

File Number

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

(Company's Full Name)

**1206 East Tower PSEC Exchange Rd.
Ortigas Center Pasig City**

(Company's Address)

635-5241 to 44

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17 A

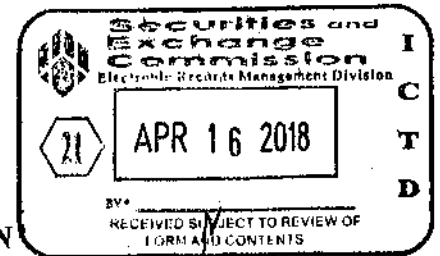
(Form Type)

(Amendment Designation if applicable)

For the Fiscal Year December 31, 2017

(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, 2017
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. 1206 East Tower PSEC Exchange Rd. Ortigas Center Pasig City
1605
Address of issuer's principal office
Postal Code
8. 635-5241 to 44
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

Title of each Class

Number of shares of
common stock outstanding and
amount of debt outstanding
2,499,712,463 shares

Common 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 name of the Company was changed to Alliance Select Foods International, Inc. on July 22, 2010 to reflect the Company’s plan to diversify its product line and take advantage of its manufacturing expertise and global marketing channels to introduce new products.

The 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. It is primarily a “private label manufacturer” that processes tuna in institutional and retail packs.

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 IAFT”) 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	Owned 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.
September 2012	Acquired six (6) fishing vessels (in addition to one fishing vessel previously acquired) by virtue of "dacion en pago".
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 primarily engaged in canned fish 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. However, 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 Tambler, 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. It also processes fresh and smoked salmon, and has established itself as the premium quality brand in the country over the years. Akaroa has been the recipient of various awards and accolades from New Zealand's food industry. 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 in solids, chunks, flakes and other variants, packed in oil, brine, vegetable broth, water or other mediums.

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.

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 different BGB-owned brands such as 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.

The Company also distributes whole fish Salmon and other sea food like Black Cod, Sea Bass, and US Scallops.

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, 2017, 2016 and 2015 are as follows:

Product	December 31, 2017	December 31, 2016	December 31, 2015
Tuna	58%	56%	56%
Fishmeal (Local)	2%	2%	4%
Salmon	40%	42%	40%
Total*	100%	100%	100%

**Numbers might not add up due to rounding errors*

DISTRIBUTION METHODS, SALES AND MARKETING

Tuna

ASFII and PT IAFI are mainly private label manufacturers of canned tuna. Based on the specifications provided by the customers, ASFII processes tuna, packs these in the specified size, and labels the products using its end-customer's brand.

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.

At present, canned tuna is sold in both domestic and export markets. 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 our products to be efficiently pipelined to several 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 and retail 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. Four canneries pack tuna in pouches.

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 if not all 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 operated by a highly efficient Filipino work force to sell a premium product from the Philippines.

For the whole salmon trading sector, BGB 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.

Other Seafood Products

In 2016, the Group, through BGB, entered into wholesale trading and selling of other seafood products such as Black Cod, Sea Bass, and US Scallops.

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 2016, world tuna catch in 2016 from this fishing area accounted for almost 70% of global tuna catch. The Western Pacific Ocean accounted for 55% 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 20% of the catch with the Atlantic Pacific accounting for the balance 10%.

Key Sourcing Area – Salmon

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

Farmed Atlantic salmon, which Spence processes, is sourced from local fish brokers in the North East region of USA and from fish farms in Europe and the Americas.

CUSTOMERS

The Tuna Division has a client base spread over 60 countries. Both ASFII and PT IAFI do not have any major existing sales contracts in excess of 1 year.

In 2016, the salmon products of BGB were sold both in international and local markets. The Company is also expanding market reach in the Philippines through local supermarkets using different brands such as Akaroa, Prime New Zealand, Gold Standard, and Superfish, and through foodservice clients.

Spence sells its products to major retailers in the U.S. The company has three major customers that accounted for a significant share of the total sales for the year ended December 31, 2017 and 2016, respectively.

Akaroa 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. On January 1, 2013, a contract of lease was entered into effective until December 31, 2017 unless sooner terminated by any party for cause. The lease period shall be renewable every five years, upon such terms and conditions mutually agreeable to the parties. Effective January 01, 2018, the lease has been renewed for another five years.

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 required permits and licenses such as the local government business and sanitary permits; and regulatory licenses like the Food and Drug Administration licenses and 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 International Food Standard, BRC, Kosher, IDCIP Halal, MSC 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 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."

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.

ASFI 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.

To secure a renewal in the future, ASFII has to show that it continues to manufacture the goods in compliance with the HACCP system for assuring food safety. 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).

BGB is also registered with the Food and Drug Administration (FDA) 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.

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.

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, 2017, the Group had a total of 1,324 permanent and contractual employees 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 quality products at the lowest possible price.

At present, the Company's contractual arrangement with its buyers is undertaken on a "per purchase order" basis with a fixed shipment period. ASFII and PT IAFI do not enter into a fixed price, long-term supply agreement of canned products because tuna prices are very volatile. 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 ₱ 579,709 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. Considering that AMHI, the lessor, is now 98.89% owned by ASFII, the parties may decide to terminate the lease agreement prior to the end of the lease period. Likewise, the Lease Contract is renewable upon such terms and conditions as may be mutually agreeable to the parties.

The Parent Company leases from Dominion Property Holdings Corporation its office spaces located at Suite 1206 in the Philippine Stock Exchange Centre East Tower, Pasig City for a gross monthly rate of ₱185,000 for a period of three (3) years, commencing on August 2015, 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 canned tuna 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. Since both AMHI and BGB are majority-owned subsidiaries of ASFII, the parties may decide to terminate the lease agreement prior to the end of the lease period. Likewise, the Lease Contract is renewable upon such terms and conditions as may be mutually agreeable to the parties.

BGB owns the following trademarks: "Big Glory Bay", "Gold Standard Salmon", and "Prime New Zealand".

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 owns the trademark "Akaroa Salmon".

AMHI

AMHI owns land with an area of 68,751sqm. situated at Purok Saydala, Baranggay Tumbler, 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 are as follows:

1. *Alliance Select Foods International, Inc., represented in this derivative suit by Harvest All Investment Limited, Victory Fund Limited, Bond east 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 Directors Messrs. George E. Sycip and Jonathan Dee, then Directors Messrs. 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. Several motions were filed in this case and are all pending resolution by the said Pasig RTC.

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, and Erwin M. Elechicon and Barbara Anne C. Migallos, S.C. G.R. No. 224871*

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 Directors Messrs. George E. Sycip, Jonathan Y. Dee, Raymond K.H. See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, and Erwin M. Elechicon and 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 Respondents filed their respective motions for reconsiderations. The motions for reconsiderations are still pending for resolution.

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

I. Annual Stockholders Meeting (for 2017)

- a. Date: June 15, 2017
 Time: 2:30 PM
 Place: The Linden Suites, 37 San Miguel Avenue, Ortigas Center, Pasig City, Metro Manila 1600

b. Election of Officers:

Regular Directors:

- | | | |
|-----------------------------|---|---------------------------------|
| 1. Raymond K.H. See | - | 1,699,380,405 cumulative votes |
| 2. Marie Grace T. Vera Cruz | - | 1,699,267,541 cumulative votes |
| 3. Joseph Peter Y. Roxas | - | 1,755,351,434 cumulative votes |
| 4. George E. Sycip | - | 1,750,826, 129 cumulative votes |
| 5. Antonio C. Pacis | - | 1,699,337, 240 cumulative votes |

Independent Directors:

- | | | |
|-----------------------|---|--------------------------------|
| 1. Erwin M. Elechicon | - | 1,699,267,541 cumulative votes |
| 2. Dobbins A. Tan | - | 1,699,337,844 cumulative votes |

c. Matters Voted Upon:

Item	Yes	No	Abstain	Objection
1. Reading and approval of the Minutes of the 2016 Annual General Meeting of Stockholders held on June 28, 2016	1,754,792,273 (70.20%)	622,216 (0.02%)	372,606,093 (14.91%)	

2. Approval of the Annual Report and the Audited Financial Statements for the Year ended December 31, 2016	1,755,414,489 (70.22%)	372,164,570 (14.89%)	441,523 (0.02%)	
3. Ratification and Approval of Acts of the Board of Directors and Executive Officers for the Corporate year 2016-2017	1,755,363,192 (70.22%)	372,164,570 (14.89%)	492,820 (0.02%)	
4. Appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2017	1,755,409,302 (70.22%)	372,164,570 (14.89%)	446,710 (0.02%)	

II. Special Stockholders Meeting

a. Date: September 7, 2017

Time: 2:30 PM

Place: PSE Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

b. Matters Voted Upon:

Item	Yes	No	Abstain	Objection
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 Company's Authorized Capital Stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares with par value of One Peso (P1.00) per share 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) per share.	1,872,469,276 74.91%	374,342,145 14.98%	420,298 0.02%	

**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:

	2015		2016		2017	
	High	Low	High	Low	High	Low
Q1	1.33	1.04	0.81	0.57	0.82	0.80
Q2	1.10	1.01	1.01	0.70	0.86	0.84
Q3	1.05	0.91	1.35	0.80	0.79	0.77
Q4	0.96	0.61	1.06	0.79	0.62	0.61

On December 29, 2017, 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 29, 2017 is 200 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, 2017 is 31.77%.

Top 20 shareholders as of December 31, 2017 were:

Name	No. of shares	% ownership
1. PCD Nominee Corporation (Filipino)	2,014,135,512	80.57%
2. Harvest All Investment Limited	177,261,165	7.09%
3. Victory Fund Limited	138,474,015	5.54%
4. PCD Nominee Corporation (Foreign)	91,787,636	3.67%
5. Albert Hin Kay Hong	39,071,537	1.56%
6. Bondeast Private Limited	13,023,411	0.52%
7. Kawsek Jr., Peter	4,538,646	0.18%

8. FCF Fishery Co. Ltd.	3,975,370	0.16%
9. Cordova, Michael W.	3,805,000	0.15%
10. S. Chandra Das	2,604,760	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. GENPACCO, Inc.	172,973	0.01%
20. MGTR Fishing	135,399	0.01%

As of February 28, 2018, foreign ownership of the company's common stock equity stands at 18.71% or 467,811,363 common shares. Locally owned common stock stands at 81.29% or 2,031,901,100 common shares. Currently, there is no foreign ownership limitation applicable to FOOD.

In 2015, the Company completed a Stock Rights Offering consisting of 1,000,000,000 common shares ("Rights Shares") by way of pre-emptive rights offering exclusively to eligible existing common shareholders of the Company as of August 7, 2015, at the proportion of one Rights Share for every one and one-half common shares of the Company. The offer period of the Stock Rights Offering commenced on August 17, 2015 and ended on August 26, 2015. The Stock Rights Offering was fully subscribed and raised gross proceeds of One Billion Pesos (P1, 000,000,000.00), as follows:

SUBSCRIBER	NO. OF SHARES	VALUE	PAID
PCD Nominee Corp. (Filipino)	952,606,926 ¹	₱ 952,606,926	₱ 952,606,926
PDC Nominee Corp. (Foreign)	47,382,167	₱ 47,382,167	₱ 47,382,167
Raymond K.H. See	10,521	₱ 10,521	₱ 10,521
Stephen G. Soliven	386	₱ 386	₱ 386
TOTAL	1,000,000,000	₱ 1,000,000,000	₱ 1,000,000,000

¹ This includes the 952,479,638 shares subscribed by Strongoak, Inc.

The net proceeds from the Stock Rights Offering, after deducting taxes and PSE fees, amounted to P993,868,800.00. Any fees and expenses relating to the Stock Rights Offering will be settled separately and shall not be deducted from the net proceeds of the Stock Rights Offering. The net proceeds from the Stock Rights Offering will be used for: (a) capital expenditures, (b) repayment of loans, (c) purchase and installation of new management information system, and (d) working capital requirements. On May 06, 2016, the planned use of the Stock Rights Offering was amended, approving the re-allocation of proceeds for working capital requirements, capital expenditures, payment of loans, and new management information system.

The Stock Rights Offering is an exempt transaction under Section 10.1(i) of the Securities Regulation Code because it was in pursuance of an increase in the Company's authorized capital stock. On July 2, 2015, the Company submitted an Application for Confirmation of Exempt Transaction to the SEC, on this basis. On July 21, 2015, a Confirmation of Exempt Transaction was issued by the SEC.

Accordingly, the Rights Shares were issued out of the increase in authorized capital stock of the Company from 1,500,000,000 common shares to 3,000,000,000 common shares (the "Capital Increase"). The Capital Increase was approved by the Company's Board of Directors in a special meeting held on February 17, 2015, and by shareholders holding at least 2/3 of the Company's outstanding capital stock at the Special Stockholders' Meeting held on March 31, 2015. On October 28, 2015, the Company obtained SEC approval of the Capital Increase. As such, the outstanding capital stock of the Company correspondingly increased from 1,499,712,463 common shares to 2,499,712,463 common shares.

