and subsequently valued at the lower of cost and net realizable value (NRV). Determination of the NRV of inventories involves significant judgment and is affected by volatility of the price in the market. Total inventories of the Group of \$13.95 million represent 18% of the total consolidated assets as at December 31, 2018. Our audit procedures included an assessment of the Group's measurement of the inventories' NRV and identification of damaged and obsolete items. We also focused on the adequacy of the Group's disclosures in accordance with PAS 2, *Inventories*. The Group's disclosures are included in Notes 2, 3 and 7 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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



In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- 4 -

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Emmanuel V. Clarino.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until August 15, 2021

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

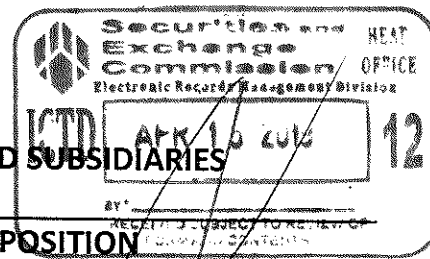
PTR No. 7334331

Issued January 3, 2019, Makati City

April 5, 2019

Makati City, Metro Manila

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



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$7,012,332	\$4,427,478
Trade and other receivables	6	11,848,595	9,414,233
Inventories	7	13,945,762	14,154,871
Other current assets	8	8,154,691	5,612,224
Total Current Assets		40,961,380	33,608,806
Noncurrent Assets			
Property, plant and equipment	9	15,486,050	16,104,369
Goodwill	4	9,502,585	9,502,585
Deferred tax assets	24	9,433,423	9,721,323
Other noncurrent assets	10	1,655,214	1,581,487
Total Noncurrent Assets		36,077,272	36,909,764
		\$77,038,652	\$70,518,570
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$9,119,103	\$9,745,224
Loans payable	12	30,917,296	24,285,900
Due to related parties	13	91,530	2,142,510
Income tax payable		186,662	184,688
Total Current Liabilities		40,314,591	36,358,322
Noncurrent Liabilities			
Loans payable - net of current portion	12	46,989	79,355
Net retirement benefit obligation	14	223,134	234,627
Deferred tax liabilities	24	142,544	135,957
Refundable lease deposit	22	20,655	21,811
Total Noncurrent Liabilities		433,322	471,750
Total Liabilities		40,747,913	36,830,072
Equity			
Capital stock	15	26,823,389	53,646,778
Additional paid-in capital		1,486,546	6,662,001
Other comprehensive income		960,207	933,149
Retained earnings (deficit)		9,291,312	(25,231,797)
		38,561,454	36,010,131
Treasury shares	15	(5,774)	(5,774)
Equity attributable to equity holders of the Parent			
Company		38,555,680	36,004,357
Non-controlling interests		(2,264,941)	(2,315,859)
Total Equity		36,290,739	33,688,498
		\$77,038,652	\$70,518,570

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
NET REVENUE	16	\$97,133,736	\$72,191,578	\$59,914,477
COST OF GOODS SOLD	17	(84,793,734)	(62,742,916)	(56,446,802)
GROSS PROFIT		12,340,002	9,448,662	3,467,675
SELLING AND ADMINISTRATIVE EXPENSES	18	(7,341,396)	(8,117,124)	(7,957,915)
INTEREST EXPENSE	12, 13	(1,504,254)	(787,547)	(868,517)
EQUITY IN NET INCOME OF AN ASSOCIATE	10	3,461	26,081	19,771
OTHER INCOME (CHARGES) - Net	19	(4,007)	(7,554)	561,115
INCOME (LOSS) BEFORE INCOME TAX		3,493,806	562,518	(4,777,871)
INCOME TAX EXPENSE (BENEFIT)	24	890,657	(1,000,534)	1,120,898
NET INCOME (LOSS)		2,603,149	1,563,052	(5,898,769)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		(5,028)	(15,850)	(105,034)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement gain on retirement benefits, net of tax	14	32,086	-	103,542
		27,058	(15,850)	(1,492)
TOTAL COMPREHENSIVE INCOME (LOSS)		\$2,630,207	\$1,547,202	(\$5,900,261)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		\$2,524,265	\$1,437,271	(\$5,968,529)
Non-controlling interests		78,884	125,781	69,760
		\$2,603,149	\$1,563,052	(\$5,898,769)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		\$2,579,289	\$1,392,332	(\$5,918,511)
Non-controlling interests		50,918	154,870	18,250
		\$2,630,207	\$1,547,202	(\$5,900,261)
INCOME (LOSS) PER SHARE				
Basic and diluted income (loss) per share	21	\$0.0010	\$0.0006	(\$0.0024)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2018	2017	2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock				
Balance at beginning of year	15	\$53,646,778	\$53,646,778	\$53,646,778
Effect of restructuring		(26,823,389)	-	-
Balance at end of year		26,823,389	53,646,778	53,646,778
Additional Paid-in Capital (APIC)				
Balance at beginning of year		6,662,001	6,662,001	6,662,001
Effect of equity restructuring	15	26,823,389	-	-
Application of APIC to deficit	15	(31,998,844)	-	-
Balance at end of year		1,486,546	6,662,001	6,662,001
Other Comprehensive Income				
<i>Cumulative Remeasurement Gains (Losses) on Retirement Benefit Obligation</i>				
Balance at beginning of year	14	55,190	55,190	(48,352)
Remeasurement gain on retirement		32,086	-	103,542
Balance at end of year		87,276	55,190	55,190
<i>Revaluation Reserves</i>				
Balance at beginning and end of year		275	275	275
<i>Cumulative Translation Adjustment</i>				
Balance at beginning of year		877,684	893,534	998,568
Exchange differences on foreign currency translation		(5,028)	(15,850)	(105,034)
Balance at end of year		872,656	877,684	893,534
Total balance at end of year of other comprehensive income		960,207	933,149	948,999
Retained Earnings (Deficit)				
Balance at beginning of year		(25,231,797)	(26,669,068)	(20,700,539)
Application of APIC to deficit	15	31,998,844	-	-
Net income (loss)		2,524,265	1,437,271	(5,968,529)
Balance at end of year		9,291,312	(25,231,797)	(26,669,068)
Treasury Shares	15	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS				
Balance at beginning of year		(2,315,859)	(2,470,729)	(2,488,979)
Total comprehensive income attributable to non-controlling interests		50,918	154,870	18,250
Balance at end of year		(2,264,941)	(2,315,859)	(2,470,729)
		\$36,290,739	\$33,688,498	\$32,112,207

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		\$3,493,806	\$562,518	(\$4,777,871)
Adjustments for:				
Interest expense	12, 13	1,504,254	787,547	868,517
Depreciation and amortization	9	1,074,993	1,150,597	1,147,554
Reversal of allowance for impairment losses	7	(804,482)	(1,416,172)	(2,844,381)
Unrealized foreign exchange loss (gain) - net		(348,675)	(46,264)	88,482
Provision for impairment losses on:	18			
Inventories		209,488	230,780	794,010
Trade and other receivables		80,000	69,574	79,049
Property, plant and equipment	9	-	1,090,400	-
Other noncurrent assets		-	-	314,320
Interest income	5, 10	(65,426)	(70,965)	(159,133)
Retirement benefits expense	14	52,595	50,302	92,315
Equity in net income of an associate	10	(3,461)	(26,081)	(19,771)
Gain on disposal/retirement of property, plant and equipment	9	(1,338)	(58,618)	(12,078)
Operating income (loss) before working capital changes		5,191,754	2,323,618	(4,428,987)
Decrease (increase) in:				
Trade and other receivables		(2,514,362)	(2,758,899)	(1,402,586)
Inventories		804,103	(5,015,714)	819,062
Other current assets		(2,542,467)	(4,143,844)	(371,614)
Other noncurrent assets		(75,100)	(25,425)	47,443
Increase (decrease) in trade and other payables		(358,824)	3,329,733	185,218
Net cash generated from (used for) operations		505,104	(6,290,531)	(5,151,464)
Income tax paid		(349,013)	(507,877)	(699,153)
Interest received		65,426	70,965	90,613
Contribution to retirement fund		-	-	(42,403)
Retirement benefits paid from operations		-	-	(38,833)
Net cash flows from operating activities		221,517	(6,727,443)	(5,841,240)

(Forward)

		Years Ended December 31		
	Note	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	9	(\$421,342)	(\$1,334,114)	(\$702,914)
Proceeds from sale of property, plant and equipment		24,387	88,116	14,762
Net cash flows from investing activities		(396,955)	(1,245,998)	(688,152)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	28	48,426,236	29,164,744	35,590,025
Payments of:	28			
Loans payable		(41,805,631)	(25,684,118)	(38,351,307)
Due to related parties		(2,050,980)	-	-
Interest		(1,771,551)	(442,314)	(868,517)
Due to related parties		-	2,006,398	-
Net cash flows from financing activities		2,798,074	5,044,710	(3,629,799)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(37,782)	(40,134)	(39,445)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		2,584,854	(2,968,865)	(10,198,636)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		4,427,478	7,396,343	17,594,979
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	\$7,012,332	\$4,427,478	\$7,396,343
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	5			
Cash on hand		\$6,706	\$4,029	\$4,621
Cash in banks		7,000,668	4,415,573	3,710,241
Cash equivalents		4,958	7,876	3,681,481
		\$7,012,332	\$4,427,478	\$7,396,343

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

Alliance Select Foods International, Inc. (ASFII or the "Parent Company"), a public corporation under Section 17.2 of the Securities Regulation Code (SRC), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 1, 2003. The Parent 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. (Strongoak), the immediate parent of ASFII, owns 55.32% of ASFII. Strongoak is a domestic company engaged in investment activities.

In 2018, SEC approved ASFII's equity restructuring resulting to the elimination of ASFII's capital deficit of \$32.00 million. As at December 31, 2018, the Group's retained earnings amounted to \$9.29 million.

In August 2018, the Parent Company notified the SEC for the change in its registered office address and principal place of business to Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. The Parent Company has a plant located in General Santos City, Philippines.

Subsidiaries

The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the "Group") as at December 31, 2018 and 2017:

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100	Salmon and other seafoods processing	United States of America (USA)
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	Salmon and other seafoods processing	Philippines
ASFI Thailand	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)	49	Fishing	Indonesia

BGB. BGB has plant facilities that are located in Barrio Tambler, General Santos City.

ASFI Thailand. ASFI Thailand was established as a sales representative office. , the Parent Company announced the consolidation of sales and marketing operations in the Philippines after closing ASFI Thailand in February 2019.

PTIAFI and PT VDZ. 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 in Bitung Indonesia.

PTIAFI owns 49% of PT VDZ, a fishing company.

Akaroa. Akaroa holds 25% stake in Salmon Smolt NZ Ltd. (SSNZ), an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm.

Approval of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2019.

2. Summary of Significant Accounting and Reporting Policies

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

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared on a going concern basis and 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) and adopted by the SEC.

The consolidated financial statements comprise the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes thereto. Income and expenses, excluding the components of other comprehensive income, are recognized in the statements of comprehensive income. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognized in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognized in the consolidated statements of changes in equity.

Bases of Measurement

The consolidated financial statements are presented in United States (U.S.) Dollar, the functional currency of the primary economic environment in which the Parent Company operates. All values are rounded to the nearest U.S. Dollar, except when otherwise stated.

The consolidated 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 for an asset and fair value of the consideration received in exchange for incurring a liability.

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 Group uses observable market 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 markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 Group 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 consolidated financial statements.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and interpretations which the Group adopted effective January 1, 2018:

- PFRS 9, *Financial Instruments*

PFRS 9 replaced PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9), bringing together all aspects of the accounting for financial instruments: classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition 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 the classification by reference to the business model within which these are held and the 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” (ECL) model based on the concept of providing for expected losses at the inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing consolidated 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.

Based on the Group's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Group has concluded that all of its financial assets and liabilities shall continue to be measured using the same basis under PAS 39 but shall be classified under PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39 and PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	\$4,427,478
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	9,414,233
Other noncurrent receivables	Loans and receivables	Financial assets at amortized cost	994,004

The Group assessed that the adoption of PFRS 9, specifically on determining ECL using simplified and general approach, has no material impact on the carrying amounts of the Group's financial assets carried at amortized cost. There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9. Consequently, no restatements were necessary.

The Group has adopted the retrospective approach in accordance with the transition provisions of PFRS 9, but has elected not to restate comparative information.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

All of the Group's contracts with customers generally undertake to provide single performance obligation, at a fixed price, which is mainly the delivery of goods. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Group recognizes revenue as the goods are transferred to the customer at the point of delivery. Accordingly, the adoption of PFRS 15 has no impact on the timing of recognizing the Group's revenue.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarifications to PFRS 15*

The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of PFRS 15, amendments to PFRS 15 and Philippine Interpretation IFRIC 22 did not have a material impact on the consolidated financial statements.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

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

- PFRS 16, *Leases*

PFRS 16 replaces PAS 17 *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

Management has assessed that the adoption of PFRS 16 will not have a significant effect on the amounts reported in the Group's financial statements because the underlying assets under lease have low value and no purchase options or the lease is temporary. Additional disclosures will be included in the notes to financial statements, as applicable.

- Amendments to PAS 28, *Investments in Associates*, on long-term interests in associates and joint ventures

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying PFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of interest retained.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. Non-controlling interests represent the interests of minority shareholders of PTIAFI, PT VDZ, Akaroa and AMHI.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the business combination is achieved in stages, any previously held non-controlling interest is re-measured at the date of obtaining control and a gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one year from the acquisition date.

Goodwill, which arose from the acquisitions of Spence (\$7.45 million) in 2011 and Akaroa (\$2.05 million) in 2012, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill has been allocated to a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at December 31, 2018 and 2017, the Group does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Classification of Financial Instruments between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently 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 fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Group's cash and cash equivalents, trade and other receivables, and other noncurrent receivables are classified under this category (see Notes 5, 6 and 10).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 and 2017, the Group's trade and other payables (excluding customers' deposits and statutory payable), loans payable, due to related parties and refundable lease deposit are classified under this category (see Notes 11, 12, 13 and 22).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For financial assets at amortized cost (excluding restructured receivable from PFNZ), the Group has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For restructured receivable from PFNZ, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The information about the ECL on the Group's trade and other receivables is disclosed in Note 6.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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, and the related assets and liabilities are presented gross in the consolidated 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). Cost incurred in bringing each product to its present location and condition is accounted as follows:

Finished Goods and Work in Process. 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 estimated costs of completion and costs necessary to make the sale.

Raw Materials and Packaging Supplies. Cost is determined using weighted average method. NRV is the current replacement cost.

When the NRV of the inventories is lower than the cost, the Group 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 consolidated statement of comprehensive income.

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

Other Assets

Other assets include advances to suppliers, value-added tax (VAT), prepayments, creditable withholding taxes (CWTs), investments in associate and joint ventures, biological assets, intangible assets and idle assets. Other assets 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.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods. These advances are measured at transaction price less impairment in value, if any.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT except receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statement of financial position.

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.

CWTs. CWTs represent the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source.

Investments in an Associate and Joint Ventures. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% percent of the voting power of another entity.

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.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are initially carried in the consolidated statement of financial position at cost. Subsequent to initial recognition, investments in associates and joint ventures are measured in the consolidated financial statements using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Upon loss of significant influence over an associate or of joint control over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence or joint control and the fair value of the retained interest and proceeds from disposal is recognized in profit or loss.

Biological Assets. The Group measures its biological assets on initial recognition and at the end of each reporting period at its fair value less costs to sell. Biological assets of the Group comprised solely of consumable female smolts. They are cultured during the developmental phase which lasts for an average period of 14-16 months.

Harvested agricultural produce are also carried at fair value less estimated costs to sell at harvest point.

Gains or losses arising on initial recognition of biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale of biological asset are included in the consolidated statement of comprehensive income for the period when they arise.

Idle Assets. Idle assets are those which are no longer used in the Group's operations. These are measured at cost less accumulated depreciation and any impairment loss. The Group's idle assets are already fully provided with allowance for impairment loss.

Intangible Assets

Acquired Intangible Assets. Intangible assets that are acquired by the Group with finite useful lives are initially measured at cost. At the end of each reporting period, items of intangible assets acquired are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes purchased price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the intangible asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in the consolidated profit or loss as incurred.

Amortization of Intangible Assets with Definite Useful Lives. Amortization for salmon farming consent and fishing license with finite useful life is calculated over the cost of the asset less its residual value.

Amortization is recognized in the consolidated statement of comprehensive income on a straight-line basis over the useful life of salmon farming consent and fishing license, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of the salmon farming consent and fishing license for the current and comparative periods is 25 years.

Intangible Asset with Indefinite Useful Life. Intangible asset with indefinite life is not amortized. However, these assets are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Group considers its macrocystic consent having an indefinite useful life for the following reasons:

- there have been no established legal or contractual expiration date;
- impracticability of the determination of the intangible assets' economic useful lives; and
- are expected to generate net cash flows for the Group.

Derecognition of Intangible Assets. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated profit or loss when the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment except land, are stated at cost less accumulated depreciation, amortization and any accumulated impairment in value. Land is stated at cost less any 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 Group, 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:

	Number of Years
Building	15 - 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.

Construction-in-progress (CIP) represents properties under construction and is stated at cost, including cost of construction and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's 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, 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 are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Goodwill and Other Intangible Assets with Indefinite Useful Lives. The Group assesses goodwill and other intangible assets with indefinite useful lives for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill and other intangible assets with indefinite useful lives by assessing the recoverable amount of the cash-generating units, to which the goodwill and other intangible assets with indefinite useful lives relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to these intangible assets cannot be reversed in future periods.

Customers' Deposits

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

Equity

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 (APIC) or retained earnings. Proceeds or fair value of consideration received in excess of par value are recognized as APIC.

Other Comprehensive Income (Loss). Other comprehensive income (loss) pertains to remeasurement gain (loss) on retirement benefits obligation, revaluation reserves and cumulative translation adjustments.

