

# 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 N D   S U B S I D I A R I E S   ( 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

1 7 - Q

Department requiring the report

Secondary License Type, If Applicable

N / A

**COMPANY INFORMATION**

Company's Email Address

info@allianceselectfoods.com

Company's Telephone Number/s

632 747-3798

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

632 747-3798

Mobile Number

-

**CONTACT PERSON'S ADDRESS**

Suite 3104A, 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.

SEC Number CS200319138  
File Number

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

---

(Company's Full Name)

**Suite 3104A West Tower PSEC Exchange Rd.  
Ortigas Avenue Pasig City**

---

(Company's Address)

**632 747-3798**

---

(Telephone Number)

**December 31**

---

(Calendar Year Ending)  
(month & day)

**SEC FORM 17-Q**

---

(Form Type)

---

(Amendment Designation if applicable)

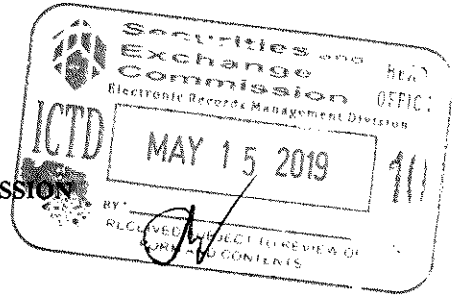
**For the Quarter Ended March 31, 2019**

---

(Period Ended Date)

---

(Secondary License Type and File Number)



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2019
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 3104A West Tower PSEC Exchange Rd. Ortigas Center Pasig City 1605  
Address of issuer's principal office Postal Code
8. 632 747 - 3798  
Issuer's telephone number, including area code
9. Not Applicable  
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

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<b>Common shares, P0.50 par value</b>	<b>2,499,712,463 shares / USD 43,558,804</b>

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 II - FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited financial statements of Alliance Select Foods International, Inc. (the “Company” or “Parent Company”) and its Subsidiaries (collectively referred to as the “Group”) as at and for the three months ended March 31, 2019 (with comparative figures as at December 31, 2018 and for the period ended March 31, 2018) and Selected Notes to the Consolidated Financial Statements are hereto attached as Annex “A”.

The unaudited financial statements of the Group are presented in US\$, the currency of the primary economic environment in which the Group operates.

### Item 2. Management’s discussion and analysis of financial condition and results

The following discussion should be read in conjunction with the attached unaudited financial statements of the Group as at and for the three months ended March 31, 2019, with comparative figures as at December 31, 2018 and for the period ended March 31, 2018, as appropriate.

The table below shows the comparisons of key operating results for the three-month period ended March 31, 2019 versus the same period in 2018.

In USD'000	For the Three Months Ended March 31	
	2019	2018
<b>Revenue - net</b>	<b>\$19,597</b>	<b>\$23,651</b>
Gross Profit	2,719	3,427
<b>Gross Profit Margin</b>	<b>14%</b>	<b>14%</b>
Selling and Administrative Expenses	1,961	1,945
Other Income (Charges) - Net	(100)	495
Finance Costs	552	329
<b>Income Before Tax</b>	<b>107</b>	<b>1,648</b>
Income Tax Expense	95	343
<b>Income for the Period</b>	<b>12</b>	<b>1,305</b>
Attributable to:		
Equity holders of the parent	(7)	1,215
Non-controlling interest	19	90

*\*Due to rounding, numbers presented in this table may not add up precisely*

### Results of operations

#### Three months ended March 31, 2019 versus March 31, 2018

The Group’s consolidated net revenues of \$19.6 million for the first quarter of 2019 was 17% lower than the revenues of \$23.7 million in the same reporting period last year. The performance of the tuna segment decreased mainly due to lower prices of raw materials. On the other hand, salmon segment sales performance is down by 42% due to continuing challenges in sourcing a particular specie required by certain accounts.

The first quarter of 2019 registered a gross profit of \$2.7 million, maintaining a GP rate of 14% same as in the previous year.

Selling and administrative expenses is relatively flat versus same period last year.

Finance cost increased by 68% due to the higher amount borrowed for working capital and an increase in interest rates.