The Company filed its application for listing and trading of the Rights Shares with the PSE on May 26, 2015. The Board of Directors of the PSE approved the listing of the Rights Shares on July 8, 2015, subject to the compliance with the requirements for listing. On 5 November 2015, the PSE issued a Notice of Approval for the listing of the Rights Shares on the listing date of 6 November 2015.

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

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, 2017, 2016 and 2015 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 2017 COMPARED TO CY 2016

I. FINANCIAL HIGHLIGHTS

<i>Amount in US \$'000</i>	Years Ended December 31		
	2017	2016	% Change
Revenue	\$72,192	\$59,914	20%
Gross profit	9,449	3,468	172%
Gross margin	13%	6%	
Selling & Administrative Expenses			
Normal selling & administrative	6,726	6,771	-1%
Provision for impairment	1,391	1,187	17%
Finance Cost	788	869	-9%
Profit (Loss) for the year	1,563	(5,899)	126%
Non-controlling interest	126	70	80%
Profit(Loss) attributable to equity holders of the parent	1,437	(5,969)	124%
Net Profit (Loss) Margin	2%	-10%	
EBITDA	2,501	(3,015)	183%
<i>EBITDA</i> margin	3%	-5%	
Return on equity (ROE)	4%	-17%	
Earnings (Loss) per share	0.0006	(0.0024)	124%
Book value per share	0.0135	0.0129	5%

II. OPERATING PERFORMANCE

The Group's consolidated revenues of \$ 72 million in 2017 were 20% higher than the revenues of \$ 60 million in 2016. In 2017, about 60% of total revenues were contributed by tuna-related products and the remaining 40% were contributed by salmon-related products. There is a 24% and 15% growth in revenue for the tuna and salmon segments, respectively. The revenue growth in the tuna business was mainly driven by the increase in prices as a direct impact of the increase in raw materials cost. Shipments of canned tuna declined by 3%. The volume decline in canned tuna shipped was mainly attributable to the decline in sales volume of PT IAFI by 61% to 26 FCLs in 2017 from 66 FCLs in 2016. The decline in PT IAFI's sales volume was a result of PT IAFI's difficulty in profitably matching market prices as fish costs have continuously increased due to the prohibitive fishing regulations in Indonesia.

The revenue increase in salmon-related products was due to a 34% increase in revenues from Akaroa as it continues to grow its local sales and expand its export market. BGB has been intensifying its selling efforts by increasing its local customer base and developing new export clients resulting to a 40% increase in volume sales.

The Group's gross profits of \$ 9 million in 2017 were 172% higher than gross profits of \$ 3 million in 2016. The gross profit ratio increased to 13% in 2017, from 6% in 2016. The salmon business experienced a decline in gross profit ratio to 17% in 2017 from 20%, particularly due to higher raw material prices in Spence due to supply issues encountered as a result of the algae bloom in Chile and sea lice in the North Sea.

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.

The Group's normal selling and administrative expenses of \$ 6.7 million in 2017 were 1% lower than \$ 6.8 million in 2016. The ratio of normal selling and administrative expenses to sales decreased by 2 percentage points to 9% in 2017 from 11% in 2016. Over the past three years, the Group has successfully implemented measures to reduce operating expenses and have consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories are lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2017, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$230,780. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for impairment of other property, plant, and equipment and other assets amounting to \$1,090,400 primarily relating to the property, plant and equipment carried in the books of PT IAFI.
- Provision for trade and other receivables amounting to \$69,574. 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 \$788k in 2017 were 9% lower than its finance costs of \$869k in 2016. The decrease was due to the settlement of long-term loans of the Company using its short-term placements. Moreover, a portion of the SRO proceeds was utilized to retire high interest loans.

The Group ended the year with net income of \$ 1.6 million from \$ 5.9 million loss in 2016.

III. FINANCIAL CONDITION

Balance Sheet Highlights	Years Ended December 31		
	Amount in US\$'000	2017	2016
Cash & cash equivalent	\$4,427	\$7,396	-40%
Receivables	9,414	6,725	40%
Inventories	14,155	7,954	78%
Other current assets	5,612	1,468	282%
Total Current Assets	\$33,608	\$23,543	43%
Property & Equipment	16,104	17,007	-5%
Total Assets	\$70,519	\$59,861	18%
Trade and Other Payables	9,745	6,070	61%
Bank Loans	24,286	20,830	17%
Total Current Liabilities	36,358	27,128	34%
Total Liabilities	36,830	27,749	33%
Total Stockholders' Equity	33,688	32,112	5%
Total Liabilities & SE	\$70,519	\$59,861	18%

40% increase in Trade and other receivables was primarily due to an increase in 4th quarter sales that will be collected in 2018; ASFII in particular delivered 32FCLs more in the last quarter of 2017 at 144 FCLs versus 112FCLs in 2016.

78% increase in Inventory balance was a result of a 4x higher frozen fish inventory balance in ASFII vs last year as well as increase in PT IAFI's finished goods inventory balance relating to the 11FCLs for delivery in early 2018.

282% increase in Other current assets was mainly due to advance payments to vendors for raw materials.

5% decrease in Property & Equipment due to the impairment of property, plant and equipment in the books of PT IAFI.

There was no impairment of goodwill recognized during the year.

61% increase in Trade and Other Payables is due to obligations with various suppliers of raw materials and supplies.

17% increase in Loans Payable is due to the availments made during the last quarter of 2017 mainly used for purchase and as prepayments of raw materials.

Loans payable – net of current portion increase by 46%.

Amounts as of December 31	2017	2016
Current Ratio	0.92	0.87
Debt-to-equity Ratio	1.09	0.86

IV.SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	Years Ended December 31	
	2017	2016
Operating Cash flows before working capital changes	\$3,739,790	\$(1,584,606)
Net cash from (used in) from operating activities	(6,727,443)	(5,841,240)
Net cash used in investing activities	(1,245,998)	(688,152)
Net cash flows from financing activities	5,044,710	(3,629,799)

Net cash used in investing activities included the following:

	Years Ended December 31	
	2017	2016
Additions to property, plant and equipment	\$(1,334,114)	\$(702,914)
Acquisition of investment in subsidiary	-	-
Proceeds from sale of property, plant and equipment	88,116	14,7622

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

	Years Ended December 31	
	2017	2016
Proceeds from bank loans	\$29,164,744	\$35,590,025
Payment of bank loans	(25,684,118)	(38,351,307)
Proceeds from issuance of shares	-	-
Payment of interest	(442,314)	(868,517)
Due to related party	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, 2017, 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	
	2017	2016
Revenue growth rate	20.49%	-11.78%
Net profit margin	1.99%	-9.96%
Current ratio	0.92	0.87
Debt to equity ratio	1.09	0.86
Return on average stockholders' equity	4.37%	-17.01%

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 June 16, 2017, the stockholders ratified the re-appointment of Reyes Tacandong & Co. as the Company’s Independent External Auditor for 2017.

Audit Related Fees

The following table sets out the aggregate fee billed for professional services rendered by Reyes, Tacandong & Co. for CY 2017 and PYs 2016 and 2015.

Audit and Audit-Related Fees	2017	2016	2015
Regular Audit	₱ 1,280,000	₱ 1,000,000	₱ 1,000,000
Review of proposed equity restructuring	600,000	-	-
Long Form Audit	-	-	-
Review of Forecast	-	-	-
All Other Fees	128,000	150,000	150,000
Total Audit and Audit-Related Fees	₱ 2,008,000	₱ 1,150,000	₱ 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	77	2014
George E. Sycip	American	Vice Chairman	61	2004
Raymond K.H. See	Filipino	Director, President & CEO	50	2014
Marie Grace T. Vera Cruz	Filipino	Director	37	2014
Joseph Peter Y. Roxas	Filipino	Director	56	2016
Erwin M. Elechicon	Filipino	Independent Director	58	2016

Dobbin A. Tan	Filipino	Independent Director	54	2016
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ANTONIO C. PACIS - 77, 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.

GEORGE E. SYCIP - 61, American citizen; Vice-Chairman

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

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

RAYMOND K. H. SEE - 50, 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 - 37, 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 - 56, 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 - 58, Filipino citizen; Independent Director

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

Mr. Elechicon was with the Procter & Gamble Company (P&G) for over 26 years. He has had local and regional responsibilities at P&G across Asia, and has lived in Singapore, Mumbai, Kuala Lumpur and Ho Chi Minh City as well as Manila. He was also President and General Manager of two Jollibee Foods Corporation subsidiaries, Greenwich Pizza Company and Chowking. He is currently the Chairman and co-founder of Assurant BPO Solutions, Inc., a Makati-based company providing business and knowledge process outsourcing and managed services solutions to a broad range of clients. He is also a director of U-Bix Corporation, one of the largest integrated office systems and service providers in the Philippines.

DOBBIN A. TAN - 54, 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	50	2014
Lisa Angela Y. Dejadina	Filipino	SVP – Operational Excellence and Business Development	35	2014
Barbara Anne C. Migallos	Filipino	Corporate Secretary	63	2015
Ma. Kristina P. Ambrocio	Filipino	Asst. Corporate Secretary and Compliance Officer	39	2015

EXECUTIVE OFFICERS

RAYMOND K.H. SEE – 50, 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 – 35, 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 – 63, 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 - 39, 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.

1. ***Harvest All Investment Limited, Victory Fund Limited, and Bondeast Private Limited represented by Chiew Chee Chong vs. Annsley B. Bangkas and George E. Sycip, NPS Docket No. XVI-INV-15B-00033 (XV-14-INV-14B-00503-OCP-Pasig City); and Harvest All Investment Limited, Victory Fund Limited, and Bondeast Private Limited represented by Chiew Chee Chong vs. George E. Sycip, Alvin Y. Dee, Jonathan Y. Dee, and Ibarra A. Malonzo, NPS Docket No. XVI-INV-15B-00034 (XV-14-INV-14C-00974-OCP-Pasig City)***

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, and current Vice 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 Mr. Sycip and then Director, and current Chairman, Mr. Jonathan Y. Dee, and then Directors Messrs. 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. On January 11, 2018, the cases were raffled to MTC Br. 72 of the City of Pasig, where pending incidents are currently awaiting resolution.

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 director, Mr. George E. Sycip, and its former directors Messrs. 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. Several motions were filed in this case and are all pending resolution by the said Pasig RTC.

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 director, Mr. George E. Sycip and former directors 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 just last 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. Hedy S.C. Yap-Chua v. Jonathan Y. Dee, Marie Grace T. Vera Cruz, George E. Sycip, Antonio C. Pacis and Raymond K.H. See, I.S. No. XVI-INV-15B00053

On February 24, 2015, Ms. Hedy S.C. Yap-Chua filed a Complaint-Affidavit with the Department of Justice ("DOJ") against incumbent Directors George E. Sycip, Marie Grace T. Vera Cruz, Raymond K.H. See and Antonio

C. Pacis, and former director Mr. Jonathan Y. Dee ("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.

The Respondent Directors received a copy of Ms. Yap-Chua's Complaint-Affidavit from the DOJ on June 9, 2015, and have filed their respective responsive pleadings thereto.

Complainants have since filed a Motion to Resolve the main complaint.

The complaint is still pending resolution with the DOJ.

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, and Erwin M. Elechicon and Barbara Anne C. Migallos, S.C. G.R. No. 224871*

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 Directors Messrs. George E. Sycip, Jonathan Y. Dee, Raymund K.H. See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, and Erwin M. Elechicon and 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 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 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 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.

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 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. Preliminary investigation hearings were held on March 22, 2016, March 28, 2016 and April 5, 2016.

Meanwhile, Jonathan Dee, Alvin Dee, Joanna Dee-Laurel, and Tess Ladanga (Perjury Complainants) filed a complaint for perjury against Yap-Chua.

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 parties thereafter filed their Counter-Affidavits, Replies and Rejoinders.

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.