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of the Group's results of operations. Retained earnings (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 consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Revenue Recognition

The Group generates revenue primarily from the sale of goods. Other revenue sources include rental income.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

- *Sale of Goods.* Revenue is recognized, net of sales returns and discounts, 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.

Revenue from Other Sources. Revenue from other sources is recognized as follows:

- *Rental Income.* Revenue is recognized on a straight-line basis over the term of the lease.
- *Interest Income.* Interest is recognized as it accrues on a time proportion basis using the effective interest method.
- *Other Income.* Income from other sources is recognized when earned during the year.

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 is recognized as it accrues on a time proportion basis using the effective interest method.

Other Charges. Expenses from other sources are expensed as incurred.

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).

Group 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.

Group as Lessor. Leases where the Group retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease receipts are recognized as an income 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 Group recognizes service costs comprising of current service costs and net interest expense on the retirement benefit liability in profit or loss.

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

Remeasurements of the net retirement benefit liability, 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.

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

The net retirement benefit liability recognized by the Group is the present value of the defined benefit obligation 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 liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated 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, net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of NOLCO and MCIT 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 taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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 by the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Foreign Currency-denominated Transactions and Translation

Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in associates and subsidiaries whose functional currency is other than U.S. Dollar are translated to U.S. Dollar using the closing exchange rate prevailing at the reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation on non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, 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 entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

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 Group 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.

Contingencies

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

Events after the Reporting Date

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

Income (Loss) per Share

The Group presents basic and diluted income (loss) per share data for its common shares.

Basic income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year. There are no potential dilutive shares.

Operating Segments

For management purposes, the Group is divided into operating segments per products/service, (tuna, salmon, and rental) according to the nature of the products and services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker. Financial information on operating segments is presented in Note 27.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgment, 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 Group believes that the following represent a summary of these significant judgment, estimates and assumptions and the related impact and associated risks in the consolidated financial statements:

Determining Functional Currency. Based on management's assessment, the functional currency of the entities in the Group has been determined to be the U.S. Dollar, except for certain subsidiaries whose functional currency is the New Zealand Dollar and Philippine Peso. The U.S. Dollar is the currency that mainly influences the operations of most of the entities within the Group.

Determining Control Over Subsidiaries. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Management has determined that by virtue of its majority ownership of voting rights or by the power to cast the majority of votes through its representatives in the BOD of its subsidiaries as at December 31, 2018 and 2017, the Parent Company has the ability to exercise control over these investees.

Determining Reportable Operating Segments. The Group has determined that it has reportable segments based on the following thresholds:

- a. Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.
- b. The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of
 - (i) the combined reported profit of all operating segments that did not report a loss and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- c. Its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements.

Assessing ECLs. The Group's trade and other receivables are subject to the ECL model. While cash is also subject to the impairment requirements of PFRS 9, the assessed impairment loss is not material.

Trade and other receivables (excluding restructured receivable from PFNZ). The Group applies the simplified approach in measuring ECL on trade and other receivables which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are initially based on the Group's historical default rates. These historical default rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified macroeconomic factors (i.e. gross domestic product growth rates, foreign exchange rates, inflation rate, etc.) that are relevant, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The assessment of the correlation between historical default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Restructured receivable from PFNZ. The Group applies the general approach in measuring ECL which uses a 12-month or lifetime ECL. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates financial health of the counterparty and the capacity and willingness to pay, among others.

The information about the ECL on the Group's trade and other receivables is disclosed in Note 26.

The carrying amounts of the Group's cash and cash equivalents, trade and other receivables and other noncurrent receivables aggregated \$19.75 million and \$14.84 million as at December 31, 2018 and 2017, respectively (see Notes 5, 6 and 10).

The Group recognized provision for ECL on trade and other receivables amounting to \$80,000 and \$69,574 in 2018 and 2017, respectively (see Note 6). The carrying amounts of these financial assets are as follows:

Asset Type	Note	2018	2017
Cash and cash equivalents	5	\$7,012,332	\$4,427,478
Trade and other receivables	6	11,848,595	9,414,233
Noncurrent portion of trade and other receivables	10	887,270	994,004

Classifying Financial Assets and Liabilities. The Group has determined that it shall classify its financial assets at amortized cost on the basis of the following conditions met:

- The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Moreover, the Group has determined that it shall classify its financial liabilities at amortized cost using the effective interest method.

Classifying Leases - Group as a Lessee. The Group has an operating lease agreement for its office and manufacturing space. The Group has determined that the risks and rewards of ownership related to the leased property are retained by the lessor. Accordingly, the agreement is accounted for as an operating lease.

Rent expense arising from operating lease amounted to \$0.44 million, \$0.50 million and \$0.75 million in 2018, 2017 and 2016, respectively (see Note 22).

Classifying Leases - Group as Lessor. The Group has entered into lease agreement on its parcel of land. The Group has determined that it retains all the significant risks and rewards of ownership of the property. Accordingly, these leases are accounted for as operating leases.

Rent income amounted to \$63,535 and \$59,607 in 2017 and 2016, respectively (see Note 22).

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 Group determines the estimated selling based on the recent sale transaction of similar goods with adjustments to reflect any changes in economic conditions since the date when the transactions occurred. The Group records provisions for the excess of cost over the net realizable value of inventories. While the Group 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 \$13.95 million and \$14.15 million as at December 31, 2018 and 2017, respectively. Allowance for impairment losses amounted to \$0.76 million and \$1.35 million as at December 31, 2018 and 2017 (see Note 7).

Estimating Useful Lives of Property, Plant and Equipment and Other Intangible Assets. The Group estimates the useful lives of property, plant and equipment and other intangible assets 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 and other intangible assets 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 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 Group's property, plant and equipment and other intangible assets as at December 31, 2018 and 2017.

Property, plant and equipment (except land), net of accumulated depreciation, amortization and impairment losses amounted to \$6.02 million and \$6.66 million as at December 31, 2018 and 2017, respectively (see Note 9). Other intangible assets, net of accumulated amortization and impairment losses, amounted to \$49,026 and \$56,938 as at December 31, 2018 and 2017, respectively (see Note 10).

Assessing Impairment of Nonfinancial Assets and Goodwill. The Group assesses impairment on its nonfinancial assets (excluding goodwill and macrocystic consent) 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 Group 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. 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.

Goodwill and macrocystic consent are tested for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

Management has assessed that the amount of allowance for impairment of the Group's nonfinancial assets were sufficient except for property, plant and equipment and idle assets wherein provision for impairment losses amounting to \$1.09 million and \$314,320 was recognized in 2017 and 2016, respectively (see Notes 9 and 10).

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2018	2017
Goodwill	4	\$9,502,585	\$9,502,585
Other current assets	8	8,154,691	5,612,224
Property, plant and equipment	9	15,486,050	16,104,369
Other noncurrent assets*	10	767,944	587,483

*Excluding noncurrent receivables

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 consolidated financial statements and include, among others, discount rates and salary increase rates.

Retirement benefit costs amounted to \$52,595, \$50,302 and \$92,315 in 2018, 2017 and 2016, respectively. Net retirement benefit obligation amounted to \$0.22 million and \$0.23 million as at December 31, 2018 and 2017, respectively. The cumulative remeasurement gain on retirement benefit liability recognized in equity amounted to \$87,276 and \$55,190 as at December 31, 2018 and 2017 (see Note 14).

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is 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 Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognize deferred tax assets amounting to \$1.16 million and \$2.35 million as at December 31, 2018 and 2017 since the Group believes that it is not probable that sufficient taxable profit will be available to allow all or part of the MCIT and NOLCO to be utilized within the period allowed by the tax regulations.

The Group has recognized deferred tax assets amounting to \$9.43 million and \$9.72 million as at December 31, 2018 and 2017, respectively (see Note 24).

4. Goodwill

Goodwill resulted from the acquisition by the Parent Company of the following subsidiaries:

Spence. The Parent Company acquired 100% ownership of Spence in 2011. The acquisition of Spence's salmon processing facilities in USA allows the Group to diversify its product line.

Akaroa. The Parent Company acquired 80% ownership of Akaroa in 2012. The acquisition enables the Group to stabilize its supply of salmon.

The acquisition of Spence and Akaroa resulted in a goodwill aggregating \$9.50 million.

The results of operations (net income) of these two subsidiaries aggregated \$239,141 and \$922,472 in 2018 and 2017, respectively.

Based on the Group's annual impairment test using a discounted cash flow model covering a five-year period, the Group has assessed that goodwill is not impaired as at December 31, 2018 and 2017. The principal assumptions made in determining the recoverable amount (value in use) are discount rate of 7.66% and growth rate of 5.00% in 2018 and 2017.

Management determined the five-year projected cash flows based on past performance, existing contracts and expectations on market development such as average price, revenue growth range and expected costs to generate such revenue. The discount and growth rates used were based on the Group's pre-tax weighted average cost of capital (WACC) using capital asset pricing model and pre-tax cash flow long-term growth rate taking into consideration the sector performance and general market and economic conditions.

5. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	\$6,706	\$4,029
Cash in banks	7,000,668	4,415,573
Cash equivalents	4,958	7,876
	\$7,012,332	\$4,427,478

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to cash placements with a bank for varying periods of up to three months depending on the immediate cash requirements of the Group.

Interest income from cash in banks and cash equivalents amounted to \$24,160, \$19,079 and \$90,613 in 2018, 2017 and 2016, respectively (see Note 19).

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade:			
Third parties		\$11,962,935	\$9,086,490
Related parties	13	245,236	276,382
Claims receivables		1,027,177	1,027,177
Advances to officers and employees		3,610	30,771
Others	10	656,587	1,005,363
		13,895,545	11,426,183
Less allowance for impairment losses		2,046,950	2,011,950
		\$11,848,595	\$9,414,233

Trade receivables are generated from the sale of inventories and are generally collectible within 30 to 60 days.

Claims receivables include claims for refunds from government agencies and claims from insurance, suppliers and other parties. These were fully provided with allowance for impairment losses as at December 31, 2018 and 2017.

Advances to officers and employees are subject to salary deduction within 30 days.

Movements in the allowance for impairment losses are as follows:

	Note	2018	2017
Balance at beginning of year		\$2,011,950	\$1,999,471
Reversal		(45,000)	-
Provisions	18	80,000	69,574
Currency translation adjustment		-	(57,095)
Balance at end of year		\$2,046,950	\$2,011,950

7. Inventories

This account consists of:

	Note	2018	2017
At cost:			
Finished goods	17	\$5,955,771	\$3,269,506
Raw materials		6,493,043	9,356,847
Work-in-process		240,694	237,261
Parts and supplies		325,299	294,821
		\$13,014,807	\$13,158,435
At NRV:			
Finished goods		\$476,839	\$936,980
Raw and packaging materials		454,116	59,456
		930,955	996,436
		\$13,945,762	\$14,154,871

The costs of inventories measured at NRV are as follows:

	Note	2018	2017
Finished goods	17	\$1,094,044	\$2,144,028
Raw and packaging materials		596,059	206,550
		\$1,690,103	\$2,350,578

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

	Note	2018	2017
Balance at beginning of year		\$1,354,142	\$2,539,534
Reversal		(804,482)	(1,416,172)
Provision	18	209,488	230,780
Balance at end of year		\$759,148	\$1,354,142

Inventories charged to cost of goods sold amounted to \$68.67 million, \$49.39 million and \$43.35 million in 2018, 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.

8. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	\$7,068,066	\$4,868,762
Input VAT	611,827	591,157
Prepayments:		
Taxes	292,528	68,011
Insurance	51,928	25,428
Rent	44,351	24,852
Others	85,991	34,014
	\$8,154,691	\$5,612,224

Advances to suppliers pertain to advance payments for the purchase of raw materials.

Others pertain to prepaid dues and subscriptions and other fees.

9. Property, Plant and Equipment

Movements in this account are as follows:

December 31, 2018								
	Land	Building and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and Equipment	Construction-In-Progress	Total
Cost								
Balances at beginning of year	\$9,448,346	\$4,658,162	\$9,128,586	\$496,538	\$449,169	\$136,848	\$869,281	\$25,186,930
Additions	--	36,279	59,485	5,965	40,733	206,360	72,520	421,342
Disposals/retirement	--	(474)	(42,038)	--	(1,895)	(5,019)	--	(49,426)
Reclassification	--	--	135,108	--	--	--	(135,108)	--
Translation adjustment	18,910	14,719	16,455	68	87	2,547	--	52,786
Balances at end of year	9,467,256	4,708,686	9,297,596	502,571	488,094	340,736	806,693	25,611,632
Accumulated Depreciation and Amortization								
Balances at beginning of year	--	1,608,028	5,034,788	291,526	320,399	129,356	--	7,384,097
Depreciation and amortization	--	309,918	492,946	51,662	14,397	201,236	--	1,070,159
Disposals/retirement	--	(447)	(19,283)	--	(1,895)	(4,752)	--	(26,377)
Translation adjustment	--	(575)	(243)	(12)	69	--	--	(761)
Balances at end of year	--	1,916,924	5,508,208	343,176	332,970	325,840	--	8,427,118
Allowance for Impairment								
Balances at beginning and end of year	--	1,418,389	274,942	--	5,133	--	--	1,698,464
Carrying Amount	\$9,467,256	\$1,373,373	\$3,514,446	\$159,395	\$149,991	\$14,896	\$806,693	\$15,486,050

December 31, 2017								
	Land	Building and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and Equipment	Construction-In-Progress	Total
Cost								
Balances at beginning of year	\$9,435,075	\$4,796,678	\$8,747,782	\$488,711	\$446,288	\$136,660	\$--	\$24,051,194
Additions	--	12,718	416,017	32,720	3,094	284	869,281	1,334,114
Disposals/retirement	--	(156,373)	(42,038)	(24,133)	(297)	(96)	--	(222,937)
Translation adjustment	13,271	5,139	6,825	(760)	84	--	--	24,559
Balances at end of year	9,448,346	4,658,162	9,128,586	496,538	449,169	136,848	869,281	25,186,930
Accumulated Depreciation and Amortization								
Balances at beginning of year	--	1,520,270	4,283,607	248,870	254,128	128,932	--	6,435,807
Depreciation and amortization	--	242,563	773,549	62,470	66,532	520	--	1,145,634
Disposals/retirement	--	(153,902)	(19,283)	(19,863)	(295)	(96)	--	(193,439)
Translation adjustment	--	(903)	(3,085)	49	34	--	--	(3,905)
Balances at end of year	--	1,608,028	5,034,788	291,526	320,399	129,356	--	7,384,097
Allowance for Impairment								
Balances at beginning of year	--	506,658	101,406	--	--	--	--	608,064
Provision for impairment	--	911,731	173,536	--	5,133	--	--	1,090,400
Balances at end of year	--	1,418,389	274,942	--	5,133	--	--	1,698,464
Carrying Amount	\$9,448,346	\$1,631,745	\$3,818,856	\$205,012	\$123,637	\$7,492	\$869,281	\$16,104,369

The Group's transportation equipment with net carrying value of \$90,154 and \$105,026 as at December 31, 2018 and 2017, respectively (see Note 12) are used as collateral to secure chattel mortgage.

In 2017, the Group provided for an impairment loss of \$1.09 million (PTIAFI's plant and machinery) because of the discontinuance of the Group's fishing operations. Allowance for impairment loss amounted to \$1.70 million as at December 31, 2018 and 2017.

The depreciation and amortization charged to operations are as follows:

	Note	2018	2017	2016
Property, plant and equipment		\$1,070,159	\$1,145,634	\$1,142,690
Other intangible assets	10	4,834	4,963	4,864
		\$1,074,993	\$1,150,597	\$1,147,554
Charged to:				
Cost of goods sold	17	\$928,685	\$1,029,724	\$1,059,050
Selling and administrative expenses	18	146,308	120,873	88,504
		\$1,074,993	\$1,150,597	\$1,147,554

The Group recognized gain on disposal/retirement of property, plant and equipment of \$1,338, \$58,618 and \$12,078 in 2018, 2017 and 2016, respectively (see Note 19).

The cost of fully depreciated property, plant and equipment still used in Group's operations amounted to \$0.73 million and \$0.28 million as at December 31, 2018 and 2017, respectively. Fully depreciated property and equipment of AMHI costing \$0.16 million were retired on December 31, 2017.

10. Other Noncurrent Assets

This account consists of:

	2018	2017
Receivable from WCFI	\$2,182,863	\$2,182,863
Receivable from PFNZ - net of current portion	887,270	994,004
Investments in joint ventures	553,480	553,480
Biological assets	528,158	356,700
Idle assets	314,320	314,320
Investment in an associate	121,794	118,333
Other intangible assets	163,305	171,217
Others	68,966	55,512
	4,820,156	4,746,429
Less allowance for impairment losses	3,164,942	3,164,942
	\$1,655,214	\$1,581,487

Receivable from WCFI

Receivable from WCFI includes receivable from the sale of a fishing vessel and advances for fish deposit. These were fully provided with allowance for impairment losses because of losses sustained by WCFI. WCFI has ceased operations since 2014.

Receivable from PFNZ

Details of the receivable from PFNZ are as follows:

	Note	2018	2017	2016
Outstanding balance		\$1,063,666	\$1,134,962	\$1,245,519
Less current portion	6	176,396	140,958	177,500
Noncurrent portion		\$887,270	\$994,004	\$1,068,019

Cash receipts amounted to \$71,296, \$110,557 and \$112,856 in 2018, 2017 and 2016, respectively.

PFNZ was a former subsidiary of ASFII before the latter sold its 50% plus one ownership interest in PFNZ in 2015. In the same year, BGB entered into a debt restructuring agreement with PFNZ, which provides among others:

- a. Payment of the receivable in monthly installments commencing in January 2016 up to September 2029; and
- b. Securing the restructured receivable with PFNZ's tangible and intellectual properties.

Interest income amounted to \$41,266, \$51,886 and \$68,520 in 2018, 2017 and 2016, respectively (see Note 19).