## Financial Position

As at March 31, 2019 versus December 31, 2018

The Group's trade and other receivables grew by 15% due to deliveries made in the first quarter that are expected to be collected in the second quarter.

The growth in the Group's inventory level is driven by the 14% net increase in ASFII's inventory.

Other current assets and borrowings increased for the quarter due to deposits made to certain suppliers.

## KEY PERFORMANCE INDICATORS

The Group uses the following key performance indicators in order to assess the Group's financial performance from period to period. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

Liquidity and Solvency	March 31, 2019	December 31, 2018
Current ratio	1.02	1.02
Debt to equity ratio	1.20	1.12

	For the Three Months Ended March 31	
Profitability	2019	2018
Revenue growth rate	-17.14%	41.46%
Net profit margin	-0.04%	5.14%
Return on average stockholders' equity	-0.02%	3.54%

The following defines each ratio:

- Liquidity ratio (expressed in proportion) = current assets / current liabilities
- Debt to equity ratio (expressed in proportion) = total liabilities / total stockholders' equity
- Revenue growth rate (expressed in percentage) = (current year's revenue – previous year's revenue) / previous year's revenue
- Net profit margin (expressed in percentage) = net income attributable to equity holders of parent / net revenues
- Return on average stockholders' equity (expressed in percentage) = net income attributable to equity holders of the parent / average stockholders' equity

**PART II - OTHER INFORMATION**


All current disclosures were already reported under SEC Form 17-C.

**SIGNATURES**

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

**ALLIANCE SELECT FOODS INTERNATIONAL, INC.**

  
 \_\_\_\_\_  
**JENNIFER C. PORSUELO**  
 Group Comptroller


  
 \_\_\_\_\_  
**LISA ANGELA Y. DEJADINA**  
 Senior Vice President for Group Operations

SUBSCRIBED AND SWORN to before me this 15 MAY 2019 at PASIG CITY affiants exhibiting to me their government issued identification cards, as follows:

NAMES	GOV'T. ISSUED ID NO.	DATE OF ISSUE	PLACE OF ISSUE	EXPIRATION
Jennifer C. Porsuelo	PRC No. 0109384	09-25-2018	PRC, Manila	10-18-2021
Lisa Angela Y. Dejadina	Passport-P1427002A	12-30-2016	DFA, NCR East	12-29-2021

Doc. No. 267  
 Page No. 55  
 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. VI Being Processed

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Notes	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	\$4,370,640	\$7,012,332
Trade and other receivables	6	13,617,628	11,848,595
Inventories	7	16,288,905	13,945,762
Other current assets	8	9,657,063	8,154,691
Total Current Assets		43,934,236	40,961,380
<b>Noncurrent Assets</b>			
Property, plant and equipment	9	15,452,009	15,486,050
Goodwill	4	9,502,585	9,502,585
Deferred tax assets		9,423,194	9,433,423
Other noncurrent assets		1,592,030	1,655,214
Total Noncurrent Assets		35,969,818	36,077,272
		<b>\$79,904,054</b>	<b>\$77,038,652</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	\$8,591,915	\$9,119,103
Loans payable	11	34,329,606	30,917,296
Due to related parties		92,991	91,530
Income tax payable		103,043	186,662
Total Current Liabilities		43,117,555	40,314,591
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion		53,856	46,989
Net retirement benefit obligation		224,222	223,134
Deferred tax liabilities		142,538	142,544
Refundable lease deposits		20,633	20,655
Total Noncurrent Liabilities		441,249	433,322
Total Liabilities		43,558,804	40,747,913
<b>Equity</b>			
	12		
Capital stock		26,823,389	26,823,389
Additional paid-in capital		1,486,546	1,486,546
Other comprehensive income		998,596	960,207
Retained earnings		9,284,154	9,291,312
		38,592,685	38,561,454
Treasury shares		(5,774)	(5,774)
Equity attributable to equity holders of the Parent			
Company		38,586,911	38,555,680
Non-controlling interests		(2,241,661)	(2,264,941)
Total Equity		36,345,250	36,290,739
		<b>\$79,904,054</b>	<b>\$77,038,652</b>

See accompanying Notes to Consolidated Financial Statements.