Item 11 – EXECUTIVE COMPENSATION

Information on the aggregate compensation paid or accrued during the last two 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 ₱'000	Bonuses/Other Income Amounts in ₱'000
CEO and the four most highly compensated officers named above	2015	₱ 12,998	₱ 268
	2016 (est.)	₱ 14,885	₱ 235
	2017)	₱ 14,865	₱ 215
	2018	₱ 18,980	₱ 254
Aggregate compensation paid to all officers and directors as a group unnamed	2015	₱ 19,624	₱ 393
	2016	₱ 23,360	₱ 578
	2017)	₱ 19,417	₱ 679
	2018	₱ 23,855	₱ 755

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

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

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, 2017:

Title of Class	Name, Address of Record Owner, and Relationship With Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Class
Common	PCD Nominee Corporation (Filipino) 37 th Fl., Tower One, Enterprise Center, Paseo de Roxas corner Ayala Avenue, Makati City	PCD Nominee Corporation (Filipino)	Filipino	2,014,135,512	80.57%

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%	
Common	Victory Fund Ltd. 30 Biderford Road, #17-02 Thongsia Building, Singapore	Victory Fund Ltd.	Singapore	138,474,015	5.54%	
	Total			2,329,870,692	93.2%	
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	2,011,877,842	80.48%
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	7.91%
Common	Victory Fund Ltd. 30 Biderford Road, #17-02 Thongsia Building, Singapore		Victory Fund Ltd.	Singapore	138,474,015	5.54%
	Total				2,327,613,022	93.93%

Security ownership of Directors, Officers and Management as of December 31, 2017:

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	George E. Sycip	1	1,826,565/through Abacus Securities 488,388/through Angping & Associates	American	0.09%
Common	Dobbin A. Tan	10,000	0	Filipino	0.00%
Common	Marie Grace T. Vera Cruz	400	0	Filipino	0.00%
	TOTAL	116,001	4,466,474		0.17%

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%
Common	Edgardo Simon Cabalde	30,000	0	Filipino	
	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 17 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 Annual Corporate Governance Reoprt (ACGR) which was submitted to the SEC on January 14, 2016 and posted on the Company’s website on January 11, 2016.

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 2017 was as follows:

	10 Feb	14 Mar	4 Apr	9 May	15 June	20 Jul	8 Aug	7 Sep	7 Nov	6 Dec	Attendance
George E. SyCip	A	P	P	P	P	P	P	P	P	A	80
Antonio C. Pacis	P	P	P	P	P	P	P	P	P	P	100
Raymond K.H. See	P	P	P	P	P	P	P	P	P	P	100
Marie Grace T. Vera Cruz	P	P	P	P	P	P	P	P	P	P	100
Dobbin A. Tan	P	P	P	P	P	P	P	P	P	P	100
Erwin M. Elechicon	P	P	A	P	P	P	P	P	P	P	90
Joseph Peter Y. Roxas	P	P	P	P	P	P	P	P	P	P	100

P = Present

A = Absent

N = Not a Director

** There were 10 meetings held during the year 2017.*

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

July 24, 2017	Equity Restructuring of FOOD
July 24, 2017	Press Release: Alliance Select Firms up deal with Japanese partner
August 9, 2017	Board Meeting discussed the Financial Highlights for the six months ended June 30, 2017.
August 10, 2017	Alliance Select Continues Momentum in First Half 2017 with +126% Net Income Growth
August 10, 2017	Acquisition of shares by Mr. Edgardo S. Cabalde Chief Financial Officer, Treasurer and Public Informations Officer
August 25, 2017	Change of e-mail address.
August 31, 2017	Resignation of Mr. Jose Philip F. Calderon.
September 8, 2017	Results of 2017 Special Stockholders' Meeting of FOOD.
September 8, 2017	Equity Restructuring of FOOD
September 8, 2017	Additional appointment of Mr. Edgardo S. Cabalde as Data Protection Officer
November 2, 2017	Termination of contract of Securities Transfer Services, Inc.
November 13, 2017	Alliance Select Finishes Q32017 with NIBT Up By 136%
November 21, 2017	Termination of contract of Securities Transfer Services, Inc.
December 15, 2017	Clarification on the News Report

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.

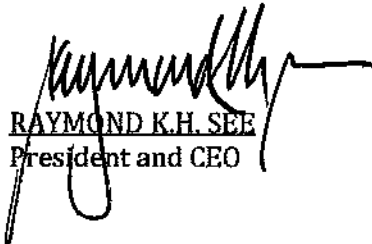
n2 If required pursuant to Part III, paragraph B(3) of this Annex C.

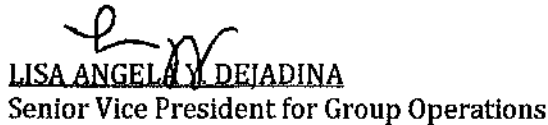
n3 Where the opinion of the expert or independent counsel has been incorporated by reference to a previously filed SEC Form 12-1 registration statement.

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 ~~17~~ **16** APR 2018

By:


RAYMOND K.H. SEE
President and CEO


LISA ANGELA Y. DEJADINA
Senior Vice President for Group Operations



MA. KRISTINA P. AMBROCIO
VP Legal and Compliance Officer

SUBSCRIBED AND SWORN to before me this 16 day of APR 2018 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. EC3595414	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. 29;
Page No. 7;
Book No. I;
Series of 2018




ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
1206 East Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
PTR No. 3861096/1-11-2018/Pasig City
IBP No. 017649/11-24/2017/Quezon City
Roll of Attorneys No. 58507
MCLE Compliance No. V-0020739;4-20-2016

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 1 9 1 3 8

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

Form Type

A C 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

236

Annual Meeting (Month / Day)

June 15

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. Raymond K.H. See

Email Address

info@allianceselectfoods.com

Telephone Number/s

(02) 635-5241

Mobile Number

-

CONTACT PERSON'S ADDRESS

Unit 1206, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, 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.



**ALLIANCE SELECT FOODS
INTERNATIONAL, INC.**

A PUBLICLY LISTED COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Alliance Select Foods International, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2017 and 2016, 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 stockholders or 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
Chief Executive Officer

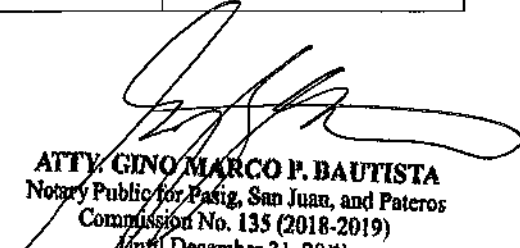
MA. CRISTINA C. VILLARUZ
Group Comptroller

SUBSCRIBED AND SWORN to before me this 12 day of APR, 2018 at Pasig City; affiants exhibited to me their government issued identification cards, as follows:

Name	Competent evidence of Identity	Date and Place of Issue	Valid until
Antonio Pacis	Passport No. EC5839503	October 30, 2015	October 29, 2020
Raymond K.H. See	Passport No. EC3595414	March 17, 2015	March 16, 2020
Maria Cristina Villaruz	PRC No. 0092146		April 1, 2019

Doc. No. 18;
Page No. 5;
Book No. 1;
Series of 2018.




ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 135 (2018-2019)
Until December 31, 2019
1206 East Tower, Phil. Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City
PTR No. 3861096/1-11-2018/Pasig City
IBP No. 017649/11-24/2017/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.
Unit 1206 East 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, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, 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 period. 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 Property, Plant and Equipment

Property, plant and equipment, except land, are measured at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any impairment in value. The Group is required to review the recoverable amount of its property, plant and equipment whenever there is an indication of impairment losses. Determination of the recoverable amount involves significant estimates and assumptions. Total carrying amount of the Group's property, plant and equipment amounted to \$16.10 million or 23% of the total consolidated assets as at December 31, 2017. 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 the property, plant and equipment in accordance with PAS 36. The Group's disclosures are included in Notes 2, 3 and 11 to the consolidated financial statements.

Valuation of Goodwill

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of 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 goodwill of \$9.50 million represents 13% of the total consolidated assets as at December 31, 2017. 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 5 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 \$14.15 million represent 20% of the total consolidated assets as at December 31, 2017. 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 9 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, 2017, 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, 2017 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, they 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.
- 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 audits.

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 December 31, 2018

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 6607954

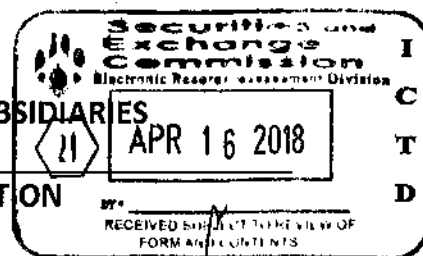
Issued January 3, 2018, Makati City

March 23, 2018

Makati City, Metro Manila



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



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	7	\$4,427,478	\$7,396,343
Trade and other receivables	8	9,414,233	6,724,908
Inventories	9	14,154,871	7,953,765
Other current assets	10	5,612,224	1,468,380
Total Current Assets		33,608,806	23,543,396
Noncurrent Assets			
Property, plant and equipment	11	16,104,369	17,007,323
Deferred tax assets	26	9,721,323	8,273,039
Goodwill		9,502,585	9,502,585
Other noncurrent assets	12	1,581,487	1,534,944
Total Noncurrent Assets		36,909,764	36,317,891
		\$70,518,570	\$59,861,287
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	\$9,745,224	\$6,070,258
Loans payable	14	24,285,900	20,830,183
Due to related parties	15	2,142,510	136,112
Income tax payable		184,688	91,571
Total Current Liabilities		36,358,322	27,128,124
Noncurrent Liabilities			
Loans payable - net of current portion	14	79,355	54,446
Net retirement benefit obligation	16	234,627	184,914
Deferred tax liabilities	26	135,957	289,201
Refundable lease deposits		21,811	92,395
Total Noncurrent Liabilities		471,750	620,956
Total Liabilities		36,830,072	27,749,080
Equity			
Capital stock	17	53,646,778	53,646,778
Additional paid-in capital		6,662,001	6,662,001
Other comprehensive income		933,149	948,999
Deficit		(25,231,797)	(26,669,068)
		36,010,131	34,588,710
Treasury shares	17	(5,774)	(5,774)
Equity attributable to equity holders of the Parent			
Company		36,004,357	34,582,936
Non-controlling interests		(2,315,859)	(2,470,729)
Total Equity		33,688,498	32,112,207
		\$70,518,570	\$59,861,287

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		
		2017	2016	2015
NET REVENUE	18	\$72,191,578	\$59,914,477	\$67,915,690
COST OF GOODS SOLD	19	(62,742,916)	(56,446,802)	(61,096,123)
GROSS PROFIT		9,448,662	3,467,675	6,819,567
SELLING AND ADMINISTRATIVE EXPENSES	20	(8,117,124)	(7,957,915)	(18,744,748)
INTEREST EXPENSE	14	(787,547)	(868,517)	(1,903,051)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATE	12	26,081	19,771	(26,024)
GAIN ON ACQUISITION OF A SUBSIDIARY	4	-	-	3,471,040
GAIN ON REMEASUREMENT OF PREVIOUSLY HELD INTEREST IN AN ASSOCIATE	4	-	-	2,356,202
OTHER INCOME (CHARGES) - Net	21	(7,554)	561,115	(167,979)
INCOME (LOSS) BEFORE INCOME TAX		562,518	(4,777,871)	(8,194,993)
INCOME TAX EXPENSE (BENEFIT)	26	(1,000,534)	1,120,898	(172,177)
NET INCOME (LOSS)		1,563,052	(5,898,769)	(8,022,816)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		(15,850)	(105,034)	815,312
Share in other comprehensive loss of a joint venture		-	-	(14,505)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement gain on retirement benefits (net of tax)	16	-	103,542	75,094
		(15,850)	(1,492)	875,901
TOTAL COMPREHENSIVE INCOME (LOSS)		\$1,547,202	(\$5,900,261)	(\$7,146,915)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		\$1,437,271	(\$5,968,529)	(\$6,392,392)
Noncontrolling interests		125,781	69,760	(1,630,424)
		\$1,563,052	(\$5,898,769)	(\$8,022,816)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		\$1,392,332	(\$5,918,511)	(\$5,576,750)
Noncontrolling interests		154,870	18,250	(1,570,165)
		\$1,547,202	(\$5,900,261)	(\$7,146,915)
INCOME (LOSS) PER SHARE				
Basic and diluted income (loss) per share	23	\$0.0006	(\$0.0024)	(\$0.0038)

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		
		2017	2016	2015
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock				
	17			
Balance at beginning of year		\$53,646,778	\$53,646,778	\$32,238,544
Additional subscription		-	-	21,408,234
Balance at end of year		53,646,778	53,646,778	53,646,778
Additional Paid-in Capital				
Balance at beginning of year		6,662,001	6,662,001	6,768,843
Stock issue cost		-	-	(106,842)
Balance at end of year		6,662,001	6,662,001	6,662,001
Other Comprehensive Income (Loss)				
<i>Cumulative Remeasurement Gains (Losses) on Retirement Benefit Obligation</i>				
	16			
Balance at beginning of year		55,190	(48,352)	(123,446)
Remeasurement gain on retirement		-	103,542	75,094
Balance at end of year		55,190	55,190	(48,352)
<i>Revaluation Reserves</i>				
Balance at beginning of year		275	275	86,457
Effect of deconsolidation		-	-	(71,677)
Share in other comprehensive loss of a joint venture		-	-	(14,505)
Balance at end of year		275	275	275
<i>Cumulative Translation Adjustment</i>				
Balance at beginning of year		893,534	998,568	183,256
Exchange differences on foreign currency translation		(15,850)	(105,034)	815,312
Balance at end of year		877,684	893,534	998,568
Total balance at end of year of other comprehensive income		933,149	948,999	950,491
Deficit				
Balance at beginning of year		(26,669,068)	(20,700,539)	(14,898,404)
Effect of deconsolidation		-	-	590,257
Net income (loss)		1,437,271	(5,968,529)	(6,392,392)
Balance at end of year		(25,231,797)	(26,669,068)	(20,700,539)
Treasury Shares	17	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS				
Balance at beginning of year		(2,470,729)	(2,488,979)	(918,814)
Total comprehensive income (loss) attributable to non-controlling interests		154,870	18,250	(1,570,165)
Balance at end of year		(2,315,859)	(2,470,729)	(2,488,979)
		\$33,688,498	\$32,112,207	\$38,063,978