Investments in Joint Ventures

Details of investments in joint ventures as at December 31, 2018 and 2017 are as follows:

	Amount
At cost:	
FDCP	\$240,964
WCFI	39,279
Accumulated equity in net earnings	360,189
Share in other comprehensive income	(86,952)
	553,480
Allowance for impairment loss	(553,480)
	\$-

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. FDCP ceased manufacturing operations in September 2015. The Group has 39% ownership interest in FDCP.

WCFI. WCFI is an entity primarily engaged in commercial fishing within and outside Philippine waters and in the high seas. The Group has 40% ownership interest in WCFI. WCFI ceased operation on December 31, 2014.

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Group's operations. The fishing vessel was stated at its recoverable amount which is based on scrap value. Details of the carrying amount of the fishing vessel are as follows:

	Amount
Cost	\$14,412,664
Less:	
Accumulated depreciation	484,192
Allowance for impairment losses	13,614,152
	\$314,320

As at December 31, 2018 and 2017, the carrying value of fishing vessel amounting to \$314,320 was fully provided with allowance for impairment losses (see Note 18).

Investment in an Associate

The Group has an effective 20% ownership interest in SSNZ. SSNZ is engaged in the farming of salmon in South Island of New Zealand and was incorporated in 2008.

Details of the investment are as follows:

	2018	2017
Acquisition cost	\$27,319	\$27,319
Accumulated equity in profits:		
Balance at beginning of year	91,014	64,933
Equity in net income	3,461	26,081
Balance at end of year	94,475	91,014
	\$121,794	\$118,333

The summarized financial information of SSNZ as at and for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	\$349,234	\$419,063
Total liabilities	69,606	42,694
Equity	279,628	376,369
Net income	36,526	130,406

Other Intangible Assets

Other intangible assets pertain to macrocystic and salmon farming consents in New Zealand and a fishing license. Movements in this account are as follows:

	Note	2018	2017
Cost		\$269,066	\$269,066
Accumulated Amortization			
Balance at beginning of year		97,849	94,371
Amortization	9	4,834	4,963
Translation adjustment		3,078	(1,485)
Balance at end of year		105,761	97,849
		163,305	171,217
Less allowance for impairment loss		(114,279)	(114,279)
		\$49,026	\$56,938

The carrying amount of intangible asset with indefinite useful life, which pertains to macrocystic consent, amounted to \$20,127 and \$21,302 at December 31, 2018 and 2017, respectively.

The total carrying amount of intangible assets with definite useful lives, which pertain to salmon farming consent and fishing license, amounted to \$28,899 and \$35,636 as at December 31, 2018 and 2017, respectively.

Others

Others include lease deposits and biological assets of the Group, which comprised solely of consumable female smolts. The biological assets amounted to \$0.53 million and \$0.36 million as at December 31, 2018 and 2017, respectively.

11. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables:			
Third parties		\$6,289,286	\$6,837,599
Related parties	13	534,259	372,998
Accrued expenses:			
Professional fees		494,710	241,787
Salaries, wages and other benefits		373,057	758,492
Interest		168,531	435,828
Freight		49,139	16,544
Others		778,958	647,619
Customers' deposits		266,689	72,299
Statutory payable		125,063	278,488
Others		39,411	83,570
		\$9,119,103	\$9,745,224

Trade payables are noninterest-bearing and are generally settled within 30 days.

Other accrued expenses include accruals for business development expenses, security services, commission and customers' claims. Accrued expenses are usually settled in the following month.

Customers' deposits pertain to advances from customers for the purchase of goods. These are recognized as revenue upon delivery of goods to customers.

Statutory payable includes amounts payable to government agencies such as SSS, PhilHealth and Pag-IBIG and are normally settled in the following month.

12. Loans Payable

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

Short-term Loans

	Currency	Nominal interest rate	2018	2017
Local banks	USD	3.25% - 5.80%	\$26,539,033	\$18,487,091
Investment banks	PHP	5.00% - 8.00%	2,149,106	3,064,290
	USD	4.50% - 6.50%	2,200,000	2,700,000
			30,888,139	24,251,381
Add current portion of long-term loans			29,157	34,519
			\$30,917,296	\$24,285,900

Loans from local banks represent availments of revolving facilities, export packing credit, export bills purchase, import letters of credit and trust receipts, with term ranging from 3 to 6 months.

Loan Security. Short term loans from local banks are secured by the Group's trade receivables and inventories as follows:

	2018	2017
Trade receivables	\$5,218,576	\$6,023,684
Inventories	11,763,776	8,251,539
	\$16,982,352	\$14,275,223

Loans from investment banks are unsecured promissory notes used to finance the Group's working capital requirements, with a renewable 90-day term.

Long-term Loans

	2018	2017
Local banks	\$37,604	\$50,569
Foreign financing corporation	38,542	63,305
	76,146	113,874
Less current portion	29,157	34,519
	\$46,989	\$79,355

Loans from local banks, which are denominated in Peso, bear annual interest rates ranging from 9.24% to 9.59%. Loans from foreign financing corporation, which are denominated in New Zealand Dollars, bear an annual interest of 7.15%.

Loan Security. The long-term loans are secured by transportation equipment with carrying amount of \$90,154 and \$105,026, respectively (see Note 9).

Schedule of Principal Payments. Principal payments to be paid within the next financial year and within two to five years amounted to \$29,157 and \$46,989, respectively.

Interest Expense

Interest expense from loans payable amounted to \$1.4 million, \$751,487 and \$860,496 in 2018, 2017 and 2016, respectively.

13. Related Party Transactions

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

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2018	2017	2018	2017
Trade and other receivables	6				
Joint Venture		(\$30,600)	(\$5,043)	\$234,665	\$265,265
Associate		(546)	(4,705)	10,571	11,117
				\$245,236	\$276,382

(Forward)

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2018	2017	2018	2017
Other noncurrent assets	10				
Joint Venture		\$-	\$-	\$2,182,863	\$2,182,863
Allowance for impairment		-	-	(2,182,863)	(2,182,863)
				\$-	\$-
Trade and other payables	11				
Immediate Parent		(\$20,216)	\$110,154	\$89,938	\$110,154
Joint Venture		181,477	-	444,321	262,844
Associate		320,078	247,646	-	-
				\$534,259	\$372,998
Due to related parties					
Immediate Parent		(\$2,002,804)	\$2,002,804	\$-	\$2,002,804
Subsidiary's Stockholder		(48,176)	3,594	91,530	139,706
				\$91,530	\$2,142,510

Nature and Terms of Payment

Trade and Other Receivables. Receivable from an associate pertains to receivable from tin cans returned. Receivable from joint venture pertains to working capital advances that are due on demand. These are settled in cash.

Trade and Other Payables. Payable to Immediate Parent pertains to various operating expenses. Payable to FDCP pertains to unpaid tin can requirements. The outstanding balances are unsecured, noninterest-bearing and have no repayment terms. These are settled in cash.

Akaroa, another subsidiary, purchases smolts from SSNZ. These are settled upon billing.

Due to Related Parties. Payable to Immediate Parent in 2017 pertains to cash advances for working capital requirements and bear 6.5% annual interest payable within four months from drawdown date. This was paid in full in 2018. Due to a subsidiary's stockholder, which bears 7.15% annual interest, pertains to working capital advances and are payable on demand.

The ultimate parent company is Seawood Resources, Inc., a domestic company engaged in investment activities.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties and rental. Total due to/from related parties eliminated as at December 31, 2018 and 2017 amounted to \$16.87 million and \$21.60 million, respectively. Total rental receivable and payable eliminated as at December 31, 2018 and 2017 amounted to \$18,309 and \$81,587, respectively.

Total interest expense aggregated \$86,733, \$36,060 and \$8,021 in 2018, 2017 and 2016, respectively.

The remuneration of the key management personnel of the Group is composed of short-term and post-employment benefits. Short-term employee benefits amounted to \$492,042, \$398,487 and \$504,165 in 2018, 2017 and 2016, respectively. Post-employment benefits amounted to \$35,356, \$35,934 and \$39,581 in 2018, 2017 and 2016, respectively.

14. Retirement Benefit Obligation

The Group values its defined benefit obligation using the Projected Unit Credit Method. The benefit shall be payable to retirees who are at least sixty years old and with at least five years of credited service to the Group.

The Group has executed a Trust Agreement with a reputable local bank to establish the Group's retirement plan. The last actuarial valuation report obtained was in 2018.

The retirement benefit costs recorded under "Selling and administrative expenses" account in the consolidated statements of comprehensive income are as follows:

	2018	2017	2016
Current service cost	\$43,326	\$42,325	\$74,564
Net interest expense	9,269	7,977	17,751
	\$52,595	\$50,302	\$92,315

The amounts included in the consolidated statements of financial position arising from the Group's obligations in respect of its retirement benefit obligation are as follows:

	2018	2017
Present value of defined benefit obligation	\$262,808	\$276,817
Fair value of plan assets	(39,674)	(42,190)
	\$223,134	\$234,627

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

	2018	2017
Balance at beginning of year	\$276,817	\$226,550
Current service cost	43,326	42,325
Interest cost	11,735	8,705
Remeasurement gains:		
Changes in financial assumptions	(47,442)	-
Experience adjustments	(10,897)	-
Unrealized foreign exchange gain - translation adjustment	(10,731)	(763)
	\$262,808	\$276,817

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

	2018	2017
Balance at beginning of year	\$42,190	\$41,636
Remeasurement loss	(2,534)	-
Interest income	2,106	728
Translation adjustment	(2,088)	(174)
	\$39,674	\$42,190

The analysis of the fair value of plan assets at the reporting dates is as follows:

	2018	2017
Cash and cash equivalents	\$150	\$352
Other assets	56	-
Debt instruments	39,524	41,889
Fees payables	(4)	(5)
Withholding taxes payable	(52)	(46)
	\$39,674	\$42,190

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

	2018	2017
Discount rate	7.43%	5.25%
Expected rate of salary increases	6.00%	4.00%

The sensitivity analyses on the defined benefit obligations as at December 31, 2018 and 2017 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.

	2018		2017	
	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Expected salary growth rate	1.00%	\$16,062	1.00%	\$26,325
Discount rate	1.00%	(13,431)	1.00%	(26,228)
Improvement in employee turnover	10.00%	1,934	10.00%	2,984

The average duration of the benefit obligation on December 31, 2018 and 2017 is 19 and 18 years, respectively.

The cumulative remeasurement gains (losses) on retirement obligation recognized in equity as at December 31 follows:

	2018	2017	2016
Balance at beginning of year	\$55,190	\$55,190	(\$48,352)
Remeasurement gain	32,086	-	103,542
Balance at end of year	\$87,276	\$55,190	\$55,190

Deferred tax asset related to the cumulative remeasurement gain or loss amounted to \$26,183 and \$45,162 as at December 31, 2018 and 2017, respectively.

15. Equity

Capital Stock

Details of the Parent Company's capital stock as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at ₱0.50 and ₱1.00 par value a share in 2018 and 2017, respectively				
Balance at beginning of year	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	-	(1,500,000,000)	-	-
	3,000,000,000	₱1,500,000,000	3,000,000,000	₱3,000,000,000
Issued and Outstanding				
Balance at beginning of year	2,500,000,000	\$53,646,778	2,500,000,000	\$53,646,778
Effect of equity restructuring	-	(26,823,389)	-	-
	2,500,000,000	26,823,389	2,500,000,000	53,646,778
Treasury shares	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$26,817,615	2,499,712,463	\$53,641,004

The Parent Company's track record of registration of securities is as follows:

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

On July 20, 2017 and September 7, 2017, the BOD and stockholders, respectively, approved the Parent Company's equity restructuring to eliminate deficit by decreasing the authorized capital stock through reduction of 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; creating additional paid-in capital from the decrease in par value; and, applying the newly created additional paid-in capital to wipe out the Parent Company's deficit as at May 31, 2017.

On March 23, 2018, the SEC approved the Parent Company's application for the equity restructuring. Accordingly, the resulting APIC of \$26.82 million from the restructuring and APIC of \$6.66 million as at December 31, 2016, were used to fully wipe out the Parent Company's deficit amounting to \$32.00 million as at December 31, 2017.

The total number of shareholders of the Parent Company as at December 31, 2018 and 2017 is 237 and 236, respectively.

The Group's non-controlling interests represent 0.02%, 20% and 1.11% ownership of non-controlling interest shareholders of PTIAFI & PTVSZ, Akaroa and AMHI, respectively. Non-controlling interests amounted to \$2.26 million and \$2.32 million as at December 31, 2018 and 2017, respectively.

The summarized financial information of PTIAFI and PTVSZ, Akaroa and AMHI as at and for the years ended December 31, 2018, 2017 and 2016 follows:

	2018		
	PTIAFI & PTVSZ	AKAROA	AMHI
Total assets	\$2,325,413	\$2,779,457	\$2,925,779
Total liabilities	12,536,900	977,042	2,310,774
Equity (capital deficiency)	(10,211,487)	1,802,415	615,005
Net income (loss)	(298,537)	447,956	11,562

	2017		
	PTIAFI & PTVSZ	AKAROA	AMHI
Total assets	\$2,908,222	\$2,679,662	\$3,054,192
Total liabilities	9,333,592	1,235,864	2,400,951
Equity (capital deficiency)	(6,425,370)	1,443,798	653,241
Net income (loss)	(1,260,693)	703,204	(211,964)

	2016		
	PTIAFI & PTVSZ	AKAROA	AMHI
Total assets	\$4,257,722	\$1,791,814	\$3,603,358
Total liabilities	12,910,681	1,068,337	2,446,946
Equity (capital deficiency)	(8,652,959)	723,477	1,156,412
Net income (loss)	(2,765,007)	212,713	380,744

16. Net Revenue

Revenue is disaggregated to the following major product lines:

	2018	2017	2016
Net sales of:			
Canned tuna	\$80,625,785	\$40,351,993	\$32,329,900
Smoked salmon	8,359,267	28,798,802	24,977,446
Others	8,148,699	3,260,973	2,550,388
	97,133,751	72,411,768	59,857,734
Sales returns	(15)	(283,725)	(2,864)
	97,133,736	72,128,043	59,854,870
Rent	-	63,535	59,607
	\$97,133,736	\$72,191,578	\$59,914,477

Others pertain mainly to sale of wholefish and by-products.

Revenue generated by the foreign subsidiaries comprise of 27%, 39% and 45% of the total revenue of the Group in 2018, 2017 and 2016, respectively.

All goods are recognized as revenue at the point of delivery.

17. Cost of Goods Sold

This account consists of:

	Note	2018	2017	2016
Raw materials used		\$70,306,206	\$49,313,797	\$42,423,566
Direct labor	20	8,197,621	6,657,414	6,046,490
Manufacturing overhead:				
Warehousing		1,921,466	954,299	1,173,976
Fuel, light and water		1,303,706	1,460,274	1,095,315
Labor	20	967,342	646,116	776,139
Depreciation and amortization	9	928,685	1,029,724	1,059,050
Rent	22	359,147	440,557	678,911
Others		2,445,842	2,166,402	2,265,556
Total manufacturing costs		86,430,015	62,668,583	55,519,003
Finished goods, beginning	7	5,413,534	5,487,867	6,415,666
Total cost of goods manufactured		91,843,549	68,156,450	61,934,669
Finished goods, ending	7	(7,049,815)	(5,413,534)	(5,487,867)
		\$84,793,734	\$62,742,916	\$56,446,802

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	2018	2017	2016
Salaries, wages and other benefits	20	\$2,750,012	\$2,614,078	\$2,772,949
Freight and handling		954,708	893,265	845,804
Outside services		850,285	880,684	746,535
Advertising, marketing and commission		694,634	517,707	586,495
Taxes and licenses		461,812	682,079	305,302
Transportation and travel		327,933	320,853	428,402
Provisions for impairment losses on:				
Inventories	7	209,488	230,780	794,010
Trade and other receivables	6	80,000	69,574	79,049
Property, plant and equipment	9	–	1,090,400	–
Other noncurrent assets	10	–	–	314,320
Insurance		193,097	145,711	193,691
Depreciation and amortization	9	146,308	120,873	88,504
Materials and supplies		115,620	95,718	88,043
Utilities and communication		90,505	101,313	115,683
Rent	22	79,524	61,136	66,186
Others		387,470	292,953	532,942
		\$7,341,396	\$8,117,124	\$7,957,915

19. Other Income (Charges) - Net

This account consists of:

	Note	2018	2017	2016
Foreign exchange gain		\$320,202	\$13,198	\$202,330
Bank charges		(235,567)	(154,146)	(116,353)
Interest income		65,426	70,965	159,133
Gain on disposal/retirement of property, plant and equipment	9	1,338	58,618	12,078
Others		(155,406)	3,811	303,927
		(\$4,007)	(\$7,554)	\$561,115

Others pertain to shutdown costs, sale of scrap materials and duty rebates.

20. Employee Benefits

This account consists of:

	Note	2018	2017	2016
Short-term employee benefits		\$11,862,380	\$9,867,306	\$9,503,263
Post-employment benefits	14	52,595	50,302	92,315
		\$11,914,975	\$9,917,608	\$9,595,578
Charged to:				
Cost of goods sold	17	\$9,164,963	\$7,303,530	\$6,822,629
Selling and administrative expenses	18	2,750,012	2,614,078	2,772,949
		\$11,914,975	\$9,917,608	\$9,595,578

21. Income (Loss) Per Share

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

	2018	2017	2016
Net income (loss) attributable to Parent Company	\$2,524,265	\$1,437,271	(\$5,968,529)
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463	2,499,712,463
	\$0.0010	\$0.0006	(\$0.0024)

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

As at December 31, 2018, 2017 and 2016, the Parent Company has no dilutive potential share.

22. Significant Agreements

Supply Agreement

The Parent Company entered into an exclusive supply agreement with a customer to provide specified products for duration of five years starting 2018, renewable upon mutual agreement by both parties. No transactions occurred in 2018.

Operating Lease Agreements

A number of operating lease agreements were entered into by the Group.

The Group as Lessee:

Head Office. The Parent Company leased its head office space from a third party lessor with a monthly rental of \$3,688 for a period of three years, from August 16, 2015 to August 15, 2018.