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Quarter Ended March 31	
	Notes	2019	2018
<b>NET SALES</b>		\$19,596,542	\$23,650,932
<b>COST OF GOODS SOLD</b>	13	(16,877,709)	(20,223,739)
<b>GROSS PROFIT</b>		2,718,833	3,427,193
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>		(1,960,665)	(1,945,340)
<b>INTEREST EXPENSE</b>		(551,739)	(328,807)
<b>OTHER INCOME (CHARGES) - Net</b>		(99,885)	495,139
<b>INCOME BEFORE INCOME TAX</b>		106,544	1,648,185
<b>INCOME TAX EXPENSE</b>		94,514	343,158
<b>NET INCOME</b>		12,030	1,305,027
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		38,389	(76,013)
<b>TOTAL COMPREHENSIVE INCOME</b>		\$50,419	\$1,229,014
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		(\$7,158)	\$1,215,013
Noncontrolling interests		19,188	90,014
		\$12,030	\$1,305,027
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company		\$27,139	\$1,137,891
Noncontrolling interests		23,280	91,123
		\$50,419	\$1,229,014
<b>EARNINGS (LOSS) PER SHARE</b>			
Basic and diluted earnings (loss) per share	14	(\$0.000003)	\$0.00049

*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	March 31, 2019	December 31, 2018	March 31, 2018	December 31, 2017
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>					
<b>Capital Stock</b>					
	12				
Balance at beginning of year		\$26,823,389	\$53,646,778	\$53,646,778	\$53,646,778
Effect of equity restructuring		-	(26,823,389)	(26,823,389)	-
Balance at end of period		26,823,389	26,823,389	26,823,389	53,646,778
<b>Additional Paid-in Capital (APIC)</b>					
Balance at beginning of year		1,486,546	6,662,001	6,662,001	6,662,001
Effect of equity restructuring		-	26,823,389	26,823,389	-
Application of APIC to Deficit		-	(31,998,844)	(31,998,844)	-
Balance at end of period		1,486,546	1,486,546	1,486,546	6,662,001
<b>Other Comprehensive Income</b>					
<i>Cumulative Remeasurement on Retirement Obligation</i>					
Balance at beginning of year		87,276	55,190	55,190	55,190
Remeasurement gain on retirement		-	32,086	-	-
Balance at end of period		87,276	87,276	55,190	55,190
<i>Revaluation Reserves</i>					
Balance at beginning and end of period		275	275	275	275
<i>Cumulative Translation Adjustment</i>					
Balance at beginning of year		872,656	877,684	877,684	893,534
Exchange differences on foreign currency translation		38,389	(5,028)	(76,013)	(15,850)
Balance at end of period		911,045	872,656	801,671	877,684
Total balance at end of year of other comprehensive income		998,596	960,207	857,136	933,149
<b>Retained Earnings (Deficit)</b>					
Balance at beginning of year		9,291,312	(25,231,797)	(25,231,797)	(26,669,068)
Application of APIC to Deficit		-	31,998,844	31,998,844	-
Net income (loss)		(7,158)	2,524,265	1,215,013	1,437,271
Balance at end of period		9,284,154	9,291,312	7,982,060	(25,231,797)
<b>Treasury Shares</b>					
		(5,774)	(5,774)	(5,774)	(5,774)
<b>NON-CONTROLLING INTERESTS</b>					
Balance at beginning of year		(2,264,941)	(2,315,859)	(2,315,859)	(2,470,729)
Total comprehensive income attributable to non-controlling interests		23,280	50,918	91,123	154,870
Balance at end of period		(2,241,661)	(2,264,941)	(2,224,736)	(2,315,859)
		\$36,345,250	\$36,290,739	\$34,918,621	\$33,688,498