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		\$562,518	(\$4,777,871)	(\$8,194,993)
Adjustments for:				
Depreciation and amortization	11	1,150,597	1,147,554	1,184,928
Provision for impairment losses on:	20			
Property, plant and equipment		1,090,400	-	2,730,177
Inventories		230,780	794,010	5,298,817
Trade and other receivables		69,574	79,049	315,318
Other noncurrent assets		-	314,320	628,480
Interest expense	14	787,547	868,517	1,903,051
Interest income	7	(70,965)	(159,133)	(175,890)
Gain on disposal/retirement of property, plant and equipment	21	(58,618)	(12,078)	(4,418)
Retirement benefits expense	16	50,302	92,315	74,093
Unrealized foreign exchange (gain) loss - net		(46,264)	88,482	678,965
Equity in net (income) losses of joint ventures and associate	12	(26,081)	(19,771)	26,024
Reversal of allowance for impairment losses on inventories	21	-	-	(436,277)
Gain on acquisition of subsidiary	4	-	-	(3,471,040)
Gain on remeasurement of previously held interest	4	-	-	(2,356,202)
Loss on restructuring of receivable	21	-	-	556,879
Gain on disposal of investment	21	-	-	(371,280)
Operating income (loss) before working capital changes		3,739,790	(1,584,606)	(1,613,368)
Decrease (increase) in:				
Trade and other receivables		(2,758,899)	(1,402,586)	3,581,355
Inventories		(6,431,886)	(2,025,319)	6,572,952
Other current assets		(4,143,844)	(371,614)	565,597
Other noncurrent assets		(25,425)	47,443	(1,688,749)
Increase (decrease) in trade and other payables		3,329,733	185,218	(3,360,151)
Net cash generated from (used for) operations		(6,290,531)	(5,151,464)	4,057,636
Income tax paid		(507,877)	(699,153)	(822,616)
Interest received		70,965	90,613	175,890
Contribution to retirement fund	16	-	(42,403)	(32,965)
Retirement benefits paid from operations	16	-	(38,833)	-
Net cash provided by (used in) operating activities		(6,727,443)	(5,841,240)	3,377,945

(Forward)

		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	11	(\$1,334,114)	(\$702,914)	(\$1,286,072)
Proceeds from sale of property, plant and equipment		88,116	14,762	254,073
Acquisition of subsidiary, net of cash acquired	4	-	-	(479,089)
Proceeds from disposal of investment	6	-	-	5,000
Net cash used in investing activities		(1,245,998)	(688,152)	(1,506,088)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans		29,164,744	35,590,025	75,093,353
Issuance of shares	17	-	-	21,408,234
Payments of:				
Loans		(25,684,118)	(38,351,307)	(80,686,263)
Interest		(442,314)	(868,517)	(1,956,584)
Advances from related parties		2,006,398	-	-
Payment of advances from related parties		-	-	(18,947)
Net cash provided by (used in) financing activities		5,044,710	(3,629,799)	13,839,793
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(40,134)	(39,445)	(542,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,968,865)	(10,198,636)	15,168,959
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,396,343	17,594,979	2,426,020
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	\$4,427,478	\$7,396,343	\$17,594,979
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	7			
Cash on hand		\$4,029	\$4,621	\$15,944
Cash in banks		4,415,573	3,710,241	3,416,569
Cash equivalents		7,876	3,681,481	14,162,466
		\$4,427,478	\$7,396,343	\$17,594,979

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 a total of 1,382,765,864 ASFII common shares, representing 55.32% ownership (see Note 17). Strongoak Inc., is a domestic company engaged in investment activities.

On July 20, 2017 and September 7, 2017, the Board of Directors (BOD) and stockholders, respectively, approved the Parent Company's equity restructuring by reducing the par value of its shares and applying the resulting excess and additional paid-in capital against the Parent Company's deficit. On March 23, 2018, the equity structuring was approved by the SEC (see Note 17).

The Parent Company's registered office address, which is also its principal place of business, is at Unit 1206 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City. The Parent Company has a plant located in Brgy. Tumbler, 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, 2017 and 2016:

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) ^{(a) (b)}	49	Fishing	Indonesia

(a) Indirect ownership interest through PTIAFI.

(b) No operations in 2017 and 2016.

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

BGB. BGB is engaged in manufacturing goods such as salmon and other processed seafoods. It was registered with the Philippine SEC in October 2009 and its registered office is located at Suite 1206, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. Its plant facilities are located in Barrio Tambler, General Santos City.

In 2016, the ASFII converted advances of \$2.57 million to capital stock of BGB.

ASFI Thailand. ASFI Thailand was established as a sales representative office.

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 at JL Raya Madidir Kelurahan Madidir Unet Ling. II Kecamatan Madidir, Bitung Indonesia.

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

AMHI. AMHI was incorporated in the Philippines and registered with the SEC on June 18, 2010 as a property holding company. The registered address and principal office of AMHI is at Purok Saydala, Barangay Tambler, General Santos City.

On December 23, 2015, ASFII converted advances of \$0.29 million as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in Parent Company's effective voting ownership interest in AMHI from 40% to 98.89% (see Note 4).

Akaroa. Akaroa, a company incorporated and domiciled in New Zealand, is engaged in sea cage salmon farming and operates two marine farms in Akaroa Harbor, South New Zealand. It processes fresh and smoked salmon. Akaroa holds 20% 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.

Status of Operations

Management is undertaking necessary initiatives to improve operation and maintain financial stability. With these initiatives, which include expanding the Group's global market, targeting key accounts, improving efficiencies across all areas of operations and better inventory management and raw material sourcing, the Group has generated a consolidated net income of \$1.56 million for the year ended December 31, 2017.

As at December 31, 2017, the Group's deficit amounted to \$25.23 million. The Group incurred net losses of \$5.90 million and \$8.02 million in 2016 and 2015, respectively, because of losses sustained by ASFII and three of its subsidiaries (BGB, PTIAFI and PT VDZ) in the previous years. The losses were primarily due to decline in volume of sales as a result of restrictive regulations in Indonesia, termination of Prime Foods New Zealand (PFNZ) as a customer after ASFII divested its investment in PFNZ (see Note 6), and the inherent volatility in raw material prices.

The Group has recognized impairment losses in inventories of \$0.23 in 2017, \$0.79 million in 2016 and \$5.30 million in 2015, property, plant and equipment and other noncurrent assets (mainly fishing vessels and related CIP) of \$1.09 million in 2017, \$0.31 million in 2016 and \$3.36 million in 2015. Management recognized the loss on the fishing vessel because of the discontinuance of the Group's fishing operation in 2015. In 2017, PTIAFI recognized additional provision on impairment loss of \$1.09 million on its property, plant and equipment based on the recoverable value assessment.

In 2017, the BOD and stockholders of ASFII decided to undertake an equity restructuring. This will result to the elimination of ASFII's capital deficit of \$32.00 million, which the SEC approved on March 23, 2018.

ASFII's immediate parent has infused total capital of \$30.3 million to sustain the Group's operations and in 2017, extended a loan of \$2.00 million (equivalent to ₱100.00 million) to ASFII (see Note 15).

Approval of Financial Statements

The consolidated financial statements were approved and authorized for issuance by the BOD on March 23, 2018.

2. Summary of Significant Accounting 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

These 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 PFRSs, 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 statements of financial position, statements of comprehensive income, statements of changes in equity, 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 statements of changes in equity.

Measurement Bases

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 of assets 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 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 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 27 to the consolidated financial statements.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

New and Amended PFRS in Issue But Not Yet Effective

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

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the 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 its contractual cash flow characteristics.

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

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; 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 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.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue and related interpretations*. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, *Revenue from Contract with Customers* - Clarification 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.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- 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.

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

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - 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.

Management has initially assessed that the adoption of PFRS 9, PFRS 15 and PFRS 16 might have a significant effect on amounts reported in the Group's financial assets and liabilities, revenue and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Basis of Consolidation

A subsidiary is an entity 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 statements 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 represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statements 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, Akarua 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 this 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

Financial assets and liabilities are accounted for as follows:

a. Recognition

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

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

b. Classification

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

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

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

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

The Group has classified its cash and cash equivalents, trade and other receivables, due from related parties and deposits as loans and receivables.

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

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

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

The Group's trade and other payables (excluding customers' deposit and statutory payable), loans payable, due to related parties and refundable lease deposits are classified under this category.

c. Impairment of Financial Assets

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

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

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

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

d. Derecognition

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

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

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

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

e. Offsetting

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

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 statements 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.

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 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 statements 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 statements 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 statements 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	25
Leasehold improvements	5 (or lease term, whichever is shorter)
Machinery and equipment	15
Transportation equipment	5
Plant and office 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. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. 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 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. The Group assesses goodwill for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill 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 goodwill 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 statements 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. Other comprehensive income pertains to remeasurement gain or loss on retirement benefits obligation, revaluation reserves and cumulative translation adjustments.

Deficit. Deficit represents the cumulative balance of net loss, net of dividend declaration. 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 statements 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

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

Sale of Goods. Revenue is recognized, net of sales returns 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.

Rental Income. Revenue is recognized on a straight-line basis over the term of the lease.

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

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

Cost and Expense Recognition

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

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

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

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

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

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, past service costs, gain or loss on curtailment and settlements 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 (OCI) and are not reclassified to profit or loss in subsequent periods.

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 future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

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

Deferred tax 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 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

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 US Dollar are translated to US 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 US 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 Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

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

Provisions

Provisions are recognized when the 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 29.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

The Group believes that the following represent a summary of these significant judgments, estimates and assumptions and the related impact and associated risks in the consolidated financial statements:

Assessing Going Concern. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

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

Assessing Acquisition of a Business. The Parent Company acquired a subsidiary which owns real estate. At the time of acquisition, the Parent Company considers whether the acquisition represents an acquisition of a business or a group of assets. An entity accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to its current business. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

Management has assessed that the acquisition of AMHI in 2015 constitutes a business (see Note 4).

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 AMHI and PTVDZ as at December 31, 2017 and 2016, the Parent Company has the ability to exercise control over these subsidiaries.

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.

Accounting for Interest in a Joint Operation. The Group has, after considering the structure and form of the contractual arrangement, the terms agreed by the parties and the Group's rights and obligations classified its interest in a joint arrangement with FDCP, Inc. (FDCP) and Wild Catch Fisheries, Inc. (WCFI) as a joint venture under PFRS 11. As a consequence, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation only to the extent of the Group's interest in the joint venture.

Classifying Leases - Group as a Lessee. The Group has an operating lease agreement for its office site. 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 \$0.50 million, \$0.75 million and \$0.82 million in 2017, 2016 and 2015, respectively (see Note 24).

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 24).

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

Trade and other receivables, receivable from WCFI and receivable from PFNZ, net of allowance for impairment losses, aggregated \$10.41 million and \$7.79 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses aggregated \$4.19 million and \$4.18 million as at December 31, 2017 and 2016, respectively (see Notes 8 and 12).

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 of 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 \$14.15 million and \$7.95 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses amounted to \$1.35 million and \$2.54 million as at December 31, 2017 and 2016, respectively (see Note 9).

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, 2017 and 2016.

Property, plant and equipment (except land), net of accumulated depreciation, amortization and impairment losses amounted to \$6.66 million and \$7.57 million as at December 31, 2017 and 2016, respectively (see Note 11). Other intangible assets, net of accumulated amortization and impairment losses, amounted to \$56,938 and \$60,416 as at December 31, 2017 and 2016, respectively (see Note 12).

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.

As at December 31, 2017 and 2016, management has determined that the amount of allowance for impairment on its investments in associates, joint ventures, idle assets, property, plant and equipment, goodwill, other intangible assets (including goodwill) and other noncurrent assets were sufficient. Carrying amounts of these nonfinancial assets are disclosed in Notes 5, 10, 11 and 12.