On August 13, 2018, the Parent Company changed its office address. ASFII entered into a new lease agreement for its head office space with a new third party lessor on July 18, 2018 with a monthly rental of \$4,017 for a period of five years, effective until July 31, 2023 and renewable upon mutual agreement of the parties.

Foreign Subsidiaries' Offices. Akaroa entered into a lease agreement with a third party for premises located at 6 Pope Street, with an annual rental payment of \$46,213 for 15 years beginning June 1, 2012 until May 30, 2027. The agreement has four renewable dates being December 1, 2014, June 1, 2017, June 1, 2022 and December 1, 2024.

Spence leases its office and manufacturing space from a former shareholder under an operating lease that expires on May 31, 2020. Spence also leases certain vehicles under operating leases until August 2021.

Rent expense charged to cost of goods sold amounted to \$359,147, \$440,557 and \$678,911 in 2018, 2017 and 2016, respectively (see Note 17). Rent expense charged to selling and administrative expenses amounted to \$79,524, \$61,136 and \$66,186 in 2018, 2017 and 2016, respectively (see Note 18).

Future minimum lease payments under the lease agreements are as follows:

	2018	2017
Not later than one year	\$370,938	\$173,054
Later than one year but not later than five years	658,169	359,984
More than five years	—	165,723
	\$1,029,107	\$698,761

The Group as Lessor:

Operating lease agreement between AMHI and FDCP. AMHI has a lease agreement with FDCP covering a parcel of land. The lease agreement expired in 2017. As at December 31, 2017, the total rent receivable from FDCP amounting to \$14,610 was offset against the security deposit. Refundable lease deposit amounted to \$20,655 and \$21,811 as at December 31, 2018 and 2017, respectively. Rent income amounted to \$63,535 and \$59,607 in 2017 and 2016, respectively.

23. Corporate Social Responsibility (CSR)

The Parent Company has implemented a corporate social responsibility program to focus on the local workers' community welfare, as well as to promote a clean and healthy environment together with energy conservation.

24. Income Taxes

Components of income tax expense (benefit) charged to profit or loss are as follows:

	2018	2017	2016
Current	\$350,987	\$600,994	\$702,842
Deferred	539,670	(1,601,528)	418,056
	\$890,657	(\$1,000,534)	\$1,120,898

Deferred Tax

The components of the Group's deferred tax assets and deferred tax liabilities as at December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets:		
Allowance for impairment losses on:		
Trade and other receivables and other noncurrent assets	\$7,164,870	\$7,157,270
Inventories	91,819	268,920
Property, plant and equipment	30,422	30,422
NOLCO	1,463,693	2,014,248
Accrued expenses	352,242	90,541
MCIT	258,198	94,961
Retirement benefit obligation	65,006	60,780
Unrealized foreign exchange loss	7,173	4,181
	\$9,433,423	\$9,721,323
Deferred tax liabilities:		
Accelerated depreciation	\$94,000	\$135,957
Unrealized foreign exchange gain	30,132	-
Remeasurement gain on retirement benefit obligation	12,919	-
Accrued rent	5,493	-
	\$142,544	\$135,957

Details of other deductible temporary differences for which no deferred tax assets were recognized as at December 31, 2018 and 2017 are as follows:

	2018	2017
NOLCO	\$526,278	\$1,176,469
Allowance on impairment on:		
Property, plant and equipment	479,117	479,117
Inventories	135,925	137,323
Trade and other receivables and other noncurrent assets	-	480,276
MCIT	13,751	65,239
Retirement benefit obligation	1,934	9,608
	\$1,157,005	\$2,348,032

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

Inception Year	Amount	Applied	Derecognized/ Expired	Balance	Expiry Year
2018	\$485,396	\$-	\$-	\$485,396	2021
2017	303,379	-	-	303,379	2020
2016	5,844,461	-	-	5,844,461	2019
2015	4,491,524	3,206,194	1,285,330	-	2018
	\$11,124,760	\$3,206,194	\$1,285,330	\$6,633,236	

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

Inception Year	Amount	Expired	Balance	Expiry Year
2018	\$166,110	\$-	\$166,110	2021
2017	100,687	-	100,687	2020
2016	5,152	-	5,152	2019
2015	41,081	41,081	-	2018
	\$313,030	\$41,081	\$271,949	

The Group has assessed that with the continuing positive results of its operations because of initiatives adapted (see Note 1), it will generate enough taxable income against which the deferred tax assets of \$9.43 million and \$9.72 million as at December 31, 2018 and 2017, respectively, can be utilized.

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

	2018	2017	2016
Income tax expense (benefit) computed at statutory tax rate	\$1,048,142	\$168,755	(\$1,433,361)
Changes in unrecognized DTA	(1,097,035)	(421,446)	812,200
Expired:			
NOLCO	385,599	609,481	807,684
MCIT	55,448	83,767	52,786
Tax effects of:			
Expenses exempt from taxation	6,232	78,866	70,282
Income exempt from taxation	(1,622)	(5,724)	(81,524)
Interest expense	591	2,100	18,152
Effect of tax rate differences	493,302	484,735	874,679
	\$890,657	\$1,000,534	\$1,120,898

The Parent Company and BGB were subjected to MCIT of \$172,109, \$100,743 and \$4,009 in 2018, 2017 and 2016, respectively.

25. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at December 31, 2018 and 2017.

	2018			
	Carrying Amount	Fair value measurement using		
Fair Value		Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	
Financial Assets				
At amortized cost:				
Cash and cash equivalents	\$7,012,332	\$7,012,332	\$7,012,332	\$-
Trade and other receivables	11,848,595	11,848,595	11,848,595	-
Receivable from PFNZ*	887,270	887,270	-	887,270
	\$19,748,197	\$19,748,197	\$18,860,927	\$887,270
Financial Liabilities				
At amortized cost:				
Trade and other payables**	\$8,727,351	\$8,727,351	\$8,727,351	\$-
Loans payable	30,964,285	30,964,285	-	30,964,285
Due to related parties	91,530	91,530	91,530	-
Refundable lease deposit	20,655	20,655	-	20,655
	\$39,803,821	\$39,803,821	\$8,818,881	\$30,984,940

*Under other noncurrent assets

**Excluding statutory payable and customers' deposits

	2017			
	Fair value measurement using			
	Carrying Amount	Fair Value	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)
Financial Assets				
At amortized cost				
Cash and cash equivalents	\$4,427,478	\$4,427,478	\$4,427,478	\$-
Trade and other receivables	9,414,233	9,414,233	9,414,233	-
Receivable from PFNZ*	994,004	1,284,758	-	1,284,758
	\$14,835,715	\$15,126,469	\$13,841,711	\$1,284,758
Financial Liabilities				
At amortized cost:				
Trade and other payables**	\$9,394,437	\$9,394,437	\$9,394,437	\$-
Loans payable	24,365,255	24,370,614	-	24,370,614
Due to related parties	2,142,510	2,142,510	2,142,510	-
Refundable lease deposit	21,811	21,811	-	21,811
	\$35,924,013	\$35,929,372	\$11,536,947	\$24,392,425

*Under other noncurrent assets

**Excluding statutory payable and customers' deposits

The difference between the carrying amount of trade and other payables disclosed in the consolidated statements of financial position and the amount disclosed in this note pertains to statutory payables and customers' deposits that are not considered as financial liabilities.

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, trade and other payables, due to related parties and refundable lease deposit, their carrying amounts approximate their fair values.

The fair value of the receivable from PFNZ and loans payable 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 deposit. These financial instruments are classified under Level 3 of the fair value hierarchy groups of the consolidated financial statements. The fair value of the refundable lease deposit is based on the amount that the Group could be required to repay immediately.

The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers to other levels in 2018 and 2017.

26. Financial Risk Management Objectives and Policies

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

The Group's is exposed to credit risk, market risk and liquidity risk. The Group'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 a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The table below shows the gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements:

	2018	2017
Cash in banks and cash equivalents	\$7,005,626	\$4,423,449
Trade and other receivables	13,895,545	11,426,183
Receivable from PFNZ*	887,270	994,004
	\$21,788,441	\$16,843,636

*Under other noncurrent assets

Risk Management. Credit risk is managed on a group basis. The Group deals only with reputable banks and customers to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

As at December 31, 2018 and 2017, the amount of cash and cash equivalents are neither past due nor impaired and were classified as "High Grade", while trade and other receivables and receivable from PFNZ under noncurrent assets were classified as "Standard Grade". The credit quality of the financial assets is managed by the Group using the internal credit quality ratings as follows:

High Grade. Pertains to counterparty who is not expected by the Group 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.

Substandard Grade. Substandard grade financial assets are those which are considered worthless. These are accounts which have the probability of impairment based on historical trend.

Impairment. An impairment analysis is performed at each reporting date using a lifetime expected loss allowance (excluding receivable from PFNZ) to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For receivable from PFNZ, impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rate is based on the capacity and willingness of the debtor to pay. Default is defined as the failure of the client to pay or to provide alternative payment or any security mutually agreed by the parties within an agreed period.

Receivable from PFNZ is secured with PFNZ's tangible and intellectual properties.

As at December 31, 2018 and 2017, the aging analysis of the Group's financial assets is as follows:

	2018					
	Neither Past Due nor Impaired	Past Due Accounts but not Impaired			Impaired Financial Assets	Total
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$7,000,668	\$-	\$-	\$-	\$-	\$7,000,668
Cash equivalents	4,958	-	-	-	-	4,958
Trade and other receivables	7,978,428	2,277,696	888,407	704,064	2,046,950	13,895,545
Receivable from PFNZ*	887,270	-	-	-	-	887,270
	\$15,871,324	\$2,277,696	\$888,407	\$704,064	\$2,046,950	\$21,788,441

*Under other noncurrent assets

	2017					
	Neither Past Due nor Impaired	Past Due Accounts but not Impaired			Impaired Financial Assets	Total
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$4,415,573	\$-	\$-	\$-	\$-	\$4,415,573
Cash equivalents	7,876	-	-	-	-	7,876
Trade and other receivables	4,345,089	4,180,826	262,465	625,853	2,011,950	11,426,183
Receivable from PFNZ*	994,004	-	-	-	-	994,004
	\$9,762,542	\$4,180,826	\$262,465	\$625,853	\$2,011,950	\$16,843,636

*Under noncurrent assets

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but has not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment loss. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization
- default or late payments (more than 30 days overdue)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2018 and 2017.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant items in the statement of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2018 and 2017.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at December 31, 2018 for the effects of the assumed changes of the underlying risk.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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

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

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

	2018		2017	
	Philippine Peso	US Dollar Equivalent	Philippine Peso	US Dollar Equivalent
Cash and cash equivalents	₱522,172	\$9,904	₱26,898,255	\$538,699
Trade and other receivables	965,329	18,309	47,995,375	961,217
Trade and other payables	16,587,507	314,610	290,490,623	5,817,738
Loans payable	—	—	160,001,176	3,204,389

	2018		2017	
	New Zealand Dollar	US Dollar Equivalent	New Zealand Dollar	US Dollar Equivalent
Cash and cash equivalents	\$461,113	\$309,361	\$825,035	\$583,841
Trade and other receivables	769,230	516,076	940,849	668,063
Trade and other payables	727,485	488,070	661,571	469,758
Loans payable	57,448	38,542	89,155	63,306
Due to a related party	482,579	323,762	196,751	139,706

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 6% change in 2018 and 2017, respectively, in foreign currency rates.

Foreign Currency Sensitivity Analysis. The sensitivity analysis includes all of the Group'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 6% against the relevant currency. For a 6% weakening of the U.S. Dollar against the relevant currency, 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 Group's sensitivity to the U.S. Dollar against the relevant foreign currency.

	Effect on Income for the Year	
	2018	2017
Cash and cash equivalents	\$19,156	\$67,352
Trade and other receivables	30,302	83,039
Due from related parties	1,762	14,718
Trade and other payables	(48,161)	(377,250)
Loans payable	(2,313)	(196,062)
Due to a related party	(19,426)	(8,382)
	(\$18,680)	(\$416,585)

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 Group'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.

Management believes that any variation in the interest will not have a material impact on the net profit of the Group. Bank and mortgage loans amounting to \$30.92 million and \$24.29 million as at December 31, 2018 and 2017, respectively, agreed at interest rates ranging from approximately 3.25% to 5.40% for bank loans and 7.15% to 9.59% per annum for long-term loans; expose the Group to fair value interest rate risk.

The Group has no floating interest rate. The Group is not exposed to cash flow interest rate risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Group 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 Group'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 Group'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 Group can be required to pay. The tables include both interest and principal.

2018				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	-	\$8,727,351	\$-	\$8,727,351
Loans payable	4.50% - 9.59%	30,917,296	46,989	30,964,285
Due to related parties	6.50% - 7.15%	91,530	-	91,530
Future interest	4.50% - 9.59%	2,919	2,266	5,185
Refundable lease deposit	-	-	20,655	20,655
		\$39,739,096	\$69,910	\$39,809,006

*Excluding statutory payable and customers' deposits

2017				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	-	\$9,394,437	\$-	\$9,394,437
Loans payable	4.50% - 9.59%	24,285,900	79,355	24,365,255
Due to related parties	6.50% - 7.15%	2,142,510	-	2,142,510
Future interest	4.50% - 9.59%	29,603	11,111	40,714
Refundable lease deposit	-	-	21,811	21,811
		\$35,852,450	\$112,277	\$35,964,727

*Excluding statutory payable and customers' deposit

Capital Management

The primary objective of the Group'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 Group 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 Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at December 31, 2018 and 2017, follows:

	2018	2017
Debt	\$40,747,913	\$36,830,072
Equity	36,290,739	33,688,498
Debt-to-Equity Ratio	\$1.12:1	\$1.09:1

The Group is not subject to any externally imposed capital requirements.

Debt is composed of trade and other payables, loans payable, due to related parties, income tax payable, net retirement benefit obligation, deferred tax liabilities and refundable lease deposits as discussed in Notes 11, 12, 13, 14, 22 and 24 respectively, while equity includes share capital, reserves of the Group and non-controlling interests, less treasury shares.

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 about 32% as at December 31, 2018 and 2017, respectively.

The Group reviews its capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with it.

27. Operating Segment Information

The primary segment reporting format is presented based on the business segments in which the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The Group is organized into three major operating business segments (tuna, salmon and rental) in 2018, and 2017 which is consistent with how the Group's management internally monitors and analyzes financial information.

Financial information about reportable segments follows:

	December 31, 2018			Total
	Tuna	Salmon	Rental	
Segment revenue	\$69,184,544	\$28,006,825	\$155,484	\$97,346,853
Inter-segment revenue	–	(57,633)	(155,484)	(213,117)
Net revenue	\$69,184,544	\$27,949,192	\$–	\$97,133,736
Segment results				
Income before income tax	\$3,396,857	\$73,376	\$23,573	\$3,493,806
Provision for income tax	807,621	71,025	12,011	890,657
Net income	\$2,589,236	\$2,351	\$11,562	\$2,603,149
Total assets	\$53,058,387	\$15,533,972	\$8,446,293	\$77,038,652
Total liabilities	\$39,397,909	\$1,009,246	\$340,758	\$40,747,913
Net cash flows from:				
Operating activities	(\$3,210,399)	\$3,529,923	(\$98,007)	\$221,517
Investing activities	1,047,349	(1,444,304)	–	(396,955)
Financing activities	1,858,800	833,365	105,909	2,798,074
Other information:				
Depreciation and amortization	\$544,088	\$530,905	\$–	\$1,074,993
Other noncash income - net	(92,568)	110,008	–	17,440

Revenue from by-products and other products are attributable to tuna and salmon operating segments.

	December 31, 2017			
	Tuna	Salmon	Rental	Total
Segment revenue	\$43,416,969	\$28,787,881	\$144,925	\$72,349,775
Inter-segment revenue	–	(77,341)	(80,856)	(158,197)
Net revenue	\$43,416,969	\$28,710,540	\$64,069	\$72,191,578
Segment results				
Income (loss) before income tax	(\$884,747)	\$1,607,920	(\$160,655)	\$562,518
Provision for income tax	(1,640,864)	623,705	16,625	(1,000,534)
Net income (loss)	\$756,117	\$984,215	(\$177,280)	\$1,563,052
Total assets	\$41,183,305	\$21,036,287	\$8,298,978	\$70,518,570
Total liabilities	\$33,623,685	\$2,963,647	\$242,740	\$36,830,072
Net cash flows from:				
Operating activities	(\$10,008,715)	\$3,281,839	(\$567)	(\$6,727,443)
Investing activities	(804,533)	(441,465)	–	(1,245,998)
Financing activities	8,720,522	(3,675,812)	–	5,044,710
Other information:				
Depreciation and amortization	\$663,544	\$487,053	\$–	\$1,150,597
Other noncash income - net	1,294,249	15,842	–	1,310,091

Geographical information about reportable segments follows:

	December 31, 2018				
	Philippines	Indonesia	USA	New Zealand	Total
Segment sales	\$70,932,988	\$1,031,511	\$19,649,212	\$5,733,142	\$97,346,853
Inter-segment revenue	(137,199)	–	–	(75,918)	(213,117)
Total net sales	\$70,795,789	\$1,031,511	\$19,649,212	\$5,657,224	\$97,133,736
Segment noncurrent assets*	\$27,879,729	\$1,078,436	\$525,852	\$1,731,406	\$31,215,423
Inter-segment noncurrent assets	(14,119,634)	(49,000)	–	94,475	(14,074,159)
Total noncurrent assets	\$13,760,095	\$1,029,436	\$525,852	\$1,825,881	\$17,141,264

*Includes property, plant and equipment and other noncurrent assets.

	December 31, 2017				
	Philippines	Indonesia	USA	New Zealand	Total
Segment sales	\$44,088,592	\$2,096,774	\$20,272,332	\$5,892,077	\$72,349,775
Inter-segment revenue	(80,856)	–	–	(77,341)	(158,197)
Total net sales	\$44,007,736	\$2,096,774	\$20,272,332	\$5,814,736	\$72,191,578
Segment noncurrent assets*	\$10,539,224	\$2,406,639	\$546,006	\$1,370,131	14,862,000
Inter-segment noncurrent assets	3,823,242	(1,090,400)	–	91,014	2,823,856
Total noncurrent assets	14,362,466	\$1,316,239	\$546,006	\$1,461,145	17,685,856

*Includes property, plant and equipment and other noncurrent assets.