See accompanying Notes to Consolidated Financial Statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Quarter Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$106,544	\$1,648,185
Adjustments for:		
Depreciation and amortization	259,410	306,560
Interest expense	551,739	328,807
Foreign exchange loss (gain)	313,846	(444,677)
Retirement benefit	21,617	23,170
Interest income	(22,419)	(23,303)
Operating income before working capital changes	1,230,737	1,838,742
Decrease (increase) in:		
Trade and other receivables	(1,984,900)	(1,959,653)
Inventories	(2,342,137)	(277,282)
Other current assets	(1,332,784)	(946,766)
Other noncurrent assets	(6,976)	41,093
Increase (decrease) in trade and other payables	(816,889)	378,565
Net cash used in operations	(5,252,949)	(925,301)
Income tax paid	(167,902)	(186,194)
Interest received	22,419	23,303
Contribution to retirement fund	6,361	(31,039)
Net cash used in operating activities	(5,392,071)	(1,119,231)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(209,764)	(150,349)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net loan availments	3,433,961	3,196,659
Payments of interest	(488,511)	(207,453)
Increase (decrease) in due to a related party	1,461	(40,653)
Net cash from financing activities	2,946,911	2,948,553
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	13,232	(34,568)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,641,692)</b>	<b>1,644,405</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER</b>	<b>7,012,332</b>	<b>4,427,478</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	<b>\$4,370,640</b>	<b>\$6,071,883</b>

*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 of December 31, 2018, the Group’s retained earnings amounted to \$9.29 million.

In August 2018, the Parent Company notified the SEC on the change of its 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 March 31, 2019 and December 31, 2018:

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
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

**2. Basis of Preparation and Statement of Compliance**

**Basis of Preparation**

The interim consolidated financial statements of the Group have been prepared on a historical cost basis. The financial statements have been prepared in accordance with the Philippine Accounting Standard (PAS) 34, Interim Financial Reporting.

The interim 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.

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s audited consolidated financial statements as of December 31, 2018.

#### Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As of March 31, 2019, there were no changes in the Parent Company's ownership interests in its subsidiaries.

#### Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Changes in these estimates and assumptions could result in outcomes that may require material adjustments to the carrying amounts of the affected assets and liabilities in the future.

Except as otherwise stated, there were no significant changes in accounting judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

---

### 3. Summary of Significant Accounting Policies

#### 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, 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.

---

#### 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.

---

#### 5. Cash and Cash Equivalents

This account consists of cash on hand, cash in banks, and cash equivalents.

Cash in banks earn interest at prevailing bank deposit rates.

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

---

**6. Trade and Other Receivables**

This account consists of:

	2019	2018
Trade receivables	\$13,844,069	\$12,208,171
Others	1,820,509	1,687,374
	15,664,578	13,895,545
Less allowance for impairment losses	2,046,950	2,046,950
	<b>\$13,617,628</b>	<b>\$11,848,595</b>

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

Other receivables include claims for refunds from government agencies and claims from insurance, suppliers and other parties.

---

**7. Inventories**

This account consists of:

	2019	2018
Finished goods	\$9,385,104	\$7,049,815
Raw materials	7,019,321	7,089,102
Parts and supplies	343,346	325,299
Work-in-process	247,733	240,694
Allowance for impairment loss	(706,599)	(759,148)
	<b>16,288,905</b>	<b>13,945,762</b>

---

**8. Other Current Assets**

This account consists of:

	2019	2018
Advances to suppliers	\$8,001,330	\$7,068,066
Input VAT	642,013	611,827
Other prepayments	1,013,720	474,798
	<b>\$9,657,063</b>	<b>\$8,154,691</b>

---

**9. Property, Plant and Equipment**

	2019	2018
<b>Cost</b>		
Beginning of year	\$25,611,632	\$25,186,930
Net additions	222,999	424,702
End of year	25,834,631	25,611,632
<b>Accumulated depreciation and amortization</b>		
Beginning of year	8,427,118	7,384,097
Depreciation and amortization	257,040	1,043,021
End of year	8,684,158	8,427,118
<b>Allowance for impairment</b>		
Beginning and end of year	1,698,464	1,698,464
	<b>\$15,452,009</b>	<b>\$15,486,050</b>

---

**10. Trade and Other Payables**

This account consists of trade payables, accrued expenses, customers' deposit and statutory payables.

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

Accrued expenses include accruals for salaries and wages, professional fees, interest, freight, business development expenses, security services, commission and customers' claims. Accrued expenses are usually settled in the following month.