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

Net retirement benefit obligation amounted to \$0.23 million and \$0.18 million as at December 31, 2017 and 2016, respectively. The cumulative remeasurement gain on retirement benefit liability recognized in equity amounted to \$55,190 as at December 31, 2017 and 2016 (see Note 16).

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 has recognized deferred tax assets amounting to \$9.72 million and \$8.27 million as at December 31, 2017 and 2016, respectively (see Note 26).

4. Business Combinations

On December 23, 2015, the Parent Company converted advances of \$0.29 million (P13.5 million) as partial payment of its subscription to 54,000,000 voting preferred shares of AMHI. The subscription resulted to the increase in the Parent Company's effective voting ownership interest in AMHI to 98.89%. Prior to December 23, 2015, the Parent Company had 40% voting ownership interest in AMHI. The fair values of the identified net assets of AMHI at the time of acquisition and the purchase price allocation are as follows:

	Amount
Net assets at acquisition date	\$6,379,054
Percentage share of net assets acquired	98.89%
Net assets acquired	6,308,884
Gain on acquisition	(3,471,040)
Gain on remeasurement of previously held interest	(2,356,202)
Total consideration	\$481,642
Total consideration	\$481,642
Less cash acquired	2,553
Acquisition of subsidiary, net of cash acquired	\$479,089

Gains on acquisition and remeasurement of previously held interest resulted from the increase in fair value of the land held by AMHI. The fair value of previously held interest by the acquirer immediately before the acquisition date was \$2.55 million.

Non-controlling interest is measured based on its proportionate share on the net assets of AMHI at acquisition date.

The revenue and the net income of AMHI from the date the Parent Company obtained control, which is December 23, 2015, to December 31, 2015 were no longer included in the consolidated financial statements because these were not considered significant.

Had the acquisition of AMHI taken place at the beginning of 2015, the Group's revenue and net loss for the year would have been \$67.99 million and \$7.64 million, respectively.

5. 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 Brockton, USA allows the Group to diversify its product line to take advantage of the changing food consumption patterns around the globe, address the issue of sourcing raw materials and improve overall margins and profitability. The goodwill arising from the acquisition amounted to \$7.45 million.

Akaroa. The Parent Company acquired 80% ownership of Akaroa in 2012. Akaroa is engaged in the business of sea cage salmon farming and operates two marine farms in New Zealand. It also processes fresh and smoked salmon. Akaroa also holds 20% stake in SSNZ, an entity operating a modern hatchery, which quarantines and consistently supplies high quality smolts (juvenile salmon) for Akaroa's farm. The acquisition enables the Group to stabilize its supply of salmon and eventually strengthen its market share in the salmon industry. The goodwill arising from the acquisition amounted to \$2.05 million.

Results of operations (net income) of these two subsidiaries are as follows:

	2017	2016	2015
Spence	\$235,576	\$683,074	\$1,728,338
Akaroa	686,896	212,713	74,174

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, 2017 and 2016. The principal assumptions made in determining the recoverable amount (value in use) in 2017 and 2016 are as follows:

	2017	2016
Discount rate	7.66%	8.66%
Growth rate	5.00%	5.00%

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.

6. Disposal of Investments

PFNZ

On October 30, 2015, ASFII sold its 50% plus one share interest in PFNZ to HC & JW Studholme No. 2 Family Trust for \$5,000. The sale resulted in a gain of \$0.37 million in the 2015 consolidated statement of comprehensive income (see Note 21).

The carrying amounts of the net liabilities of PFNZ as at October 30, 2015, which have been excluded in the 2015 consolidated financial statements, are as follows:

	Amount
Net liabilities	\$732,774
Non-controlling interests	(366,494)
Net liabilities sold	\$366,280

	Note	Amount
Fair value of consideration received		\$5,000
Carrying amount of net liabilities sold		(366,280)
Gain on disposal	21	\$371,280

The 2015 consolidated statement of comprehensive income includes revenue of \$3.26 million and net loss of \$0.57 million of PFNZ for the ten months period ended October 30, 2015.

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	\$4,029	\$4,621
Cash in banks	4,415,573	3,710,241
Cash equivalents	7,876	3,681,481
	\$4,427,478	\$7,396,343

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.

Interest income included in the consolidated statements of comprehensive income is summarized below (see Note 21):

	Note	2017	2016	2015
Cash in banks and cash equivalents		\$19,079	\$90,613	\$107,442
Receivable from PFNZ	12	51,886	68,520	68,448
		\$70,965	\$159,133	\$175,890

8. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade		\$9,086,490	\$5,992,752
Claims receivables		1,027,177	1,630,864
Due from related parties	15	276,382	287,420
Receivable from PFNZ - current portion	12	140,958	177,500
Advances to employees		30,771	20,436
Others		864,405	615,407
		11,426,183	8,724,379
Less allowance for impairment losses		2,011,950	1,999,471
		\$9,414,233	\$6,724,908

Trade receivables are generated from the sale of inventories and are generally collectible within 29 to 60 days.

Trade receivables aggregating \$6.02 million and \$3.59 million as at December 31, 2017 and 2016, respectively, were used to secure the Group's short-term loans (see Note 14).

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

Movements in the allowance for impairment losses are as follows:

	Note	2017	2016
Balance at beginning of year		\$1,999,471	\$1,889,186
Provisions	20	69,574	79,049
Currency translation adjustment		(57,095)	31,236
Balance at end of year		\$2,011,950	\$1,999,471

9. Inventories

This account consists of:

	Note	2017	2016
At cost:			
Finished goods	19	\$3,269,506	\$2,701,345
Raw materials		9,356,847	3,463,261
Parts and supplies		294,821	346,966
Work-in-process		237,261	266,681
		13,158,435	\$6,778,253
At NRV:			
Finished goods		936,980	928,517
Raw and packaging materials		59,456	246,995
		996,436	1,175,512
		\$14,154,871	\$7,953,765

The costs of inventories measured at NRV are as follows:

	Note	2017	2016
Finished goods	19	\$2,144,028	\$2,786,522
Raw and packaging materials		206,550	928,524
		\$2,350,578	\$3,715,046

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

	Note	2017	2016
Balance at beginning of year		\$2,539,534	\$4,589,905
Reversal/write-off		(1,416,172)	(2,844,381)
Provisions	20	230,780	794,010
Balance at end of year		\$1,354,142	\$2,539,534

Inventories aggregating \$8.25 million and \$2.75 million as at December 31, 2017 and 2016, respectively, were used to secure the Group's short-term loans (see Note 14).

Inventories charged to cost of goods sold amounted to \$49.47 million, \$43.35 million and \$51.24 million in 2017, 2016 and 2015, respectively (see Note 19).

10. Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	\$4,673,341	\$485,280
Prepayments:		
Taxes	68,011	172,433
Insurance	25,428	51,423
Rent	24,852	24,583
Others	229,435	195,428
Input VAT	591,157	539,233
	\$5,612,224	\$1,468,380

Advances to suppliers pertain to advance payments to suppliers for purchase of fish.

Other prepayments pertain to dues and subscriptions and other fees.

11. Property, Plant and Equipment

Movements in this account are as follows:

	December 31, 2017							Total
	Land	Building and Leasehold Improvements	Machinery and Equipment	Transportatio n Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and Equipment	Construction- in-Progress	
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 and end 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

December 31, 2016									
	Building and Leasehold Land Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and Equipment	Fishing Vessels	Construction-in-Progress	Total	
Cost									
Balances at beginning of year	\$9,400,964	\$4,954,242	\$8,032,043	\$394,618	\$290,364	\$90,633	\$14,687,953	\$8,964	\$37,859,781
Additions	-	14,076	440,349	49,740	196,809	1,940	-	-	702,914
Disposals/retirement	-	(2,406)	(1,967)	(50,853)	(1,147)	-	-	-	(56,373)
Reclassification	-	-	-	-	-	-	(14,454,809)	(8,964)	(14,445,773)
Translation adjustment	34,111	(169,234)	277,357	95,206	(39,738)	44,087	(253,144)	-	(11,355)
Balances at end of year	9,435,075	4,786,678	8,747,782	488,711	446,288	136,660	-	-	24,051,194
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	1,253,799	3,598,945	132,766	225,486	63,710	506,337	-	5,720,993
Depreciation and amortization	-	234,609	761,825	60,444	65,480	20,332	-	-	1,142,690
Disposals/retirement	-	-	(1,967)	(50,853)	(669)	-	-	-	(53,689)
Reclassification	-	-	-	-	-	-	(506,337)	-	(506,337)
Translation adjustment	-	31,862	(15,196)	106,513	(35,919)	44,890	-	-	132,150
Balances at end of year	-	1,520,270	4,283,607	248,870	254,128	128,932	-	-	6,435,807
Allowance for Impairment									
Balances at beginning and end of year	-	506,658	101,406	-	-	-	13,614,152	-	14,222,216
Reclassification	-	-	-	-	-	-	(13,614,152)	-	(13,614,152)
Balances at end of year	-	506,658	101,406	-	-	-	-	-	608,064
Carrying Amount	\$9,435,075	\$2,769,750	\$4,362,769	\$239,841	\$192,160	\$7,728	\$-	\$-	\$17,007,323

The Group's transportation equipment with aggregate carrying amounts of \$105,026 and \$70,082 as at December 31, 2017 and 2016, respectively (see Note 14) are used as collateral to secure chattel mortgage.

As discussed in Note 1, the Parent Company, BGB, PTIAFI and PT VDZ incurred losses in 2016 and 2015. The property plant and equipment of Parent Company and these subsidiaries account for \$6.88 million or 41% of the Group's total property, plant and equipment as at December 31, 2017. The Group reviewed the recoverable amounts of these assets based on its value in use by projecting future cash flows covering a period of five years. A determined WACC was used to discount the cash flows.

Details of the rates used are as follows:

	2017	2016
Discount rate	7.66%	8.66%
Growth rate	5.00%	5.00%

The Group provided for impairment loss of \$1.09 million in 2017 (PTIAFI's plant and machinery) and \$8.55 million in 2015 (mainly fishing vessels and related CIP), on its property, plant and equipment (see Notes 20 and 21) because of the discontinuance of the Group's fishing operations. Allowance for impairment loss amounted to \$1.70 million and \$0.61 million as at December 31, 2017 and 2016, respectively.

In 2016, fishing vessels with cost amounting to \$14.41 million and accumulated depreciation and impairment amounting to \$14.10 million, were reclassified to "Other noncurrent assets" as "Idle assets" as these are no longer used in operations (see Note 12).

In 2015, the Parent Company recovered two of the fishing vessels it previously sold to WCFI because of losses sustained by WCFI. The receivable from the sale of three fishing vessels of \$6.38 million in 2013 was provided with an allowance for impairment loss of \$6.28 million in 2014 (see Note 12). When the Parent Company recovered the two vessels at a carrying amount of \$5.91 million, it reversed allowance for impairment (recovery) of \$5.82 million in 2015 but recognized a provision for impairment loss on the fishing vessels at the same amount in the same year (see Note 21). Effectively, the Parent Company did not recognize any gain or loss from this transaction in the 2015 consolidated financial statements.

The depreciation and amortization charged to operations are as follows:

	Note	2017	2016	2015
Property, plant and equipment		\$1,145,634	\$1,142,690	\$1,172,648
Other intangible assets	12	4,963	4,864	12,280
		\$1,150,597	\$1,147,554	\$1,184,928
Charged to:				
Cost of goods sold	19	\$1,029,724	\$1,059,050	\$1,086,489
Selling and administrative expenses	20	120,873	88,504	98,439
		\$1,150,597	\$1,147,554	\$1,184,928

Gain on disposal/retirement of property, plant and equipment amounted to \$58,618, \$12,078 and \$4,418 in 2017, 2016 and 2015, respectively (see Note 21).

The cost of fully depreciated property, plant and equipment still used in Group's operations amounted to \$0.28 million and \$0.42 million as at December 31, 2017 and 2016, respectively. Fully depreciated property and equipment of AMHI costing \$0.16 million were retired on December 31, 2017.

12. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Receivable from WCFI	11	\$2,182,863	\$2,182,863
Receivable from PFNZ - net of current portion		994,004	1,068,019
Investments in joint ventures		553,480	553,480
Idle assets	11	314,320	314,320
Other intangible assets		171,217	174,695
Investment in an associate		118,333	92,252
Others		412,212	314,257
		4,746,429	4,699,886
Less allowance for impairment losses		3,164,942	3,164,942
		\$1,581,487	\$1,534,944

Receivable from WCFI

Receivable from WCFI includes receivable from the sale of a fishing vessel and advances for fish deposit. These were 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	2017	2016	2015
Balance at beginning of year		\$1,245,519	\$1,358,375	\$2,772,462
Cash receipts		(110,557)	(112,856)	-
Offset of trade payable		-	-	(455,583)
Restructuring loss:				
Write-down	21	-	-	(556,879)
Interest expense	14	-	-	(401,625)
Outstanding balance		1,134,962	1,245,519	1,358,375
Less current portion	8	140,958	177,500	160,000
Noncurrent portion		\$994,004	\$1,068,019	\$1,198,375

As discussed in Notes 1 and 6, ASFII sold its 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. The restructured receivable shall be secured by PFNZ's tangible and intellectual properties;

Interest income amounted to \$51,886, \$68,520 and \$68,448 in 2017, 2016 and 2015, respectively (see Note 7).