The Group has no revenues from transactions with a single external customer accounting for 10% or more of its revenues from external customers.

28. Reconciliation of Liabilities Arising From Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including cash and noncash changes:

	Financing Cash Flows					2018
	2017	Availments	Expense	Payments	Foreign exchange gain	
Loans payable	\$24,365,255	\$48,426,236	\$-	(\$41,805,631)	(\$21,575)	\$30,964,285
Due to related parties	2,142,510	-	-	(2,050,980)	-	91,530
Interest payable	435,828	-	1,504,254	(1,771,551)	-	168,531
	<u>\$26,943,593</u>	<u>\$48,426,236</u>	<u>\$1,504,254</u>	<u>(\$45,628,162)</u>	<u>(\$21,575)</u>	<u>\$31,224,346</u>

	Financing Cash Flows				
	2016	Availments	Expense	Payments	2017
Loans payable	\$20,884,629	\$29,164,744	-	(\$25,684,118)	\$24,365,255
Due to related parties	136,112	2,006,398	-	-	2,142,510
Interest payable	90,595	-	787,547	(442,314)	435,828
	<u>\$21,111,336</u>	<u>\$31,171,142</u>	<u>\$787,547</u>	<u>(\$26,126,432)</u>	<u>\$26,943,593</u>



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

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A West Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

We have audited the accompanying consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated April 5, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that Alliance Select Foods International, Inc. has two hundred twenty-two (222) and two hundred twenty-three (223) stockholders owning one hundred (100) or more shares each as at December 31, 2018 and 2017, respectively.

REYES TACANDONG & Co.



EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until August 15, 2021

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. 7334331

Issued January 3, 2019, Makati City

April 5, 2019
Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS'
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A West Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group") as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, and have issued our report thereon dated April 5, 2019.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations as at December 31, 2018
- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2018
- Schedule of Financial Soundness Indicators as at December 31, 2018 and 2017
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended as at December 31, 2018
- Conglomerate Map as at December 31, 2018

These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic 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 August 15, 2021

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. 7334331

Issued January 3, 2019, Makati City

April 5, 2019
Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRS Practice Statement Management Commentary			✓
PFRS Practice Statement 2: Making Materiality Judgments	✓		

Philippine Financial Reporting Standards (PFRS)

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			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			
PFRS 3 (Revised)	Business Combinations	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
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	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
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	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
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	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture	✓		
	Amendment to PAS 41: Agriculture: 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 14	PAS 19 - 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			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

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-32	Intangible Assets - Web Site Costs			✓

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

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Deficit at beginning of year as shown in the separate financial statements	(\$31,500,695)
Less deferred tax assets at the beginning of year	(9,450,239)
Total deficit, as adjusted at beginning of year	(40,950,934)
Net income during the year closed to retained earnings	3,018,984
Less:	
Movement in deferred tax assets	657,723
Treasury shares	(5,774)
Total retained earnings available for dividend declaration at end of year	(\$37,280,001)

Reconciliation:

Deficit at end of year as shown in the separate financial statements	\$3,517,133
Less:	
Effect of restructuring	(31,998,844)
Deferred tax assets as at end of year	(8,792,516)
Treasury shares	(5,774)
Total retained earnings available for dividend declaration at end of year	(\$37,280,001)

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

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of SRC RULE 68 AS AMENDED
DECEMBER 31, 2018

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D	Intangible Assets - Other Assets	<u>4</u>
E	Long-Term Debt	<u>5</u>
F	Indebtedness to Related Party	<u>N/A</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>6</u>

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

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended 2018, 2017 and 2016.

	2018	2017	2016
CURRENT/LIQUIDITY RATIO			
Current assets	\$40,961,380	\$33,608,806	\$23,543,396
Current liabilities	\$40,314,591	\$36,358,322	\$27,128,124
Current Ratio	1.02	0.92	0.87
SOLVENCY RATIO			
Net income (loss) before depreciation and amortization	\$3,678,142	\$2,713,649	(\$4,749,099)
Total liabilities	\$40,747,913	36,830,072	27,749,080
Solvency Ratio	0.09	0.07	(0.17)
DEBT-TO-EQUITY RATIO			
Total liabilities	\$40,747,913	\$36,830,072	\$27,749,080
Total equity	\$36,290,739	\$33,688,498	\$32,112,207
Debt-to-Equity Ratio	1.12	1.09	0.86
ASSET-TO-EQUITY RATIO			
Total assets	\$77,038,652	\$70,518,570	\$59,861,287
Total equity	\$36,290,739	\$33,688,498	\$32,112,207
Asset-to-Equity Ratio	2.12	2.09	1.86
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	\$4,998,060	\$1,350,065	(\$3,909,354)
Interest expense	\$1,504,254	\$787,547	\$868,517
Interest-Coverage Ratio	3.32	1.71	(4.50)
PROFITABILITY RATIO			
Net income (loss) attributable to equity holders of the Parent Company	\$2,524,265	\$1,437,271	(\$5,968,529)
Average equity	\$34,989,619	\$32,900,353	\$35,088,093
Return on Equity	0.07	0.04	(0.17)

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

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2018

Description	Number of Shares or Principal Amount of bonds and notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Cash in banks	-	\$7,000,668	\$24,146
Cash equivalents	-	4,958	14
Trade receivables	-	11,418,963	-
Receivable from PFNZ	-	1,063,666	41,266
Due from related parties	-	245,236	-
Other nontrade receivables	-	4,390	-
		\$19,737,881	\$65,426

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

**SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)**

DECEMBER 31, 2018

Name and designation of debtor	Balance at beginning of year	Additions	Deductions		Other Changes	Ending Balance		Balance at end of year
			Amounts collected	Amounts written off		Current	Not current	
Advances to employees	\$30,771	\$43,529	\$70,690	\$-	\$-	\$3,610	\$-	\$3,610

SCHEDULE C

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance		Balance at end of year
				Amounts written off	Other changes (Additions (Deductions))	Current	Not current	
Due from related parties:								
Parent	\$14,488,078	\$1,510,935	\$2,690,795	\$-	\$116,346	\$13,191,872	\$-	\$13,191,872
Subsidiaries	7,114,607	126,296	3,566,313	-	-	3,674,590	-	3,674,590
	\$21,602,685	\$1,637,231	\$6,257,108	\$-	\$116,346	\$16,866,462	\$-	\$16,866,462

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

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

Description	Beginning balance	Additions at cost	Deduction			Ending balance
			Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	
Consents and licenses	\$56,472	\$-	\$4,743	\$3,055	\$-	\$48,674
Development expenditure	466	-	91	23	-	352
	\$56,938	\$-	\$4,834	\$3,078	\$-	\$49,026

Note: The intangible assets are presented as part of "Other noncurrent assets" in the statements of financial position.

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

SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2018

Title of Issue and Type of Obligation	Amount Shown as Current	Amount Shown as Long-Term	Total
Bank loans - secured	\$29,157	\$46,989	\$76,146

Note: The terms, interest rate, collaterals and other relevant information are shown in Note 14 of the Consolidated Financial Statements.

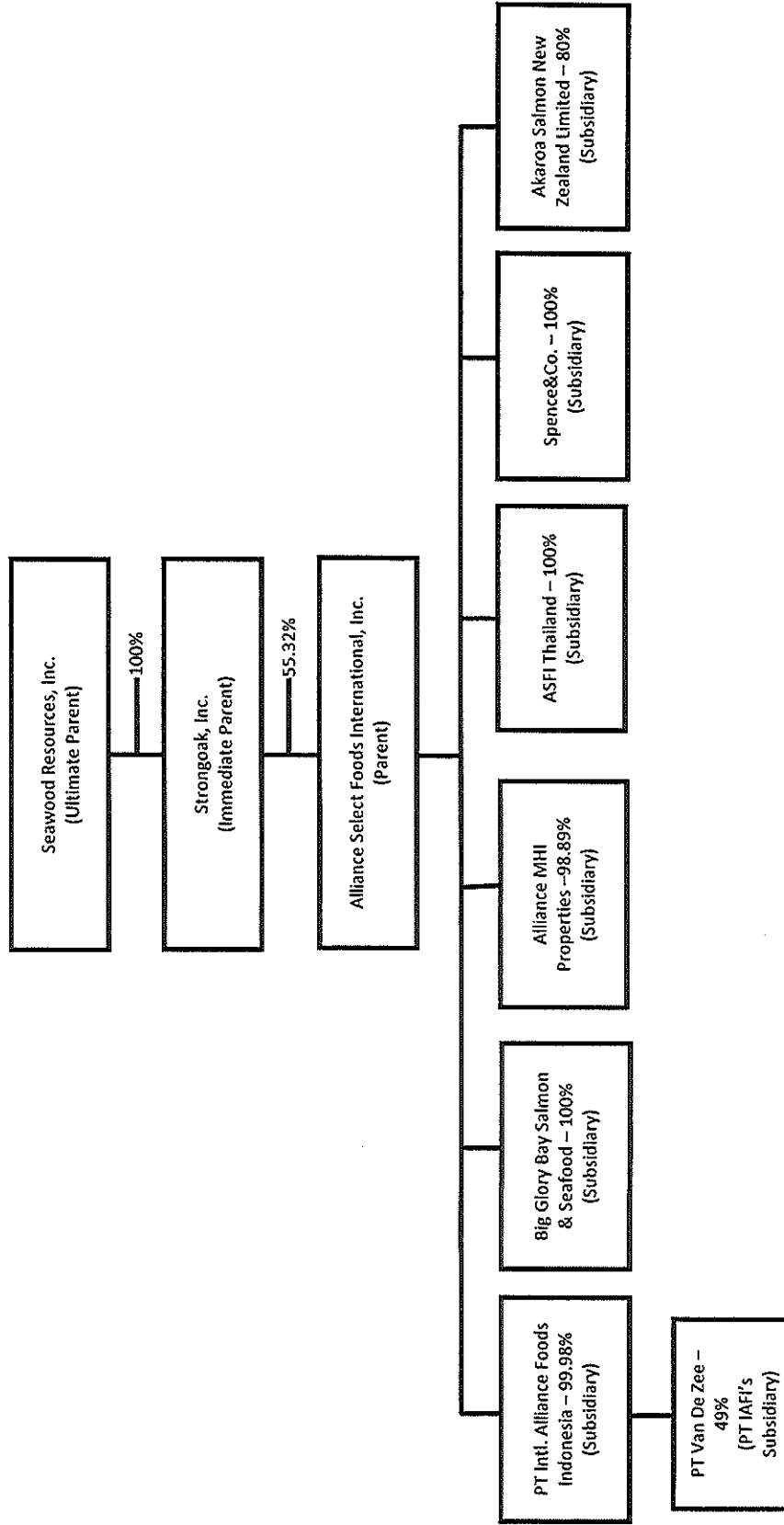
ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options,warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - \$0.50 par value	3,000,000,000	2,499,712,463	-	1,700,741,296	2,568,531	796,402,636

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

CORPORATE STRUCTURE
DECEMBER 31, 2018



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)

S u i t e 3 1 0 4 A , W e 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

237

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

Suite 3104 A, West 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.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **Alliance Select Foods International, Inc.** (the Company) is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein for the years ended **December 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, 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.

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.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

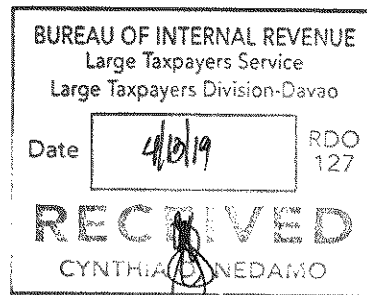
The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANTONIO C. PACIS
Chairman of the Board

RAYMOND K.H. SEE
President and Chief Executive Officer

JENNIFER C. PORSUELO
Group Comptroller



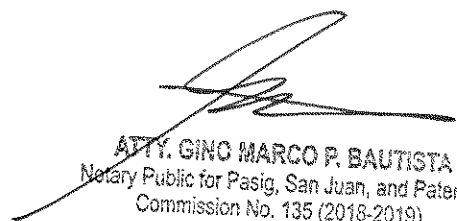
Signed this 5th day of April 2019.

SUBSCRIBED AND SWORN to before me this 5th day of April 2019 at Pasig City, affiants exhibited to me their government issued identification cards, as follows:

Name	Competent evidence of Identity	Date of Issue	Valid until
Antonio C. Pacis	Passport No. EC5839503	October 30, 2015	October 29, 2020
Raymond K.H. See	Passport No. EC3695414	March 17, 2015	March 16, 2020
Jennifer C. Porsuelo	PRC No. 0109384	September 25, 2018	October 18, 2021

Doc. No. 244;
Page No. 51;
Book No. I;
Series of 2019.




ATTY. GING MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
3104 A, West Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
PTR No. 5281587/1-14-2019/Pasig City
IBP No. 069385/1-15-2019/Quezon City
Roll of Attorneys No. 58507
MCLE Compliance No. V-0020739;4-20-2016



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A, West Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

Opinion

We have audited the accompanying 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 December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2018, 2017 and 2016 and the notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018, 2017 and 2016 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 *Auditors' Responsibilities for the Audit of the Separate 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 separate 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.



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.

Auditors' 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 auditors' 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 separate 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 auditors' 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 auditors' 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

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

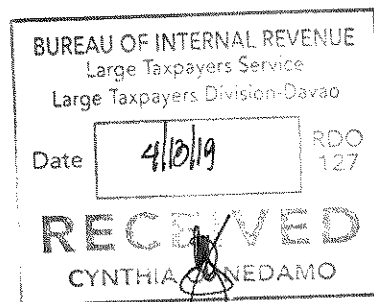
Valid until January 13, 2020

PTR No. 7334331

Issued January 3, 2019, Makati City

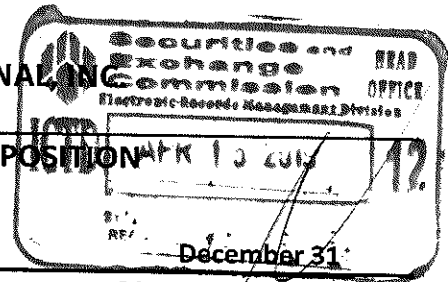
April 5, 2019

Makati City, Metro Manila

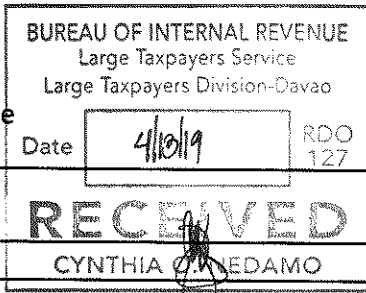


ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF FINANCIAL POSITION



	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$2,042,243	\$2,225,131
Trade and other receivables	5	9,234,545	6,249,389
Inventories	6	12,301,744	11,468,354
Due from related parties	13	6,758,615	8,067,041
Other current assets	7	7,567,802	5,150,427
Total Current Assets		37,904,949	33,160,342
Noncurrent Assets			
Investments in subsidiaries	8	18,039,544	18,039,544
Property, plant and equipment	9	3,247,162	3,329,237
Deferred tax assets - net	24	8,792,516	9,450,239
Other noncurrent assets	10	1,598,782	1,674,393
Total Noncurrent Assets		31,678,004	32,493,413
		\$69,582,953	\$65,653,755
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$6,485,169	\$6,831,455
Loans payable	12	30,901,646	24,263,385
Notes payable	13	-	2,700,000
Due to Parent Company	13	-	2,002,804
Income tax payable		58,011	-
Total Current Liabilities		37,444,826	35,797,644
Noncurrent Liabilities			
Loans payable - net of current portion	12	24,097	38,565
Notes payable - net of current portion	13	-	750,000
Net retirement benefit obligation	14	189,029	191,673
Total Noncurrent Liabilities		213,126	980,238
Total Liabilities		37,657,952	36,777,882
Equity			
Capital stock	15	26,823,389	53,646,778
Additional paid-in capital	15	1,486,546	6,662,001
Other comprehensive income	14	103,707	73,563
Retained earnings (deficit)		3,517,133	(31,500,695)
		31,930,775	28,881,647
Treasury shares	15	(5,774)	(5,774)
Total Equity		31,925,001	28,875,873
		\$69,582,953	\$65,653,755



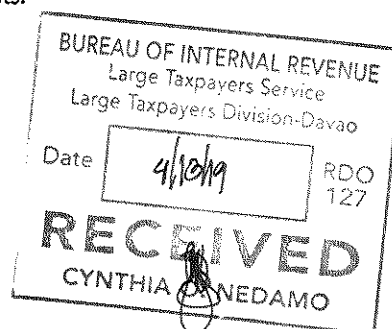
See accompanying Notes to Separate Financial Statements.

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

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
NET SALES	16	\$68,153,033	\$41,320,195	\$31,111,471
COST OF GOODS SOLD	17	(60,177,697)	(36,967,178)	(31,989,024)
GROSS PROFIT (LOSS)		7,975,336	4,353,017	(877,553)
SELLING AND ADMINISTRATIVE EXPENSES	18	(3,416,303)	(3,267,039)	(3,467,160)
INTEREST EXPENSE	12	(1,478,821)	(769,302)	(627,183)
OTHER INCOME (CHARGES) - Net	19	746,393	(10,929,749)	688,784
INCOME (LOSS) BEFORE INCOME TAX		3,826,605	(10,613,073)	(4,283,112)
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		162,817	94,961	420
Deferred		644,804	(1,735,825)	(298,595)
		807,621	(1,640,864)	(298,175)
NET INCOME (LOSS)		3,018,984	(8,972,209)	(3,984,937)
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	30,144	-	105,728
TOTAL COMPREHENSIVE INCOME (LOSS)		\$3,049,128	(\$8,972,209)	(\$3,879,209)
INCOME (LOSS) PER SHARE				
Basic and diluted income (loss) per share	21	\$0.00121	(\$0.00359)	(\$0.00159)

See accompanying Notes to Separate Financial Statements.