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

---

**11. Loans Payable**

Loans payable include borrowings from local banks and investment banks.

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.

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

## 12. Equity

### Capital Stock

Details of the Company's capital stock as at March 31, 2019 and December 31, 2018 are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
<b>Authorized</b>				
Ordinary shares at ₱0.5 and ₱1 par value				
Balance at beginning of year	3,000,000,000	₱1,500,000,000	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	—	—	—	1,500,000,000
Balance at end of year	3,000,000,000	₱1,500,000,000	3,000,000,000	₱1,500,000,000
<b>Issued and Outstanding</b>				
Balance at beginning of year	2,500,000,000	\$26,823,389	2,500,000,000	\$53,646,778
Effect of equity restructuring	—	—	—	26,823,389
Total issued and fully paid	2,500,000,000	26,823,389	2,500,000,000	26,823,389
Treasury Stock	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$26,817,615	2,499,712,463	\$26,817,615

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 of December 31, 2016, were used to fully wipe out the Parent Company's deficit amounting to \$32.00 million as at December 31, 2017.

## 13. Cost of Goods Sold

This account consists of:

	2019	2018
Raw materials used	\$15,112,640	\$17,163,949
Direct labor	1,873,813	1,708,704
Manufacturing overhead	2,226,545	1,982,508
Total manufacturing costs	19,212,998	20,855,161
Finished goods, beginning	7,049,815	5,413,534
Total cost of goods manufactured	26,262,813	26,268,695
Finished goods, ending	(9,385,104)	(6,044,956)
	\$16,877,709	\$20,223,739

Manufacturing overhead consists of depreciation and amortization, utilities, fuel, rent, indirect labor, repairs and maintenance, outside services and insurance, among others.



---

#### 14. Income (Loss) Per Share

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

	2019	2018
Net income (loss) attributable to Parent Company	(\$7,158)	\$1,215,013
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463
	(\$0.000003)	\$0.00049

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

---

#### 15. 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.

##### Operating Lease Agreements

A number of operating lease agreements were entered into by the Group. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Operating lease receipts are recognized as an income in profit or loss on a straight-line basis over the lease term.

---

#### 16. Financial Risk Management Objectives and Policies

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

The Group 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 gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements amounted to \$20.9 million and \$21.8 million as of March 31, 2019 and December 31, 2018, respectively.

*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 March 31, 2019 and December 31, 2018, the aging analysis of the Group's financial assets is as follows:

	2019					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$4,360,419	\$-	\$-	\$-	\$-	\$4,360,419
Cash equivalents	5,264	-	-	-	-	5,264
Trade and other receivables	10,738,936	2,421,989	629,318	714,655	2,046,950	16,551,848
	<u>\$15,104,619</u>	<u>\$2,421,989</u>	<u>\$629,318</u>	<u>\$714,655</u>	<u>\$2,046,950</u>	<u>\$20,917,531</u>

	2018					Total
	Neither Past Due nor Impaired	Past Due Account but not Impaired			Impaired Financial Assets	
		1 - 30 Days Past Due	31 - 60 Days Past Due	Over 60 Days		
Cash in banks	\$7,000,668	\$-	\$-	\$-	\$-	\$7,000,668
Cash equivalents	4,958	-	-	-	-	4,958
Trade and other receivables	8,865,698	2,277,696	888,407	704,064	2,046,950	14,782,815
	<u>\$15,871,324</u>	<u>\$2,277,696</u>	<u>\$888,407</u>	<u>\$704,064</u>	<u>\$2,046,950</u>	<u>\$21,788,441</u>

As at March 31, 2019 and December 31, 2018, the carrying amounts of financial assets that are neither past due nor impaired are rated as High 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.

### **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.

*Foreign Currency Risk.* 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.

*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 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.

### **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 March 31, 2019 and December 31, 2018, follows:

	2019	2018
Debt	\$43,558,804	\$40,747,913
Equity	36,345,250	36,290,739
Debt-to-Equity Ratio	\$1.20:1	\$1.12:1

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 and income tax payable, while equity includes share capital, reserves of the Group and non-controlling interests, less treasury shares. The computed ratios above are acceptable.

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.