Investments in Joint Ventures

Details are as follows:

	2017	2016
At cost:		
FDCP	\$240,964	\$240,964
WCFI	39,279	39,279
	280,243	280,243
Accumulated equity in net earnings:		
Balance at beginning of year	360,189	392,690
Share in net losses	-	(32,501)
Balance at end of year	360,189	360,189
	640,432	640,432
Share in other comprehensive income	(86,952)	(86,952)
Total	553,480	553,480
Allowance for impairment loss	(553,480)	(553,480)
	\$-	\$-

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. FDCP ceased manufacturing operations in September 2015. The Group provided impairment loss of \$0.24 million in 2015 on its investment in FDCP. 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. Details of the carrying amount of the fishing vessel reclassified from property, plant and equipment in 2016 are as follows (see Note 11):

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

The fishing vessel was stated at its recoverable amount which is based on scrap value. In 2016, the carrying amount of fishing vessel amounting to \$314,320 was fully provided with allowance for impairment losses.

Details of idle assets as at December 31, 2017 and 2016 are as follows:

	Amount
Carrying amount	\$314,320
Less allowance for impairment	314,320
	<u>\$-</u>

Other Intangible Assets

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

	Note	2017	2016
Cost		\$269,066	\$269,066
Accumulated Amortization			
Balance at beginning of year		94,371	90,100
Amortization	11	4,963	4,864
Translation adjustment		(1,485)	(593)
Balance at end of year		97,849	94,371
		171,217	174,695
Allowance for impairment loss		114,279	114,279
		\$56,938	\$60,416

The carrying amount of intangible asset with indefinite useful life, which pertains to macrosystic consent, amounted to \$21,302 and \$20,754 at December 31, 2017 and 2016, respectively.

Total carrying amount of intangible assets with definite useful lives, which pertain to fishing license, consent and development expenditure, amounted to \$35,636 and \$39,662 as at December 31, 2017 and 2016, respectively.

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:

	2017	2016
Acquisition cost	\$27,319	\$27,319
Accumulated equity in profits:		
Balance at beginning of year	64,933	45,162
Equity in net income	26,081	19,771
Balance at end of year	91,014	64,933
	\$118,333	\$92,252

The summarized financial information of SSNZ as at and for the year ended December 31, 2017 and 2016 is as follows:

	2017	2016
Total assets	\$419,063	\$491,719
Total liabilities	42,694	120,092
Equity	502,033	371,627
Net income	130,406	123,571

Others

Others include lease deposits and biological assets of the Group, which comprised solely of consumable female smolts. The biological assets amounted to \$0.36 million and \$0.25 million as at December 31, 2017 and 2016, respectively.

Allowance for Impairment Losses

This account consists of:

	Note	2017	2016
Receivable from WCFI		\$2,182,863	\$2,182,863
Investments in joint ventures		553,480	553,480
Idle assets	11	314,320	314,320
Other intangible assets		114,279	114,279
		\$3,164,942	\$3,164,942

Movements in this account are as follows:

	Note	2017	2016
Balance at beginning of year		\$3,164,942	\$2,850,622
Provision	20	-	314,320
Balance at end of year		\$3,164,942	\$3,164,942

13. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade payables:			
Third parties		\$6,947,753	\$3,596,396
Related party	15	262,844	262,844
Accrued expenses:			
Salaries, wages and other benefits		758,492	582,290
Interest		435,828	90,595
Professional fees		241,787	394,315
Freight		16,544	125,925
Others		647,619	679,165
Statutory payable		278,488	69,430
Customers' deposits		72,299	195,398
Others		83,570	73,900
		\$9,745,224	\$6,070,258

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.

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

14. Loans Payable

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

Short-term Loans

	Currency	Nominal interest rate	2017	2016
Local banks	USD	4.50%	\$18,487,091	\$12,522,343
	PHP	5.00%	–	2,500,000
Investment banks	PHP	4.50%	3,064,290	3,077,233
	USD	5.00%	2,700,000	2,700,000
			24,251,381	20,799,576
Add current portion of long-term loans			34,519	30,607
			\$24,285,900	\$20,830,183

Loans from local banks aggregating \$18.49 million and \$15.02 million as at December 31, 2017 and 2016, respectively, 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. Loans of \$18.49 million and \$12.47 million as at December 31, 2017 and 2016, respectively, are secured by the Company's trade receivables and inventories as follows:

	Note	2017	2016
Trade receivables	8	\$6,023,684	\$3,589,400
Inventories	9	8,251,539	2,750,488
		\$14,275,223	\$6,339,888

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

Chattel Mortgage Loans

	Currency	Nominal interest rate	2017	2016
Local banks	PHP	9.24% - 9.59%	\$50,569	\$51,664
Foreign financing corporation	NZD	7.15%	63,305	33,389
			113,874	85,053
Less current portion			34,519	30,607
			\$79,355	\$54,446

Loan Security. As at December 31, 2017 and 2016, chattel mortgage loans amounting to \$113,874 and \$85,053 are secured by transportation equipment with carrying amount of \$105,026 and \$70,082, respectively (see Note 11).

Schedule of Principal Payments. These are summarized below:

Year	Amount
2018	\$34,519
2019 - 2022	79,355
	\$113,874

Interest Expense

Interest expense charged to operations is as follows:

	Note	2017	2016	2015
Loans payable		\$751,487	\$860,496	\$1,407,386
Due to related parties	15	36,060	8,021	94,040
Restructured receivables	12	-	-	401,625
		\$787,547	\$868,517	\$1,903,051

Interest expense on restructured receivables pertains to "Day 1 loss" on receivable from PFNZ restructured in 2015 (see Note 12).

15. 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	
		2017	2016	2017	2016
Trade and other receivables	8				
Joint Venture		(\$5,043)	\$306,398	\$265,265	\$271,598
Associate		(4,705)	-	11,117	15,822
				\$276,382	\$287,420
Other noncurrent assets	12				
Joint Venture		\$-	\$-	\$2,182,863	\$2,182,863
Allowance for impairment		-	-	(2,182,863)	(2,182,863)
				\$-	\$-
Trade and other payables					
Immediate Parent		\$110,154	\$-	\$110,154	\$-
Joint Venture	13	-	-	262,844	262,844
				\$372,998	\$262,844
Due to related parties					
Immediate Parent	1	\$2,002,804	\$-	\$2,002,804	\$-
Subsidiary's Stockholder		3,594	-	139,706	136,112
				\$2,142,510	\$136,112

Nature and Terms of Payment

Trade and other receivables. Other receivable from SSNZ pertains to working capital advances that are due on demand. The receivable from FDCP pertains to return of purchased tin cans which had damages.

Other Noncurrent Assets. As discussed in Note 12, this receivable resulted from the sale of fishing vessels by the Parent Company, which was provided with allowance.

Trade and Other Payables. The Parent Company purchased some of its tin can requirements from FDCP. Accrued expense to immediate parent pertains to consultancy fee. These trade accounts which resulted from these transactions are noninterest-bearing.

Due to Related Parties. Payable to immediate parent is due on April 28, 2018 and bears an interest of 6.50% per annum. The ultimate parent company is Seawood Resources, Inc., a domestic company engaged in investment activities. Due to a subsidiary's stockholder is for working capital advances that is payable on demand. Due to a subsidiary's stockholder bears an interest of 7.15% per annum.

Akaroa purchased smolts from SSNZ which are settled upon billing. Total purchases amounted to \$247,646 and \$288,028 in 2017 and 2016, respectively. There is no outstanding payable arising from this transaction.

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, 2017 and 2016 amounted to \$21.60 million and \$19.13 million, respectively. Total rental receivable and payable eliminated as at December 31, 2017 and 2016 amounted to \$81,587 and \$1.11 million, respectively.

Interest Expense

Total interest expense aggregated \$36,060, \$8,021 and \$94,040 in 2017, 2016 and 2015, respectively (see Note 14).

Remuneration of Key Management Personnel

The remuneration of the key management personnel of the Group is set out in aggregate as follows:

	2017	2016	2015
Short-term employee benefits	\$398,487	\$504,165	\$436,492
Post-employment benefits	35,934	39,581	16,541
	\$434,421	\$543,746	\$453,033

16. Retirement Benefit Obligation

The Group 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 Group has executed a Trust Agreement with a reputable bank to establish the Group's Retirement Plan. The last actuarial valuation report obtained was in 2016.

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

	2017	2016	2015
Current service cost	\$42,325	\$74,564	\$56,922
Net interest expense	7,977	17,751	17,483
Translation adjustment	-	-	(312)
	\$50,302	\$92,315	\$74,093

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:

	2017	2016
Present value of defined benefit obligation	\$276,817	\$226,550
Fair value of plan assets	42,190	41,636
	\$234,627	\$184,914

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

	2017	2016
Balance at beginning of year	\$226,550	\$393,160
Current service cost	42,325	74,564
Interest cost	8,705	18,339
Retirement liability reclassified to payable	-	(46,451)
Benefits paid:		
From operations	-	(38,833)
From plan assets	-	(10,102)
Remeasurement losses (gains):		
Changes in financial assumptions	-	(35,854)
Experience adjustments	-	(112,063)
Unrealized foreign exchange gain - translation adjustment	(763)	(16,210)
	\$276,817	\$226,550

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

	2017	2016
Balance at beginning of year	\$41,636	\$11,991
Interest income	728	588
Employer contribution	-	42,403
Benefits paid	-	(10,102)
Loss on plan asset	-	(916)
Translation adjustment	(174)	(2,328)
	\$42,190	\$41,636

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

	2017	2016
Cash and cash equivalents	\$352	\$107
Debt instruments	41,889	41,585
Fees payables	(5)	(6)
Withholding taxes payable	(46)	(50)
	\$42,190	\$41,636

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

	2017	2016
Discount rate	5.25%	5.25%
Expected rate of salary increases	4.00%	4.00%

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

	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Expected salary growth rate	1.00%	\$26,325
Discount rate	1.00%	(26,228)
Life expectancy	10.00%	2,984

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

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

	2017	2016	2015
Balance at beginning of year	\$55,190	(\$48,352)	(\$123,446)
Remeasurement gain	-	103,542	75,094
Balance at end of year	\$55,190	\$55,190	(\$48,352)

Deferred tax asset related to the cumulative remeasurement gain or loss amounted to \$45,162 as at December 31, 2017 and 2016.

17. Equity

Capital Stock

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

	Shares	Amount
Authorized		
Ordinary shares at ₱1 par value		
Balance at beginning and end of year	3,000,000,000	₱3,000,000,000
Issued and Outstanding		
Balance at beginning of year	2,500,000,000	\$53,646,778
Treasury shares	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$53,641,004

The history of shares issuances from initial public offering of the Parent Company is as follows:

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

On February 17, 2015, the BOD approved the increase in the Parent Company's authorized capital stock from ₱1.50 billion divided into 1.50 billion shares to ₱3.00 billion divided into 3.0 billion shares at ₱1.00 par value a share. The same resolution was approved by the stockholders on March 31, 2015. The increase in authorized capital stock was approved by the SEC on October 28, 2015.

In the same meeting, the BOD also approved the stock rights offering of up to 1.0 billion shares at ₱1.00 par value a share by way of pre-emptive rights offering to eligible existing common shareholders of the Parent Company at the proportion of 1 rights offer for every one and ½ existing common shares held as of the record date.

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

On July 20, 2017 and September 7, 2017, the BOD and stockholders, respectively, approved the Parent Company's plan to undergo an equity restructuring to eliminate the Parent Company's deficit, as follows:

- Decrease the Parent Company's authorized capital stock by reducing the par value of its common stock from ₱1 a share to approximately ₱0.50 a share, without returning any portion of the capital to the stockholders. The Parent Company's Articles of Incorporation will be amended to reflect the necessary changes.
- Create additional paid-in capital from the decrease in par value.
- Apply the newly created additional paid-in capital, together with the existing paid-in capital of \$6.7 million, to wipe out the 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 the APIC of \$6.66 million as at December 31, 2016, will be 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, 2017 and 2016 is 236 and 256, respectively.

The Group's non-controlling interests represent 0.02%, 20% and 1.11% ownership of non-controlling interest shareholders of PTIAFI & PTVZ, Akaroa and AMHI, respectively. Non-controlling interests amounted to \$2.31 million and \$2.47 million as at December 31, 2017 and 2016, respectively.