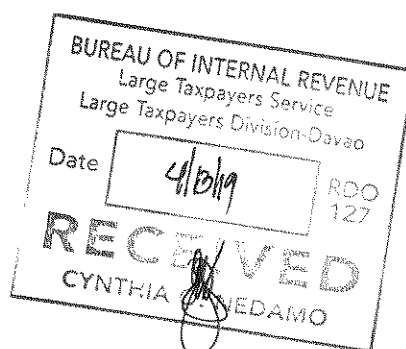


ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2018	2017	2016
CAPITAL STOCK				
	15			
Balance at beginning of year		\$53,646,778	\$53,646,778	\$53,646,778
Effect of equity restructuring		(26,823,389)	-	-
Balance at end of year		26,823,389	53,646,778	53,646,778
ADDITIONAL PAID-IN CAPITAL (APIC)				
	15			
Balance at beginning of year		6,662,001	6,662,001	6,662,001
Effect of equity restructuring		26,823,389	-	-
Application of APIC against deficit		(31,998,844)	-	-
Balance at end of year		1,486,546	6,662,001	6,662,001
OTHER COMPREHENSIVE INCOME				
	14			
Balance at beginning of year		73,563	73,563	(32,165)
Remeasurement gain on retirement benefit obligation (net of tax effect)		30,144	-	105,728
Balance at end of year		103,707	73,563	73,563
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		(31,500,695)	(22,528,486)	(18,543,549)
Application of APIC against deficit	15	31,998,844	-	-
Net income (loss)		3,018,984	(8,972,209)	(3,984,937)
Balance at end of year		3,517,133	(31,500,695)	(22,528,486)
TREASURY SHARES				
Balance at beginning and end of year	15	(5,774)	(5,774)	(5,774)
		\$31,925,001	\$28,875,873	\$37,848,082

See accompanying Notes to Separate Financial Statements.



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

SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		\$3,826,605	(\$10,613,073)	(\$4,283,112)
Adjustments for:				
Interest expense	12	1,478,821	769,302	627,183
Depreciation and amortization	9	427,002	378,691	378,607
Provision for impairment losses on:				
Inventories	18	159,024	230,780	267,059
Trade and other receivables	18	23,000	57,275	42,925
Due from related parties	19	-	6,667,442	-
Investment in a subsidiary	19	-	4,999,000	-
Other noncurrent assets	18	-	-	314,320
Interest income	4	(150,137)	(263,613)	(145,212)
Unrealized foreign exchange loss (gain)		(100,440)	18,366	(59,160)
Retirement benefits cost	14	48,743	46,423	87,143
Loss (gain) on disposal of investment and property, plant and equipment	19	294	(627)	(3,589)
Operating income (loss) before working capital changes		5,712,912	2,289,966	(2,773,836)
Decrease (increase) in:				
Trade and other receivables		(3,009,423)	(2,635,866)	(1,170,777)
Inventories		(995,671)	(6,192,629)	(571,910)
Other current assets		(2,234,309)	(4,316,253)	(159,617)
Other noncurrent assets		75,611	(64,688)	(32,472)
Increase (decrease) in trade and other payables		(324,884)	3,627,819	770,819
Net cash used for operations		(775,764)	(7,291,651)	(3,937,793)
Income tax paid		(290,439)	(1,484)	(306)
Interest received		150,137	32,815	76,692
Retirement benefits paid		-	-	(38,833)
Contribution to retirement fund		-	-	(42,403)
Net cash flows from operating activities		(916,066)	(\$7,260,320)	(\$3,942,643)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash advances to related parties		1,308,426	(1,006,166)	(3,622,661)
Additions to property, plant and equipment	9	(345,221)	(888,050)	(444,651)
Proceeds from sales of plant, property and equipment		-	627	3,589
Net cash flows from investing activities		963,205	(1,893,589)	(4,063,723)

(Forward)

		Years Ended December 31		
	Note	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans	27	\$48,406,144	\$29,122,545	\$33,999,512
Issuance of promissory notes	13	-	2,450,000	-
Advances from Parent Company	13	-	2,002,804	-
Payments of:				
Bank loans	27	(41,777,955)	(25,608,602)	(36,031,962)
Promissory notes	13	(3,450,000)	-	-
Advances from Parent Company	13	(2,002,804)	-	-
Interest paid		(1,397,088)	(786,161)	(598,183)
Net cash flows from financing activities		(221,703)	7,180,586	(2,630,633)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
		(8,324)	11,536	(5,136)
NET DECREASE IN CASH AND CASH EQUIVALENTS				
		(182,888)	(1,961,787)	(10,642,135)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		2,225,131	4,186,918	14,829,053
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	4	\$2,042,243	\$2,225,131	\$4,186,918
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	4			
Cash on hand		\$1,382	\$1,602	\$2,797
Cash in banks		2,040,861	2,223,529	502,640
Cash equivalents		-	-	3,681,481
		\$2,042,243	\$2,225,131	\$4,186,918
NONCASH ACTIVITIES				
Application of APIC against deficit as a result of the equity restructuring	15	\$31,998,844	\$-	\$-
Rental payable offset against due from a related party		-	584,348	-
Conversion of advances to equity investment		-	-	2,568,529
		\$31,998,844	\$584,348	\$2,568,529

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. (ASFII or the "Company"), a public corporation under Section 17.2 of the Securities Regulation Code (SRC), 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 seafood. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. (Strongoak or the "Parent Company") owns 1,382,765,864 ASFII common shares, representing 55.32% ownership. Strongoak is a domestic company engaged in investment activities.

In 2018, the SEC approved the Company's equity restructuring resulting in the elimination of capital deficit of \$32.00 million. As at December 31, 2018, the Company's retained earnings amounted to \$3.52 million.

In August 2018, the Company notified the SEC for the change in its registered office address and principal place of business to Suite 3104 A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. The Company has a plant located in Brgy. Tumbler, General Santos City, Philippines.

The Company earned a net income of \$3.02 million in 2018 as a result of the Company's expanding global market, targeting key accounts, improving efficiencies across all areas of operations and better inventory management and raw material sourcing. The Company incurred net losses of \$8.97 million and \$3.98 million in 2017 and 2016, respectively.

Investments in Subsidiaries

The Company has investments in the following subsidiaries as at December 31, 2018 and 2017:

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100.00	Salmon and other seafood processing	United States of America (USA)
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100.00	Salmon and other seafood processing	Philippines
ASFII Thailand	100.00	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)	80.00	Salmon farming and processing	New Zealand
PT. Van De Zee (PT VDZ)	49.00	Fishing	Indonesia

BGB. BGB has plant facilities that are located in Barrio Tambler, General Santos City.

ASFI Thailand. ASFI Thailand was established as a sales representative office. The Company announced the consolidation of sales and marketing operations in the Philippines after closing ASFI Thailand in February 2019.

PTIAFI and PT VDZ. 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 in Bitung Indonesia.

PTIAFI owns 49% of PT VDZ, a fishing company. PT VDZ ceased operations in 2016.

Akaroa. Akaroa holds 25% stake in Salmon Smolt NZ Ltd. (SSNZ), an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm.

Approval of Separate Financial Statements

The separate financial statements of the Company were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2019.

2. Summary of Significant Accounting and Reporting Policies

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

Basis of Preparation and Statement of Compliance

The separate financial statements of the Company have been prepared on a going concern basis and 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) and adopted by the SEC.

The Company also prepares and issues consolidated financial statements in compliance with PFRS for the same period as the separate financial statements. These may be obtained at the registered office address of the Company or at the SEC.

Bases of Measurement

The separate financial statements of the Company are presented in United States (U.S.) Dollar, the Company's functional currency. All amounts are rounded to the nearest U.S. Dollar, except when 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 for an asset and the fair value of the consideration received in exchange for incurring a liability.

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 markets for identical assets or liabilities

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

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

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 year 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.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and interpretations which the Company adopted effective January 1, 2018:

- *PFRS 9, Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9), bringing together all aspects of the accounting for financial instruments: classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition 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 the classification by reference to the business model within which these are held and the 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” (ECL) model based on the concept of providing for expected losses at the inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing separate 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.

Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured using the same basis under PAS 39 and shall be classified under the new classification categories of PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Company’s financial assets as at January 1, 2018:

Financial Assets	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39 and PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	\$2,225,131
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	6,249,389
Due from related parties	Loans and receivables	Financial assets at amortized cost	8,067,041
Receivable from Wild Catch Fisheries, Inc. (WCFI)	Loans and receivables	Financial assets at amortized cost	–
Refundable lease deposits	Loans and receivables	Financial assets at amortized cost	1,674,383

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using the general and simplified approach, has no material impact on the carrying amounts of the Company’s financial assets carried at amortized cost. There is no material impact on the basic and diluted earnings per share as a result of the Company’s adoption of PFRS 9. Consequently, no restatements were necessary.

The Company has adopted the retrospective approach in accordance with the transition provisions of PFRS 9, but has elected not to restate comparative information.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

All of the Company's contracts with customers generally undertake to provide single performance obligation, at a fixed price, which is mainly the delivery of goods. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue as the goods are transferred to the customer at the point of delivery. Accordingly, the adoption of PFRS 15 has no impact on the timing of recognizing the Company's revenue.

- *Amendments to PFRS 15, Revenue from Contract with Customers - Clarifications to PFRS 15*

The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- *Annual improvements 2014–2016*

PAS 28, Investments in Associates and Joint Ventures, regarding measuring an associate or joint venture at fair value.

- *Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the annual improvements, IFRIC 22 and PFRS 15 did not have any material effect on the separate financial statements of the Company.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the separate financial statements, are summarized below.

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

- PFRS 16, *Leases*

PFRS 16 replaces PAS 17 *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The Company expects to recognize the following on January 1, 2019 (after adjustments for prepayments and accruals recognized as at December 31, 2018):

Right-of-use assets	\$649,064
Lease liabilities	687,294
Deferred tax asset	11,469

Overall net assets will be approximately \$38,229 lower, and net current assets will be \$130,431 lower due to the presentation of a portion of the liability as a current liability.

The Company does not expect that there will be a material impact on the net income as a result of adopting PFRS 16.

Operating cash flows will increase and financing cash flows decrease by approximately \$19,647 and \$57,876, respectively, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

- Amendments to PAS 28, *Investments in Associates*, on long-term interests in associates and joint ventures

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying PFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS.

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.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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.

Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

As at December 31, 2018 and 2017, the Company does not have financial assets and liabilities at FVPL and FVOCI.

Classification of Financial Instruments between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently 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 fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Company's cash and cash equivalents, trade and other receivables, due from related parties, receivable from WCFI and refundable lease deposits are classified under this category (see Notes 4, 5, 10 and 13).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 and 2017, the Company's trade and other payables (excluding customers' deposits and statutory payable), loans payable, notes payable and due to Parent Company are classified under this category (see Notes 11, 12 and 13).

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Impairment of Financial Assets at Amortized Cost

The Company records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial 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 financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate statement of comprehensive income.

Offsetting of Financial Assets and Liabilities

Financial assets and financial 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 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, and 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). Cost incurred in bringing each product to its present location and condition is accounted as follows:

Raw and Packaging Materials and Parts and Supplies. Cost is determined using weighted average method. NRV is the current replacement cost.

Finished Goods. 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 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 when the related revenue is recognized and the related allowance for impairment is reversed.

Other Assets

Other assets include advances to suppliers, prepayments, input value-added tax (VAT) which are presented under "Other current assets" and idle assets which is presented under "Other noncurrent assets" in the separate statements of financial position.

Advances to suppliers. Advances to suppliers are recognized whenever the Company pays in advance for its purchase of goods. These advances are measured at transaction price less impairment in value, if any.

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. These are measured at cost less accumulated depreciation and any impairment loss. The Company's idle assets are already fully provided with allowance for impairment loss.

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.

Control is generally accompanied by a shareholding of more than one-half of voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Company controls an entity. The Company re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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.

The investment is derecognized when it is sold or disposed. Gains or losses arising from derecognition of an investment in a subsidiary are measured as the difference between the net proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

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>Asset Type</u>	<u>Number of Years</u>
Building	15 to 25
Machinery and equipment	15
Leasehold improvements	5 (or lease term, whichever is shorter)
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.

Construction-in-progress (CIP) represents the on-going renovation of facilities and is stated at cost including other direct costs. CIP is not depreciated until such time that the relevant assets are completed and ready for operational use. This will be recognized as machinery and equipment upon completion of the construction.

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 goods for which the advances were made are delivered to the customers.

Equity

Capital Stock and Additional Paid-In Capital (APIC). 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 APIC or retained earnings. Proceeds or fair value of the consideration received in excess of par value are recognized as APIC.

Other Comprehensive Income. Other comprehensive income pertains to remeasurement gain or loss on retirement benefits obligation.

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of the Company's results of operations. Retained earnings (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 APIC. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Income Recognition

Revenue

The Company generates revenue primarily from sale of goods.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative

use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

Revenue from sale of goods is recognized, net of returns and discounts, 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 customers.

Other Income

The Company's other sources of income, which are mainly from management fee, gains on disposal of assets or gains from foreign exchange transactions are recognized as income when earned. Interest income is recognized in a time proportion basis using the effective interest method.

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 costs of administering the business. Both are expensed as incurred.

Interest Expense. Interest expense is recognized in a time proportion basis using the effective interest method.

Other Charges. Expenses from other sources are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangements and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a Lessee. Leases where the lessor transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases, otherwise, operating leases.

At the commencement of the lease, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments should be apportioned between the interest expense and the reduction of the outstanding liability.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the life of the asset.

For operating leases, lease payments are recognized as 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 Company recognizes current service costs 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 year as a result of benefit payments.

Remeasurements of the net retirement benefit obligation, which consist of remeasurement 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 year.

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

The net retirement benefit obligation recognized by the Company is the present value of the defined benefit obligation 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 by a qualified actuary 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 liabilities for the current and prior years are measured at the amounts expected to be paid to the taxation authority. The tax rate and laws used to compute the amount are those that are enacted or substantively enacted as at financial 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, net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of NOLCO and MCIT 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 by the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in other comprehensive income or directly in equity.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to offset the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Foreign Currency-denominated Transactions and Translation

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. All differences are taken to the statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Related Party Relationships and Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. 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.

Related party transactions consist of transfer of resources, services or obligations between the Company and its related parties, 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.

Contingencies

Contingent liabilities are not recognized in the separate financial statements but 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 separate financial statement, when material.

Income (Loss) per Share

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

Basic income (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the year. There are no potential dilutive shares.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's separate financial statements requires management to exercise judgments, make estimates and use 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 judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period, or in the period of the change and future periods if the revision affects both current and future periods.

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

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. The Company accounts for its interest in a joint arrangement with FDCP, Inc. (FDCP) and WCFI as a joint venture under PFRS 11. Management has determined that by virtue of its majority ownership of voting rights in PTVZ as at December 31, 2018 and 2017, the Company has the ability to exercise control over these investees.

Classifying Lease Commitments - Company as a Lessee. 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 property are retained by the lessor. Accordingly, the agreement is accounted for as an operating lease.

Rental expense amounted to \$0.24 million, \$0.17 million and \$0.72 million in 2018, 2017 and 2016, respectively (see Note 22).

Assessing Allowance for ECL. The Company has the following financial assets that are subject to the ECLs model:

- Trade and other receivables
- Receivable from WCFI

While cash and cash equivalents, due from related parties and refundable deposit are also subject to the impairment requirements of PFRS 9, the assessed impairment loss is not material.

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

The expected loss rates are initially based on the Company's historical default rates. These historical default rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product and the unemployment rate of the locations in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The assessment of the correlation between historical default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade and other receivables is disclosed in Note 26.

Provision for impairment loss was recognized for the financial assets amounted to \$23,000, \$57,275 and \$42,925 in 2018, 2017 and 2016, respectively. The carrying amounts of the Company's cash and cash equivalents, trade and other receivables, due from related parties, receivables from WCFI and refundable deposits aggregated \$19.63 million and \$18.22 million as at December 31, 2018 and 2017, respectively (see Notes 4, 5, 10 and 13).

Classifying Financial Assets and Liabilities. The Company has determined that it shall classify its financial assets at amortized cost on the basis of the following conditions met:

- The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Moreover, the Company has determined that it shall classify its financial liabilities at amortized cost using the effective interest method.

Estimating Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 25 for further disclosures.

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 for finished goods, and current replacement costs for raw and packaging materials. 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 the transactions occurred. The Company records provisions for the excess of cost over 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.

The Company recognized provision for impairment loss on inventories amounting to \$0.16 million, \$0.23 million and \$0.27 million in 2018, 2017 and 2016, respectively (see Note 18). Inventories carried at lower of cost and NRV aggregated \$12.30 million and \$11.47 million as at December 31, 2018 and 2017, 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 in 2018, 2017 and 2016. The carrying amount of property, plant and equipment amounted to \$3.25 million and \$3.33 million as at December 31, 2018 and 2017, respectively (see Note 9).

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on its 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.

No provision for impairment loss was recognized for other current assets in 2018, 2017 and 2016. Other current assets amounted to \$7.57 million and \$5.15 million as at December 31, 2018 and 2017, respectively (see Note 7).

Provision for impairment loss was recognized on investment in PTIAFI in 2017 amounting to \$5.00 million. Investment in subsidiaries, net of allowance for impairment loss, amounted to \$18.04 million as at December 31, 2018 and 2017 (see Note 8).

No provision for impairment loss was recognized for property and equipment in 2018, 2017 and 2016. Allowance for impairment loss on property, plant and equipment amounted to \$0.10 million as at December 31, 2018 and 2017. The carrying amount of property, plant and equipment aggregated \$3.25 million and \$3.33 million as at December 31, 2018 and 2017, 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 \$0.31 million (see Note 18).

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.

Retirement benefit costs amounted to \$48,743, \$46,423 and \$87,143 in 2018, 2017 and 2016, respectively. The retirement benefit obligation amounted to \$0.19 million as at December 31, 2018 and 2017 (see Note 14).

Recognizing Deferred Tax Assets. The carrying amounts 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 excess 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 did not recognize deferred tax assets amounting to \$0.15 million and \$0.75 million as at December 31, 2018 and 2017, respectively, since the Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the MCIT and NOLCO to be utilized within the period allowed by the tax regulations (see Note 24).

The Company has recognized deferred tax assets amounting to \$8.79 million and \$9.45 million as at December 31, 2018 and 2017, respectively (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	\$1,382	\$1,602
Cash in banks	2,040,861	2,223,529
	\$2,042,243	\$2,225,131

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income from cash in banks and cash equivalents amounted to \$4,775, \$16,964 and \$76,692 in 2018, 2017 and 2016, respectively (see Note 19).

5. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade:			
Third parties		\$9,482,215	\$6,249,009
Related party	13	-	31,080
Others		405,477	644,447
		9,887,692	6,924,536
Allowance for impairment losses		(653,147)	(675,147)
		\$9,234,545	\$6,249,389

The credit terms on sale of goods averages 90 days. No interest is charged on receivables exceeding the credit terms.

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

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

	Note	2018	2017
Balance at beginning of year		\$675,147	\$617,872
Reversal		(45,000)	–
Provision	18	23,000	57,275
Balance at end of year		\$653,147	\$675,147

6. Inventories

This account consists of:

	2018	2017
At cost:		
Raw and packaging materials	\$6,118,977	\$8,251,540
Finished goods	4,938,401	2,530,151
Parts and supplies	251,775	178,117
At NRV –		
Finished goods	992,591	508,546
	\$12,301,744	\$11,468,354

The costs of inventories stated at NRV are as follows:

	2018	2017
Finished goods	\$1,169,591	\$1,128,719
Raw and packaging materials	18,043	102,650
	\$1,187,634	\$1,231,369

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

	Note	2018	2017
Balance at beginning of year		\$722,823	\$1,390,811
Reversal		(686,804)	(898,768)
Provision	18	159,024	230,780
Balance at end of year		\$195,043	\$722,823

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

Inventories charged to cost of goods sold amounted to \$51.33 million, \$30.35 million, and \$25.67 million in 2018, 2017 and 2016, respectively (see Note 17).

7. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	\$6,839,971	\$4,673,341
Input VAT	385,566	393,693
Prepayments:		
Taxes	244,785	59,152
Insurance	46,152	16,043
Rent	42,731	-
Others	8,597	8,198
	\$7,567,802	\$5,150,427

Other prepayments pertain to subscriptions and other fees.

8. Investments in Subsidiaries

Details of investments as at December 31, 2018 and 2017 are as follows:

Name of Subsidiaries	Note	Amount
Spence		\$9,240,946
BGB		6,177,761
PTIAFI		4,999,000
Akaroa		2,326,800
AMHI		294,037
		23,038,544
Allowance for impairment loss	19	(4,999,000)
		\$18,039,544

Financial Information

The summarized financial information of the subsidiaries with non-controlling interests as at and for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Total assets	\$8,030,649	\$9,761,955	\$9,569,843
Total liabilities	15,824,716	16,606,783	12,642,222
Deficit	(7,794,067)	(6,844,828)	(3,072,379)
Net income (loss)	160,981	203,209	(2,328,738)

9. Property, Plant and Equipment

Movements in this account are as follows:

2018								
	Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	CIP	Total
Cost								
Balance at beginning of year	\$1,373,344	\$2,806,459	\$141,213	\$287,810	\$409,470	\$45,931	\$690,377	\$5,754,604
Additions	-	206,938	97,362	14,306	18,539	8,076	-	345,221
Disposals	-	-	-	-	(5,019)	(474)	-	(5,493)
Reclassification	-	135,108	-	-	-	-	(135,108)	-
Balance at end of year	1,373,344	3,148,505	238,575	302,116	422,990	53,533	555,269	6,094,332
Accumulated Depreciation and Amortization								
Balance at beginning of year	466,562	1,397,442	25,873	152,758	235,395	45,931	-	2,323,961
Depreciation and amortization	154,301	208,240	7,027	28,617	26,013	2,804	-	427,002
Disposals	-	-	-	-	(4,752)	(447)	-	(5,199)
Balance at end of year	620,863	1,605,682	32,900	181,375	256,656	48,288	-	2,745,764
Allowance for Impairment Losses								
Balance at beginning and end of year	-	101,406	-	-	-	-	-	101,406
Carrying Amount	\$752,481	\$1,441,417	\$205,675	\$120,741	\$166,334	\$5,245	\$555,269	\$3,247,162

2017								
	Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	CIP	Total
Cost								
Balance at beginning of year	\$1,360,626	\$2,646,709	\$141,213	\$287,488	\$409,000	\$45,647	\$-	\$4,890,683
Additions	12,718	159,750	-	24,451	470	284	690,377	888,050
Disposals	-	-	-	(24,129)	-	-	-	(24,129)
Balance at end of year	1,373,344	2,806,459	141,213	287,810	409,470	45,931	690,377	5,754,604
Accumulated Depreciation and Amortization								
Balance at beginning of year	359,235	1,213,119	2,187	125,871	223,576	45,411	-	1,969,399
Depreciation and amortization	107,327	184,323	23,686	51,016	11,819	520	-	378,691
Disposals	-	-	-	(24,129)	-	-	-	(24,129)
Balance at end of year	466,562	1,397,442	25,873	152,758	235,395	45,931	-	2,323,961
Allowance for Impairment Losses								
Balance at beginning and end of year	-	101,406	-	-	-	-	-	101,406
Carrying Amount	\$906,782	\$1,307,611	\$115,340	\$135,052	\$174,075	\$-	\$690,377	\$3,329,237

Transportation equipment with carrying amount of \$41,605 and \$65,769 as at December 31, 2018 and 2017, respectively, are held as collateral to long-term loans (see Note 12).

The Company recognized a loss on disposal of office furniture, fixtures and equipment amounting to \$294 in 2018 and a gain on disposal of transportation equipment amounting to \$627 in 2017 (see Note 19). Depreciation and amortization charged to operations are as follows:

	Note	2018	2017	2016
Cost of goods sold	17	\$303,160	\$306,910	\$312,617
Selling and administrative expenses	18	123,842	71,781	65,990
		\$427,002	\$378,691	\$378,607

The cost of fully depreciated property, plant and equipment still used in Company's operations amounted to \$0.69 million and \$0.25 million as at December 31, 2018 and 2017, respectively.

10. Other Noncurrent Assets

This account consists of:

	Note	2018	2017
Receivable from WCFI	13	\$2,183,281	\$2,182,863
Refundable lease deposits	22	1,598,364	1,674,393
Idle assets		314,320	314,320
Investments in joint ventures		280,243	280,243
		4,376,208	4,451,819
Allowance for impairment losses		(2,777,426)	(2,777,426)
		\$1,598,782	\$1,674,393

Receivable from WCFI

Receivable from WCFI includes a receivable from the sale of a fishing vessel and advances for fish deposit. These were provided with an allowance for impairment losses due to losses sustained by WCFI. WCFI ceased operations since 2014.

Refundable Lease Deposits

Refundable lease deposits pertain to lease deposits made to AMHI. Interest income on lease deposit amortization amounted to \$67,752 and \$68,520 in 2017 and 2016, respectively.

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Company's operations. The fishing vessel was stated at its recoverable amount which is based on scrap value. As at December 31, 2018 and 2017, the carrying value of fishing vessel amounting to \$314,320 was fully provided with an allowance for impairment losses (see Note 18).

Investments in Joint Ventures

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. FDCP ceased manufacturing operations in September 2015. The Company has 39% ownership interest 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. WCFI ceased operations in 2014. The Company's investment in joint ventures is fully provided with an allowance for impairment losses.

11. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables:			
Third parties		\$4,581,865	\$5,212,632
Related parties	13	599,241	277,721
Accrued expenses		952,234	1,028,991
Customers' deposits		266,689	72,299
Statutory payable		85,140	239,812
		\$6,485,169	\$6,831,455

Trade payables are noninterest-bearing and are generally settled within 30 days.

Details of accrued expenses are as follows:

	Note	2018	2017
Professional fees		\$359,603	\$393,849
Interest		155,469	73,736
Rental		154,920	106,313
Freight		92,488	78,061
Consultancy fee	13	89,938	110,154
Short-term employee benefits		44,874	86,253
Salaries and wages		50,579	130,011
Others		4,363	50,614
		\$952,234	\$1,028,991

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

Customers' deposits pertain to advances from customers for the purchase of goods. These are recognized as revenue upon delivery of goods to customers.

Statutory payable includes amounts payable to government agencies such as SSS, PhilHealth and Pag-IBIG and are normally settled in the following month.

12. Loans Payable

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

Short-term Loans

	Currency	Nominal interest rate	2018	2017
Local banks	USD	4.5%	\$26,539,033	\$18,487,091
Investment banks	PHP	5.0-8.0%	2,149,106	3,064,290
	USD	4.5-6.5%	2,200,000	2,700,000
			\$30,888,139	24,251,381
Add: Current portion of long-term loans			13,507	12,004
			\$30,901,646	\$24,263,385

The loans from local banks, with terms ranging from 3 to 6 months, 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.

Loan Security. Short-term loans from local banks are secured by the Company's trade receivables and inventories as follows:

	2018	2017
Trade receivables	\$5,218,576	\$6,023,684
Inventories	11,763,776	8,251,539
	\$16,982,352	\$14,275,223

Loans from investment bank are unsecured promissory notes used to finance the Company's working capital requirements, with terms 90 days renewable at the end of each term.

Long-term Loans

	2018	2017
Local banks	\$37,604	\$50,569
Less current portion	13,507	12,004
	\$24,097	\$38,565

Loans from local banks, which are denominated in Peso, bear annual interest rates ranging from 9.24% to 9.59%.

Loan Security. The long-term loans are secured by transportation equipment with carrying amount of \$41,605 and \$65,769, respectively (see Note 9).

Schedule of Principal Payments. Principal payments to be paid within the next financial year and within two to five years amounted to \$13,507 and \$24,097, respectively.

Interest Expense

Interest expense charged to operations is as follows:

	Note	2018	2017	2016
Short-term loans		\$1,391,715	\$742,485	\$546,683
Due to Parent Company	13	73,879	8,597	-
Notes payable	13	9,315	13,544	10,053
Long-term loans		3,912	4,676	70,447
		\$1,478,821	\$769,302	\$627,183

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	
		2018	2017	2018	2017
Trade and Other Receivables					
Joint venture	5	(\$31,080)	\$-	\$-	\$31,080
Due from Related Parties					
Subsidiaries		(\$1,308,426)	\$595,514	\$13,191,872	\$14,500,298
Joint venture		-	96	234,185	234,185
Allowance for impairment		-	-	(6,667,442)	(6,667,442)
				\$6,758,615	\$8,067,041
Other Noncurrent Assets					
Joint venture	10	\$418	\$-	\$2,183,281	\$2,182,863
Subsidiary		(76,029)	60,965	1,598,364	1,674,393
Allowance for impairment		-	-	(2,182,863)	(2,182,863)
				\$1,598,782	\$1,674,393

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2018	2017	2018	2017
Trade and Other Payables					
Joint venture	11	\$181,477	\$-	\$444,321	\$262,844
Subsidiaries	11	140,043	(408,002)	154,920	14,877
Parent Company		(20,216)	110,154	89,938	110,154
				\$689,179	\$387,875
Notes Payable					
Subsidiary		(\$3,450,000)	\$2,450,000	\$-	\$3,450,000
Due to Parent Company		(\$2,002,804)	\$2,002,804	\$-	\$2,002,804

Trade and Other Payables. The Company purchased some of its tin can requirements from FDCP. Trade payable to AMHI pertains to unpaid rentals. Payable to Parent Company pertains to various operating expenses. Payable to Spence pertains to interest payable. The outstanding balances are unsecured, noninterest-bearing and have no repayment terms. These are settled in cash.

Due from Related Parties. The Company has advances to its subsidiaries for working capital requirements. These receivables (excluding BGB, AMHI, and Akaroa) are noninterest-bearing and payable on demand. The receivable from FDCP pertains to return of purchased tin cans which had damages. FDCP ceased manufacturing operations in September 2015. 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 (see Note 19).

Interest income earned on these advances follows:

Due from:	Interest Rate	2018	2017
BGB	3.00%	\$107,121	\$115,060
Akaroa	7.00%	16,412	15,851
AMHI	7.50%	13,390	47,986
PTIAFI		8,439	-
		\$145,362	\$178,897

The Company has a management agreement with Spence. Management fees amounted to \$0.42 million in 2018 and \$0.40 million in 2017 and 2016 (see Note 19). The outstanding balance is due on demand and noninterest-bearing.

Other Noncurrent Assets. Refundable lease deposit to AMHI resulted from a long-term lease contract (see Note 22).

Notes Payable. As at December 31, 2017, the Company's notes payable to Spence pertain to working capital advances, payable in lump-sum plus interest of 0.4% per annum broken down as follows:

	Amount
Current portion	\$2,700,000
Long-term	750,000
	\$3,450,000

Interest expense incurred amounted \$9,315, \$13,544 and \$10,053 million in 2018, 2017 and 2016, respectively (see Note 12).

Due to Parent Company. The Company's payable to Strongoak, its Parent Company, pertains to cash advances in 2017 for its working capital requirement, which bears 6.5% annual interest and payable within four months from drawdown date. Interest expense amounted to \$73,879 and \$8,597 in 2018 and 2017, respectively (see Note 12).

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

The remuneration of the key management personnel of the Company is composed of short-term and post-employment benefits. Short-term employee benefits amounted to \$492,042, \$398,487 and \$504,165 in 2018, 2017 and 2016, respectively. Post-employment benefits amounted to \$35,356, \$35,934 and \$39,581 in 2018, 2017 and 2016, respectively.

14. Retirement Benefit Obligation

The Company values its defined benefit obligation using the Projected Unit Credit Method. The benefit shall be payable to employees who retire from service who are at least sixty years old and with at least five years of continuous service.

The most recent actuarial valuation was carried out at December 31, 2018 performed by an independent actuary.

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

	2018	2017	2016
Service cost:			
Current service cost	\$39,114	\$38,802	\$70,049
Net interest expense	9,629	7,621	17,094
	\$48,743	\$46,423	\$87,143

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

	2018	2017
Present value of defined benefit obligation	\$228,703	\$233,863
Fair value of plan assets	(39,674)	(42,190)
	\$189,029	\$191,673

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

	2018	2017
Balance at beginning of year	\$233,863	\$187,475
Current service cost	39,114	38,802
Interest cost	11,735	8,349
Remeasurement gains:		
Arising from experience adjustments	(34,699)	-
Arising from changes in financial assumptions	(10,897)	-
Unrealized foreign exchange gain	(10,413)	(763)
Balance at end of year	<u>\$228,703</u>	<u>\$233,863</u>

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

	2018	2017
Balance at beginning of year	\$42,190	\$41,636
Loss on plan assets	(2,533)	-
Interest income	2,106	728
Unrealized foreign exchange loss	(2,089)	(174)
Balance at end of year	<u>\$39,674</u>	<u>\$42,190</u>

The analysis of the fair value of plan assets as at December 31, 2018 and 2017 is as follows:

	2018	2017
Cash and cash equivalents	\$150	\$363
Debt instruments	39,524	41,889
Other assets	56	-
Fees payables	(4)	(5)
Withholding taxes payable	(52)	(57)
	<u>\$39,674</u>	<u>\$42,190</u>

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

	2018	2017	2016
Discount rate	7.43%	5.25%	5.25%
Expected rate of salary increases	6.00%	4.00%	4.00%

The sensitivity analysis on the defined benefits obligations as at December 31, 2018 is as follows:

	Effect on Retirement Benefits Obligations
1% increase in the discount rate	(\$25,540)
1% decrease in the discount rate	29,038
1% increase in the salary increase rate assumption	29,223
1% decrease in the salary increase rate assumption	(25,366)
10% improvement in employee turnover	3,279
10% increase in employee turnover	(3,279)

The cumulative remeasurement gains (losses) on retirement benefit obligation recognized in other comprehensive income follows:

	Accumulated Remeasurement Gain (Loss)	Deferred Tax	Net
Balance as at January 1, 2018	\$105,090	(\$31,527)	\$73,563
Remeasurement gain	43,063	(12,919)	30,144
Balance as at December 31, 2018	\$148,153	(44,446)	\$103,707
Balance as at January 1 and December 31, 2017	\$105,090	(\$31,527)	\$73,563
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

The average duration of the benefit obligation is 19 and 18 years as at December 31, 2018 and 2017, respectively.

15. Equity

Details of the Company's capital stock are as follows:

	2018		2017	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at ₱0.50 and ₱1.00 par value per share for 2018 and 2017, respectively				
Balance at beginning of year	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	-	(1,500,000,000)	-	-
	3,000,000,000	₱1,500,000,000	3,000,000,000	₱3,000,000,000
Issued and Outstanding				
Balance at beginning of year	2,500,000,000	\$53,646,778	2,500,000,000	\$53,646,778
Effect of equity restructuring	-	(26,823,389)	-	-
	2,500,000,000	26,823,389	2,500,000,000	53,646,778
Treasury shares	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$26,817,615	2,499,712,463	\$53,641,004

The Company's track record of registration of securities is as follows:

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

On July 20, 2017 and September 7, 2017, the BOD and stockholders, respectively, approved the Company's equity restructuring to eliminate deficit by decreasing the authorized capital stock through reduction of 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, creating additional paid-in capital from the decrease in par value and applying the newly created additional paid-in capital to wipe out the Company's deficit as at May 31, 2017.

On March 23, 2018, the SEC approved the Company's application for the equity restructuring. Accordingly, the resulting APIC of \$26.82 million from the restructuring and APIC of \$6.66 million as at December 31, 2016, were used to fully wipe out the Company's deficit amounting to \$32.00 million as at December 31, 2017.