The net income (loss) allocated to non-controlling interests amounted to \$125,781, \$69,760 and (\$1.63 million) in 2017, 2016 and 2015, respectively.

The summarized financial information of PTIAFI and PTVZ, Akaroa and AMHI as at and for the years ended December 31, 2017, 2016 and 2015 follows:

	2017		
	PTIAFI & PTVZ	AKAROA	AMHI
Total assets	\$4,028,101	\$2,679,662	\$3,054,192
Total liabilities	12,969,968	1,235,864	2,400,951
Equity (capital deficiency)	(8,941,867)	1,443,798	653,241
Net income (loss)	(288,031)	703,204	(211,964)

	2016		
	PTIAFI & PTVZ	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)	(8,652,958)	723,477	1,156,412
Net income (loss)	(2,874,407)	212,713	380,744

	2015		
	PTIAFI & PTVZ	AKAROA	AMHI
Total assets	\$5,189,840	\$1,635,630	\$3,527,397
Total liabilities	7,511,756	1,126,612	2,691,807
Equity (capital deficiency)	2,321,916	509,018	835,590
Net income (loss)	(6,428,462)	51,959	384,162

18. Net Revenue

This account consists of:

	2017	2016	2015
Net revenue	\$72,475,303	\$59,917,341	\$68,198,564
Sales returns	(283,725)	(2,864)	(282,874)
	\$72,191,578	\$59,914,477	\$67,915,690

19. Cost of Goods Sold

This account consists of:

	Note	2017	2016	2015
Raw materials used		\$49,313,797	\$42,423,566	\$43,734,566
Direct labor		6,657,414	6,046,490	5,332,294
Manufacturing overhead:				
Depreciation and amortization	11	1,029,724	1,059,050	1,086,489
Warehousing		954,299	1,173,976	1,031,855
Fuel		731,497	791,357	531,799
Light and water		728,777	303,958	482,542
Rent	24	440,557	678,911	684,006
Consumables		347,950	439,796	140,484
Others		2,464,568	2,601,899	562,721
Total manufacturing costs		62,668,583	55,519,003	53,586,756
Finished goods, beginning	9	5,487,867	6,415,666	13,925,033
Total cost of goods manufactured		68,156,450	61,934,669	67,511,789
Finished goods, ending	9	(5,413,534)	(5,487,867)	(6,415,666)
		\$62,742,916	\$56,446,802	\$61,096,123

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

20. Selling and Administrative Expenses

This account consists of:

	Note	2017	2016	2015
Salaries, wages and other benefits		\$2,614,078	\$2,772,949	\$3,621,209
Provisions for impairment losses on:				
Property, plant and equipment	11	1,090,400	-	2,730,177
Inventories	9	230,780	794,010	5,298,817
Trade and other receivables	8	69,574	79,049	315,318
Other noncurrent assets	12	-	314,320	628,480
Freight and handling		893,265	845,804	333,426
Outside services		880,684	746,535	1,135,054
Taxes and licenses		682,079	305,302	635,979
Transportation and travel		320,853	428,402	641,091
Advertising and marketing		257,497	309,030	435,789
Representation and entertainment		179,696	193,856	174,420
Insurance		145,711	193,691	251,259
Depreciation and amortization	11	120,873	88,504	98,439
Utilities and communication		101,313	115,683	127,527
Materials and supplies		95,718	88,043	101,250
Commission		80,514	83,609	325,185
Business development		73,091	89,505	110,091

(Forward)

	Note	2017	2016	2015
Rent	24	\$61,136	\$66,186	\$132,069
Repairs and maintenance		40,637	40,753	65,932
Buyers' claim		14,829	19,307	624,919
Others		164,396	383,377	958,317
		\$8,117,124	\$7,957,915	\$18,744,748

21. Other Income (Charges) - Net

This account consists of:

	Note	2017	2016	2015
Bank charges		(\$154,146)	(\$116,353)	(\$114,558)
Interest income	7	70,965	159,133	175,890
Gain on disposal/retirement of property, plant and equipment	11	58,618	12,078	4,418
Foreign exchange gain (loss)		13,198	202,330	(405,182)
Loss on restructuring of receivable from PFNZ	12	-	-	(556,879)
Reversal of allowance for impairment loss on inventories		-	-	436,277
Recovery of fishing vessels from WCFI:				
Reversals of allowance for impairment loss on other noncurrent assets	11	-	-	5,821,845
Provision for impairment loss on fishing vessels	11	-	-	(5,821,845)
Gain on disposal of investment	6	-	-	371,280
Others		3,811	303,927	(79,225)
		(\$7,554)	\$561,115	(\$167,979)

Others pertain to sale of scrap materials and duty rebates.

22. Employee Benefits

This account consists of:

	Note	2017	2016	2015
Short-term employee benefits		\$9,867,306	\$9,503,263	\$3,066,779
Post-employment benefits	16	50,302	92,315	74,093
		\$9,917,608	\$9,595,578	\$3,140,872

23. Income (Loss) Per Share

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

	2017	2016	2015
Net income (loss) attributable to Parent Company	\$1,437,271	(\$5,968,529)	(\$6,392,392)
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463	1,677,794,655
	\$0.0006	(\$0.0024)	(\$0.0038)

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, 2017, 2016 and 2015, the Parent Company has no dilutive potential share.

24. 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.

The Group as Lessee

Operating lease agreement with Dominion Property Holdings, Inc. The Parent Company leases its head office space from Dominion Property Holdings, Inc. with a monthly rental of \$3,688 for a period of three years, commencing on August 16, 2015 to August 15, 2018 renewable by mutual agreement by both parties.

Operating lease agreement with Piadi Multipurpose Cooperative. BGB has a one-year lease agreement with Piadi Multipurpose Cooperative for the lease of the warehouse building which expired on August 31, 2016. The fixed monthly rent amounted to \$426 plus 12% VAT or a total of \$477.

Operating lease agreement with New Zealand Guardian Trust Company Limited. Akaroa entered into a lease agreement with New Zealand Guardian Trust Company Limited 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.

Operating lease agreement with a former shareholder. Spence leases its office and manufacturing space from an entity that is controlled by its former shareholder under an operating lease that expires on May 31, 2020. The Company also leases certain vehicles under operating leases until September 2018.

Total rent expense charged under "Cost of goods sold" amounted to \$0.44 million in 2017 and \$0.68 million in 2016 and 2015 (see Note 19).

Total rent expense charged under "Selling and administrative expenses" amounted to \$61,136, \$66,186 and \$0.13 million in 2017, 2016 and 2015, respectively (see Note 20).

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

	2017	2016
Not later than one year	\$173,054	\$860,553
Later than one year but not later than five years	359,984	1,383,224
More than five years	165,723	197,999
	\$698,761	\$2,441,776

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. Rent receivable of AMHI included in the "Due from related parties" under "Trade and other receivables" account amounted to \$14,610 as at December 31, 2016. As at December 31, 2017, the total rent receivable from FDCP was offset against the security deposit. Rent income amounted to \$63,535 and \$59,607 in 2017 and 2016, respectively.

25. Corporate Social Responsibility (CSR)

For the past 6 years, the Parent Company has been giving back to the community through the feeding program conducted in Banisil High School located in General Santos City. The program aimed to feed underweight students in an attempt to combat frequent absences and poor academic performance as well as educate the families about proper nutrition for their children. The feeding program was completed by 2017. The Parent Company is now developing its corporate social responsibility program to focus on the local workers' community welfare, as well as promoting a clean and healthy environment together with energy conservation, for commencement in 2018.

26. Income Taxes

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

	2017	2016	2015
Current	\$600,994	\$702,842	\$1,051,298
Deferred	(1,601,528)	418,056	(1,223,475)
	(\$1,000,534)	\$1,120,898	(\$172,177)

Deferred Tax

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

	2017	2016
Deferred tax assets:		
Allowance for impairment losses on:		
Trade and other receivables and other noncurrent assets	\$7,157,270	\$955,832
Inventories	268,920	504,733
Property, plant and equipment	30,422	4,208,964
NOLCO	2,014,248	2,284,039
MCIT	94,961	4,009
Accrued expenses	90,541	134,095
Retirement benefit obligation	60,780	53,354
Unrealized foreign exchange loss	4,181	1,549
Rental payable	-	126,464
	\$9,721,323	\$8,273,039
Deferred tax liabilities:		
Accelerated depreciation	\$135,957	\$249,570
Accrued rental income	-	21,134
Unrealized foreign exchange gain	-	18,497
	\$135,957	\$289,201

Details of other deductible temporary differences for which no deferred tax assets were recognized as at December 31, 2017 and 2016 are as follows:

	2017	2016
Allowance on impairment on:		
Trade and other receivables and other noncurrent assets	\$480,276	\$499,196
Property, plant and equipment	479,117	479,117
Inventories	137,323	257,127
NOLCO	1,176,469	1,427,438
MCIT	65,239	104,480
Retirement benefit obligation	9,608	2,120
	\$2,348,032	\$2,769,478

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

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2017	\$299,738	\$-	\$-	\$299,738	2020
2016	5,844,461	-	-	5,844,461	2019
2015	4,491,524	-	-	4,491,524	2018
2014	2,035,603	3,999	2,031,604	-	2017
	\$12,671,326	\$3,999	\$2,031,604	\$10,635,723	

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

Inception Year	Amount	Expired	Balance	Expiry Year
2017	\$100,743	\$-	\$100,743	2020
2016	4,009	-	4,009	2019
2015	55,448	-	55,448	2018
2014	83,767	83,767	-	2017
	\$243,967	\$83,767	\$160,200	

The Group believes that with the new strategic plan being implemented to turn-around the business (see Note 1), the Group will generate enough taxable income to utilize the total deferred tax assets of \$9.72 million and \$8.27 million as at December 31, 2017 and 2016, respectively.

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

	2017	2016	2015
Income tax benefit computed at statutory tax rate	\$168,755	(\$1,433,361)	(\$2,458,498)
Tax effects of:			
Income exempt from taxation	(5,724)	(81,524)	(52,516)
Expenses exempt from taxation	78,866	70,282	712,426
Interest expense	2,100	18,152	12,410
Expired:			
NOLCO	609,481	807,684	-
MCIT	83,767	52,786	-
Changes in unrecognized DTA	(421,446)	812,200	1,551,454
Effect of tax rate differences	484,735	874,679	62,547
	\$1,000,534	\$1,120,898	(\$172,177)

The Parent Company and BGB were subjected to MCIT \$100,743 in 2017, \$4,009 in 2016 and \$35,221 in 2015.

27. 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, 2017 and 2016.

	2017				
	Carrying Amount	Fair Value	Fair value measurement using		
Quoted prices in active markets (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	\$4,427,478	\$4,427,478	\$4,427,478	\$-	\$-
Trade and other receivables	9,137,851	9,137,851	9,137,851	-	-
Due from related parties	276,382	276,382	276,382	-	-
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					
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 deposits	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

	2016				
	Carrying Amount	Fair Value	Fair value measurement using		
Quoted prices in active markets (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	\$7,396,343	\$7,396,343	\$7,396,343	\$-	\$-
Trade and other receivables	6,437,488	6,437,488	6,437,488	-	-
Due from related parties	287,420	287,420	287,420	-	-
Receivable from PFNZ*	1,068,019	1,275,327	-	-	1,275,327
	\$15,189,270	\$15,396,578	\$14,121,251	\$-	\$1,275,327
Financial Liabilities					
Trade and other payables*	\$5,805,430	\$5,805,430	\$5,805,430	\$-	\$-
Loans payable	20,884,629	21,116,861	-	-	21,116,861
Due to related parties	136,112	136,112	136,112	-	-
Refundable lease deposits	92,395	92,395	-	-	92,395
	\$26,918,566	\$27,150,798	\$5,941,542	\$-	\$21,209,256

*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 government 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 and due to related parties, 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 deposits. 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 deposits 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 2017 and 2016.

28. 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 deposits. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency 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 when a counterparty fails to fulfill its obligations to the Group.

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

	2017	2016
Cash in banks and cash equivalents	\$4,423,449	\$7,391,722
Trade and other receivables	9,414,233	6,724,908
Receivable from PFNZ*	994,004	1,068,019
Refundable deposits*	54,786	61,815
	\$14,886,472	\$15,246,464

*Under other noncurrent assets

The Group, however, deals only with reputable banks and customers to limit this risk.