The Company has 237 and 236 shareholders as at December 31, 2018 and 2017, respectively.

16. Net Sales

This account consists of:

	2018	2017	2016
Canned tuna	\$60,005,125	\$38,141,005	\$28,938,265
Wholefish	6,222,808	1,550,185	-
By-products	1,925,100	1,629,005	2,173,206
	\$68,153,033	\$41,320,195	\$31,111,471

All goods are recognized as revenue at the point of delivery.

17. Cost of Goods Sold

This account consists of:

	Note	2018	2017	2016
Direct materials		\$53,781,144	\$30,189,700	\$25,571,245
Direct labor		3,667,251	2,460,057	2,258,881
Manufacturing overhead:				
Warehousing		1,389,814	925,600	1,113,311
Fuel		1,144,625	989,675	835,778
Light and water		542,540	386,492	277,811
Depreciation and amortization	9	303,160	306,910	312,617
Rental	22	165,381	117,196	662,944
Others		1,632,904	1,432,138	861,274
Total manufacturing costs		62,626,819	36,807,768	31,893,861
Finished goods, beginning	6	3,658,870	3,818,280	3,913,443
Total cost of goods manufactured		66,285,689	40,626,048	35,807,304
Finished goods, ending	6	(6,107,992)	(3,658,870)	(3,818,280)
		\$60,177,697	\$36,967,178	\$31,989,024

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	2018	2017	2016
Salaries, wages and other benefits		\$966,745	\$959,548	\$1,130,481
Outside services		582,544	634,253	345,328
Taxes and licenses		438,782	447,433	387,986
Transportation and travel		172,191	133,208	203,930
Impairment losses on:				
Inventories	6	159,024	230,780	267,059
Trade and other receivables	5	23,000	57,275	42,925
Other noncurrent assets	10	—	—	314,320
Representation and entertainment		150,481	139,263	153,659
Depreciation and amortization	9	123,842	71,781	65,990
Rental	22	78,488	53,532	59,177
Insurance		75,582	32,446	76,085
Business development		51,608	71,641	89,505
Utilities and communication		49,752	48,896	62,647
Retirement benefit costs	14	48,743	46,423	87,143
Security fees		45,463	79,307	77,134
Materials and supplies		34,002	26,860	18,014
Fuel and oil		25,660	22,192	43,231
Buyer's claims		12,384	16,504	25,407
Others		378,012	195,697	17,139
		\$3,416,303	\$3,267,039	\$3,467,160

19. Other Income (Charges) - Net

This account consists of:

	Note	2018	2017	2016
Management fee	13	\$418,020	\$400,000	\$400,000
Foreign exchange gain (loss)		355,980	(34,703)	108,584
Bank charges		(210,844)	(128,841)	(82,810)
Interest income		150,137	263,613	145,212
Gain (loss) on disposal of property and equipment	9	(294)	627	3,589
Impairment losses on:				
Due from PTIAFI	13	—	(6,667,442)	—
Investment in PTIAFI	8	—	(4,999,000)	—
Others		33,394	235,997	114,209
		\$746,393	(\$10,929,749)	\$688,784

20. Employee Benefits

This account consists of:

	Note	2018	2017	2016
Short-term employee benefits		\$4,366,996	\$3,188,231	\$3,143,395
Post-employee benefits	14	48,743	46,423	87,143
		\$4,415,739	\$3,234,654	\$3,230,538

21. Income (Loss) Per Share

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

	2018	2017	2016
Net income (loss) for the year	\$3,018,984	(\$8,972,209)	(\$3,984,937)
Weighted average number of ordinary shares issued and outstanding	2,499,712,463	2,499,712,463	2,499,712,463
	\$0.00121	(\$0.00359)	(\$0.00159)

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

In 2018, 2017 and 2016, the Company has no dilutive potential share.

22. Significant Agreements

Supply Agreement

The Company entered into an exclusive supply agreement with a customer to provide specified products for duration of five years starting 2018, renewable upon mutual agreement by both parties. No transactions occurred in 2018.

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 (see Note 10).

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 a third party lessor with a monthly rental of \$3,688 for a period of three years from August 16, 2016 to August 15, 2018.

On August 13, 2018, the Company reported a change of its office address. The Company entered into a new lease agreement for its head office space with a new third party lessor on July 18, 2018, effective until July 31, 2023 and renewable upon mutual agreement of the parties.

Refundable lease deposits amounted to \$1.60 million and \$1.67 million as at December 31, 2018 and 2017, respectively (see Note 10).

Rental expense charged to cost of goods sold amounted to \$165,381, \$117,196 and \$662,944 in 2018, 2017 and 2016, respectively (see Note 17). Rent expense charged to selling and administrative expenses amounted to \$78,488, \$53,532 and \$59,177 in 2018, 2017 and 2016, respectively (see Note 18).

Minimum lease payments under noncancellable operating leases are as follows:

	2018	2017
Not later than one year	\$132,257	\$29,766
Later than one year but not later than five years	366,161	—
	\$498,418	\$29,766

23. Corporate Social Responsibility

The Company has implemented a corporate social responsibility program to focus on the local workers' community welfare, as well as to promote a clean and healthy environment together with energy conservation.

24. Income Taxes

Current Tax

The Company's current income tax expense represents minimum corporate income tax amounting to \$162,817, \$94,961 and \$420 in 2018, 2017 and 2016, respectively.

Deferred Tax

The components of the Company's net deferred tax assets as at December 31, 2018 and December 31, 2017 are as follows:

	2018	2017
Deferred tax assets:		
Allowance for impairment losses on:		
Other noncurrent assets	\$4,917,474	\$4,917,474
Due from PTIAFI	2,000,233	2,000,233
Receivables	195,944	202,544
Inventories	58,513	216,847
Property, plant and equipment	30,422	30,422

(Forward)

	2018	2017
NOLCO	\$1,318,074	\$1,924,326
MCIT	258,198	95,381
Retirement benefit obligation	56,709	57,502
Unrealized foreign exchange loss	-	5,510
	8,835,567	9,450,239
Deferred tax liabilities:		
Unrealized foreign exchange gain	30,132	-
Remeasurement gain on retirement benefit obligation	12,919	-
	43,051	-
	\$8,792,516	\$9,450,239

The details of the Company's NOLCO, which can be claimed as deduction from 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
	\$8,793,277	(\$3,916,364)	\$4,876,913	

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

Inception Year	Amount	Expired/Applied	Balance	Expiry Year
2018	\$162,817	\$-	\$162,817	2021
2017	94,961	-	94,961	2020
2016	420	-	420	2019
2015	35,221	(35,221)	-	2018
	\$293,419	(\$35,221)	\$258,198	

The Company did not recognize the following deferred tax assets since the management believes that future taxable income will not be available to allow the deferred assets to be utilized:

	2018	2017
NOLCO	\$145,000	\$713,657
Excess MCIT over RCIT	-	35,221
	\$145,000	\$748,878

The Company has assessed that with the continuing positive results of its operations because of initiatives adapted (see Note 1), it will generate enough taxable income against which the deferred tax assets of \$8.84 million and \$9.45 million as at December 31, 2018 and 2017, respectively, can be utilized.

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate and at effective income tax rate follows:

	2018	2017	2016
Provision for (benefit from) income tax computed at statutory tax rate	\$1,147,982	(\$3,183,922)	(\$1,284,934)
Change in unrecognized deferred tax assets	(603,878)	(263,150)	257,426
Expired MCIT	35,221	69,260	52,786
Tax effects of:			
Expired NOLCO	213,051	202,803	701,816
Effect of foreign exchange gain	15,416	-	8,804
Interest income already subjected to final tax	(1,433)	(5,089)	(23,008)
Nondeductible expense	671	57,761	-
Nondeductible interest expense	591	2,099	9,491
Impairment loss on investment in PTIAFI	-	1,499,700	-
Interest income from accretion of refundable lease deposit	-	(20,326)	(20,556)
	\$807,621	(\$1,640,864)	(\$298,175)

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 December 31, 2018 and 2017.

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$2,042,243	\$2,042,243	\$2,225,131	\$2,225,131
Trade and other receivables	9,234,545	9,234,545	6,249,389	6,249,389
Due from related parties	6,758,615	6,758,615	8,067,041	8,067,041
Refundable lease deposits	1,598,364	1,598,364	1,674,393	1,674,393
	\$19,633,767	\$19,633,767	\$18,215,954	\$18,215,954
Financial Liabilities				
Trade and other payables*	\$6,133,340	\$6,133,340	\$6,519,344	\$6,519,344
Loans payable	30,925,743	30,930,129	24,301,950	24,307,309
Notes payable	-	-	3,450,000	3,447,690
Due to Parent Company	-	-	2,002,804	2,002,804
	\$37,059,083	\$37,063,469	\$36,274,098	\$36,277,147

* Excluding statutory payable and customers' deposits

The difference between the carrying amount of trade and other payables disclosed in the separate statements of financial position and the amount disclosed in this note pertains to statutory payable and customers' deposits that are not considered as financial liabilities.

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, refundable lease deposits, trade and other payables and due to Parent Company, 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 separate financial statements.

The fair value of the loans and notes payable 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 separate 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 2018, 2017 and 2016.

26. Financial Risk Management Objectives and Policies

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

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's BOD and management review and approve the policies for managing each of the risks, which are summarized below.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2018 and 2017.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant items in the separate statement of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2018 and 2017.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at December 31, 2018 for the effects of the assumed changes of the underlying risk.

Foreign currency risk. Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

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. To mitigate the Company's exposure to foreign currency risk, foreign currency cash flows and fluctuations in the foreign exchange rates are monitored.

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

	2018		2017	
	Philippine Peso	US Dollar Equivalent	Philippine Peso	US Dollar Equivalent
Cash and cash equivalents	₱24,747,513	\$470,664	₱18,515,476	\$370,606
Trade and other receivables	12,070,002	229,555	7,672,957	153,582
Due from related parties	131,942,359	2,509,364	249,599,910	4,995,995
Refundable lease deposits	84,041,979	1,598,364	83,652,674	1,674,393
Trade and other payables	163,960,845	3,118,312	266,717,255	5,338,616
Loans payable	114,766,629	2,182,705	155,618,356	3,114,859
Due to Parent Company	-	-	100,060,088	2,002,804

Foreign Currency Sensitivity Analysis. The sensitivity analysis includes all of the Company's foreign currency-denominated monetary assets and liabilities. A positive number indicates an increase in income before tax when the U.S. Dollar strengthens by 6% against the relevant currency. For a 6% weakening of the U.S. Dollar against the Philippine Peso, there would be an equal and opposite impact on the income before tax.

The following table demonstrates the sensitivity to a 6% change in USD exchange rates, with all other variables held constant:

	Effect on Income Before Tax	
	2018	2017
Cash and cash equivalents	\$28,240	\$22,236
Trade and other receivables	13,773	9,215
Due from related parties	150,562	299,760
Refundable lease deposits	95,902	100,464
Trade and other payables	187,099	320,317
Loans payable	130,962	186,892
Due to Parent Company	-	120,168
	\$606,538	\$1,059,052

Interest Rate Risk. Interest rate risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate.

The source of the Company's interest rate risk relates to due to related parties as disclosed in Note 13.

The balance is both short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the net income or loss of the Company.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The table below shows the gross maximum exposure of the Company to credit risk before taking into consideration collateral and other credit enhancements:

	2018	2017
Cash and cash equivalents	\$2,042,243	\$2,225,131
Trade and other receivables	9,887,692	6,924,536
Due from related parties	6,758,615	8,067,041
Refundable lease deposits	1,598,364	1,674,393
	\$20,286,914	\$18,891,101

Risk Management. Credit risk is managed on a group basis. The Company deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

Sales to customers are required to be settled in cash, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

	2018				
	Neither Past Due nor Impaired		Past due but		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash and cash equivalents	\$2,042,243	\$-	\$-	\$-	\$2,042,243
Trade and other receivables	-	5,338,554	3,895,991	653,147	9,887,692
Due from related parties	-	6,758,615	-	6,667,442	13,426,057
Refundable lease deposits	1,598,364	-	-	-	1,598,364
	\$3,640,607	\$12,097,169	\$3,895,991	\$7,320,589	\$26,954,356

	2017				
	Neither Past Due nor Impaired		Past due but		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash and cash equivalents	\$2,225,131	\$-	\$-	\$-	\$2,225,131
Trade and other receivables	-	4,082,249	2,167,140	675,147	6,924,536
Due from related parties	-	5,485,508	2,581,533	6,667,442	14,734,483
Refundable lease deposits	1,674,393	-	-	-	1,674,393
	\$3,899,524	\$9,567,757	\$4,748,673	\$7,342,589	\$25,558,543

As at December 31, 2018 and 2017, 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 and 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.
- *Substandard Grade.* Substandard grade financial assets are those which are considered worthless. These are accounts which have the probability of impairment based on historical trend.

Impairment. An impairment analysis is performed at each reporting date using a lifetime expected loss allowance to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that impairment had been incurred but has not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment loss. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization
- default or late payments (more than 30 days overdue)

Receivables for which an impairment provision was recognized was written off against the provision when there was no expectation of recovering additional cash.

Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has 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 table includes both interest and principal cash flows.

	December 31, 2018				
	Contractual Cash Flows				
	Carrying Amount	On Demand	Less than 1 Year	1 to 5 Years	Total
Trade and other payables*	\$6,133,340	\$-	\$6,133,340	\$-	\$6,133,340
Loans payable	30,925,743	-	30,901,646	24,097	30,925,743
	\$37,059,083	\$-	\$37,034,986	\$24,097	\$37,059,083

* Excluding statutory payable and customers' deposits

	December 31, 2017				
	Contractual Cash Flows				
	Carrying Amount	On Demand	Less than 1 Year	1 to 5 Years	Total
Trade and other payables*	\$6,519,344	\$-	\$6,519,344	\$-	\$6,519,344
Loans payable	24,301,950	-	24,263,385	38,565	24,301,950
Notes payable	3,450,000	3,450,000	-	-	3,450,000
Due to Parent Company	2,002,804	2,002,804	-	-	2,002,804
	\$36,274,098	\$5,452,804	\$30,782,729	\$38,565	\$36,274,098

* Excluding statutory payable and customers' deposits

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. Moreover, in 2017, the Company undertook an equity restructuring which resulted in the elimination of capital deficit of \$32.00 million (see Note 1). 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.

For the purpose of the Company's capital management, capital includes issued capital, additional paid-in capital, convertible preference shares, and all other equity reserves. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using debt-to-equity ratio, which is total debt divided by total equity. The Company's policy is to keep the debt-to-equity ratio between 20% and 40%.

The debt-to-equity ratio as at December 31, 2018 and 2017 follows:

	2018	2017
Debt	\$37,657,952	\$36,777,882
Equity	31,925,001	28,875,873
Debt-to-Equity Ratio	1.18:1	1.27:1

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 December 31, 2018 and 2017.

27. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including cash and noncash changes:

	Financing Cash Flows					2018
	2017	Availments	Payments	Interest Expense	Foreign Exchange Gain	
Loans payable	\$24,301,950	\$48,406,144	(\$41,777,955)	\$-	(\$4,396)	\$30,925,743
Notes payable	3,450,000	-	(3,450,000)	-	-	-
Due to Parent Company	2,002,804	-	(2,002,804)	-	-	-
Interest payable	73,736	-	(1,397,088)	1,478,821	-	155,469
	\$29,828,490	\$48,406,144	(\$48,627,847)	\$1,478,821	(\$4,396)	\$31,081,212

	Financing Cash Flows					2017
	2016	Availments	Payments	Interest Expense	Foreign Exchange Gain	
Loans payable	\$20,793,334	\$29,122,545	(\$25,608,602)	\$-	(\$5,327)	\$24,301,950
Notes payable	1,000,000	2,450,000	-	-	-	3,450,000
Due to Parent Company	-	2,002,804	-	-	-	2,002,804
Interest payable	90,595	-	(786,161)	769,302	-	73,736
	\$21,883,929	\$33,575,349	(\$26,394,763)	\$769,302	(\$5,327)	\$29,828,490



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

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A, West 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.) as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated April 5, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has two hundred twenty-two (222) and two hundred twenty-three (223) stockholders owning one hundred (100) or more shares each as at December 31, 2018 and 2017, respectively.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

BOA Accreditation No. 4782; Valid until August 15, 2021

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. 7334331

Issued January 3, 2019, Makati City

April 5, 2019

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Alliance Select Foods International, Inc.
Suite 3104A, West 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 December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016, and have issued our report thereon dated April 5, 2019. Our audits were 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 as at December 31, 2018
- Adoption of Effective Accounting Standards and Interpretations as at December 31, 2018

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 these schedules has been subjected to the auditing procedures applied in our audits 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 August 15, 2021

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

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Valid until January 13, 2020

PTR No. 7334331

Issued January 3, 2019, Makati City

April 5, 2019
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**

December 31, 2018

Deficit at beginning of year as shown in the separate financial statements	(\$31,500,695)
Less deferred tax assets at the beginning of year	(9,450,239)
Total deficit, as adjusted at beginning of year	(40,950,934)
Net income during the year closed to retained earnings	3,018,984
Less:	
Movement in deferred tax assets	657,723
Treasury shares	(5,774)
Total retained earnings available for dividend declaration at end of year	(\$37,280,001)

Reconciliation:

Retained earnings at end of year as shown in the separate financial statements	\$3,517,133
Less:	
Effect of equity restructuring	(31,998,844)
Deferred tax assets as at end of year	(8,792,516)
Treasury shares	(5,774)
Total retained earnings available for dividend declaration at end of year	(\$37,280,001)

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

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Separate Financial Statements	✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics			
PFRS Practice Statement Management Commentary			✓
PFRS Practice Statement 2: Making Materiality Judgments	✓		

Philippine Financial Reporting Standards (PFRS)

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			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities			✓
	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: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
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	✓		
	Amendment to PAS 24: Key Management Personnel	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
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	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: 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			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - 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 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

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-32	Intangible Assets - Web Site Costs			✓