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

	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
Refundable deposits*	54,786	-	-	-	-	54,786
	\$9,817,328	\$4,180,826	\$262,465	\$625,853	\$2,011,950	\$16,898,422

*Under other noncurrent assets

	2016					
	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	\$3,710,241	\$-	\$-	\$-	\$-	\$3,710,241
Cash equivalents	3,681,481	-	-	-	-	3,681,481
Trade and other receivables	5,452,567	201,847	68,768	1,001,726	1,999,471	8,724,379
Receivable from PFNZ*	1,068,019	-	-	-	-	1,068,019
Refundable deposits*	61,815	-	-	-	-	61,815
	\$13,974,123	\$201,847	\$68,768	\$1,001,726	\$1,999,471	\$17,245,935

*Under noncurrent assets

As at December 31, 2017 and 2016, 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.

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.

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 14.

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 \$24.37 million and \$20.88 million as at December 31, 2017 and 2016, respectively, agreed at interest rates ranging from approximately 4.50% to 5.00% 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.

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 deposits	-	-	21,811	21,811
		\$35,852,450	\$112,277	\$35,964,727

*Excluding statutory payable and customers' deposits

2016				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	-	\$5,805,430	\$-	\$5,805,430
Loans payable	2.75%-9.05%	20,830,802	54,446	20,885,248
Due to related parties	7.15%	136,112	-	136,112
Future interest	2.50% - 9.59%	8,466	5,743	14,209
Refundable lease deposits	-	-	92,395	92,395
		\$26,780,810	\$152,584	\$26,933,394

*Excluding statutory payable and customers' deposit

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.

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:

	2017		2016	
	Philippine Peso	US Dollar Equivalent	Philippine Peso	US Dollar Equivalent
Cash and cash equivalents	₱26,898,255	\$538,699	₱103,617,011	\$2,084,011
Trade and other receivables	36,302,077	727,032	16,222,194	326,271
Due from a related party	11,693,298	234,185	11,638,905	234,089
Trade and other payables	290,490,623	5,817,738	140,559,765	2,827,027
Loans payable	160,001,176	3,204,389	155,568,759	3,128,897

	2017		2016	
	New Zealand Dollar	US Dollar Equivalent	New Zealand Dollar	US Dollar Equivalent
Cash and cash equivalents	\$825,035	\$583,841	\$234,970	\$160,594
Trade and other receivables	925,192	656,946	808,835	559,552
Due from a related party	15,657	11,117	5,070	3,507
Trade and other payables	661,571	469,758	629,046	435,174
Loans payable	89,155	63,306	48,768	33,738
Due to a related party	196,751	139,706	196,751	136,112

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% and 10% change in 2017 and 2016, respectively, in foreign currency rates.

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% and 10% in 2017 and 2016, respectively, against the relevant currency. For a 6% and 10% in 2017 and 2016, respectively, 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 (Loss) for the Period	
	2017	2016
Cash and cash equivalents	\$67,352	\$207,951
Trade and other receivables	83,039	32,627
Due from related parties	14,718	23,409
Trade and other payables	(377,250)	(276,913)
Loans payable	(196,062)	(558,901)
	(\$408,203)	(\$571,827)

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, 2017 and 2016, follows:

	2017	2016
Debt	\$36,830,072	\$27,749,080
Equity	33,688,498	32,112,207
Debt-to-Equity Ratio	\$1.09:1	\$0.86:1

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 as discussed in Notes 13, 14, and 15 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, 2017 and 2016, 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.

29. 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 2017, and 2016 which is consistent with how the Group's management internally monitors and analyzes financial information.

Financial information about reportable segments follows:

	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 (benefit from) 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 provided by (used in):				
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
	December 31, 2016			
	Tuna	Salmon	Rental	Total
Segment revenue	\$34,939,555	\$24,957,221	\$738,320	\$60,635,096
Inter-segment revenue	–	(41,906)	(678,713)	(720,619)
Net revenue	\$34,939,555	\$24,915,315	\$59,607	\$59,914,477
Segment results				
Income (loss) before income tax	(\$6,137,014)	\$1,377,393	(\$18,250)	(4,777,871)
Provision for income tax	343,078	566,621	211,199	1,120,898
Net income (loss)	(\$6,480,092)	\$810,772	(\$229,449)	(5,898,769)
Total assets	\$29,214,871	\$22,034,352	\$8,612,064	\$59,861,287
Total liabilities	\$24,793,234	\$2,774,497	\$181,348	\$27,749,080

(Forward)

	December 31, 2016			
	Tuna	Salmon	Rental	Total
Net cash flows provided by (used in):				
Operating activities	(\$7,321,522)	\$1,173,294	\$306,988	(\$5,841,240)
Investing activities	(248,997)	(439,155)	-	(688,152)
Financing activities	(2,947,263)	(375,818)	(306,718)	(3,629,799)
Other information:				
Depreciation and amortization	\$713,017	\$433,973	\$2,680	\$1,149,670
Other noncash income - net	1,255,801	78,408	-	1,334,209

Geographical information about reportable segments follows:

	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*	\$10,539,227	\$2,406,639	\$546,006	\$1,370,131	\$14,862,003
Inter-segment noncurrent assets	3,823,242	(1,090,400)	-	91,014	2,823,856
Total noncurrent assets	\$14,362,469	\$1,316,239	\$546,006	\$1,461,145	\$17,685,859

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

	December 31, 2016				
	Philippines	Indonesia	USA	New Zealand	Total
Segment sales	\$33,634,583	\$3,828,084	\$18,909,173	\$4,263,256	\$60,635,096
Inter-segment revenue	(678,713)	-	-	(41,906)	(720,619)
Total net sales	\$32,955,870	\$3,828,084	\$18,909,173	\$4,221,350	\$59,914,477
Segment noncurrent assets*	\$10,204,273	\$2,698,490	\$644,044	\$974,482	\$14,521,289
Inter-segment noncurrent assets	3,866,910	-	-	-	3,866,910
Total noncurrent assets	\$14,071,183	\$2,698,490	\$644,044	\$974,482	\$18,388,199

*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.

30. 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:

	2016	Financing Cash Flows		2017
		Availments	Payments	
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	(435,828)	442,314
	\$21,111,336	\$31,958,689	(\$26,119,946)	\$26,950,079



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

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

We have audited the accompanying consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered our report dated March 23, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that Alliance Select Foods International, Inc. has two hundred twenty one (221) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 6607954

Issued January 3, 2018, Makati City

March 23, 2018
Makati City, Metro Manila





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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group") as at and for the year ended December 31, 2017, and have issued our report thereon dated March 23, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules as follows are the responsibility of the Group's management:

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

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 information in these schedules has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

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Valid until January 13, 2020

PTR No. 6607954

Issued January 3, 2018, Makati City

March 23, 2018

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, 2017

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			✓

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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
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			✓
	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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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			✓

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	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
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 18	Revenue	✓		
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 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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
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			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
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 13	Customer Loyalty Programmes			✓

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 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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

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

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2017

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended 2017, 2016 and 2015.

	2017	2016	2015
CURRENT/LIQUIDITY RATIO			
Current assets	\$33,608,806	\$23,543,396	\$30,787,776
Current liabilities	36,358,322	27,128,124	27,785,532
Current Ratio	0.92	0.87	1.11
SOLVENCY RATIO			
Net income (loss) before depreciation and amortization	\$2,713,649	(\$4,749,099)	(\$6,837,888)
Total liabilities	36,830,072	27,749,080	30,473,956
Solvency Ratio	0.07	(0.17)	(0.22)
DEBT-TO-EQUITY RATIO			
Total liabilities	\$36,830,072	\$27,749,080	\$30,473,956
Total equity	33,688,498	32,112,207	38,063,978
Debt-to-Equity Ratio	1.09	0.86	0.80
ASSET-TO-EQUITY RATIO			
Total assets	\$70,518,570	\$59,861,287	\$68,537,934
Total equity	33,688,498	32,112,207	38,063,978
Asset-to-Equity Ratio	2.09	1.86	1.80
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	\$1,350,065	(\$3,909,354)	(\$6,291,942)
Interest expense	787,547	868,517	1,903,051
Interest-Coverage Ratio	1.71	(4.50)	(3.31)
PROFITABILITY RATIO			
Net income (loss) attributable to equity holders of the Parent Company	\$1,437,271	(\$5,968,529)	(\$6,392,392)
Average equity	32,900,353	35,088,093	30,697,320
Return on Equity	4.37%	(17.01%)	(20.82%)

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, 2017

Deficit at beginning of year as shown in the separate financial statements	(\$22,528,486)
Less deferred tax assets at the beginning of year	(7,732,162)
Add deferred tax liability at the beginning of year	17,748
Total deficit, as adjusted at beginning of year	(30,242,900)
Net loss during the year closed to retained earnings	(8,977,458)
Add (less):	
Movement in deferred tax assets	(1,718,077)
Movement in deferred tax liability	(17,748)
Treasury shares	(5,774)
Total deficit available for dividend declaration at end of year	\$-

Reconciliation:

Deficit at end of year as shown in the separate financial statements	(\$31,505,944)
Add (less):	
Deferred tax asset as at end of year	(9,450,239)
Treasury shares	(5,774)
Total deficit available for dividend declaration at end of year	\$-

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, 2017

Table of Contents

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	<u>2</u>
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>3</u>
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.)

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2017

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			
Security Bank of the Philippines	-	\$1,589,419	\$-
Citizens Bank	-	1,100,806	-
ANZ Bank	-	585,828	-
Bangkok Bank Manila	-	345,048	-
Bank of Mandiri	-	297,617	-
Banco De Oro Universal Bank	-	211,319	-
Land Bank of the Philippines	-	188,630	-
Bank of the Philippine Islands	-	43,470	-
Union Bank of the Philippines	-	22,518	-
Robinsons Bank	-	18,919	-
Asia United Bank	-	3,016	-
Philippine Veterans Bank	-	2,844	-
Sterling Bank of Asia	-	2,414	-
East West Bank	-	1,422	-
Philippine Business Bank	-	1,355	-
Development Bank of the Philippines	-	604	-
Rabo Bank	-	344	-
		\$4,415,573	
Cash equivalents			
Security Bank of the Philippines	-	7,876	-
		\$4,423,449	\$19,079
Trade receivables	-	\$8,876,444	\$-
Receivable from PFNZ	-	1,134,962	51,886
Due from related parties	-	276,382	-
Other nontrade receivables	-	89,678	-
		\$10,377,466	\$51,886

SCHEDULE B

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, 2017

Name and designation of debtor	Balance at beginning of year	Additions	Deductions		Other Changes	Ending Balance	
			Amounts collected	Amounts written off		Current	Not current
Advances to employees	\$20,436	\$61,545	(\$51,210)	\$-	\$-	\$30,771	\$-
						\$30,771	\$30,771

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, 2017

Name and designation of debtor	Balance at beginning of year	Additions	Deductions			Ending Balance		Balance at end of year
			Amounts collected	Amounts written off	Other changes Additions (Deductions)	Current	Not current	
Due from related parties:								
Parent	\$13,904,880	\$2,596,188	\$2,012,990	\$-	\$-	\$14,488,078	\$-	\$14,488,078
Subsidiaries	5,222,093	2,698,964	806,450	-	-	6,364,607	750,000	7,114,607
	\$19,126,973	\$5,295,152	\$2,819,440	\$-	\$-	\$20,852,685	\$750,000	\$21,602,685

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

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
 DECEMBER 31, 2017

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	\$59,848	\$-	(\$4,963)	\$1,587	\$-	\$56,472
Development expenditure	568	-	(102)	-	-	466
	\$60,416	\$-	(\$5,065)	\$1,587	\$-	\$56,938

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

SCHEDULE E - LONG-TERM DEBT
 DECEMBER 31, 2017

Name of Issuer	Type of Obligation	Amount Shown as Current	Amount Shown as Long-Term	Total
Rizal Commercial Banking Corporation	Secured	\$7,732	\$27,320	\$35,052
Security Bank	Secured	4,272	11,245	15,517
ANZ Commercial Flexibility Facility	Secured	22,515	40,790	63,305
		\$34,519	\$79,355	\$113,874

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

SCHEDULE H

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

SCHEDULE H - CAPITAL STOCK
 DECEMBER 31, 2017

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 - \$1 par value	3,000,000,000	2,499,712,463	-	1,700,395,089	4,912,485	794,404,889

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

**SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS
DECEMBER 31, 2017**

A. GROSS AND NET PROCEEDS AS DISCLOSED IN THE FINANCIAL PROSPECTUS

Gross Proceeds	P1,000,000,000
Less estimated offer expenses	6,131,200
Estimated Net Proceeds	P993,868,800

B. ACTUAL GROSS AND NET PROCEEDS

Gross Proceeds	P1,000,000,000
Less actual offer expenses	6,133,546
Actual Net Proceeds	P993,866,454

C. EXPENDITURE ITEMS WHERE THE PROCEEDS WERE USED

Working capital	P866,361,107
Repayment of Loans	94,000,000
New management information system	8,503,075
Capital expenditures	25,002,272
	P993,866,454

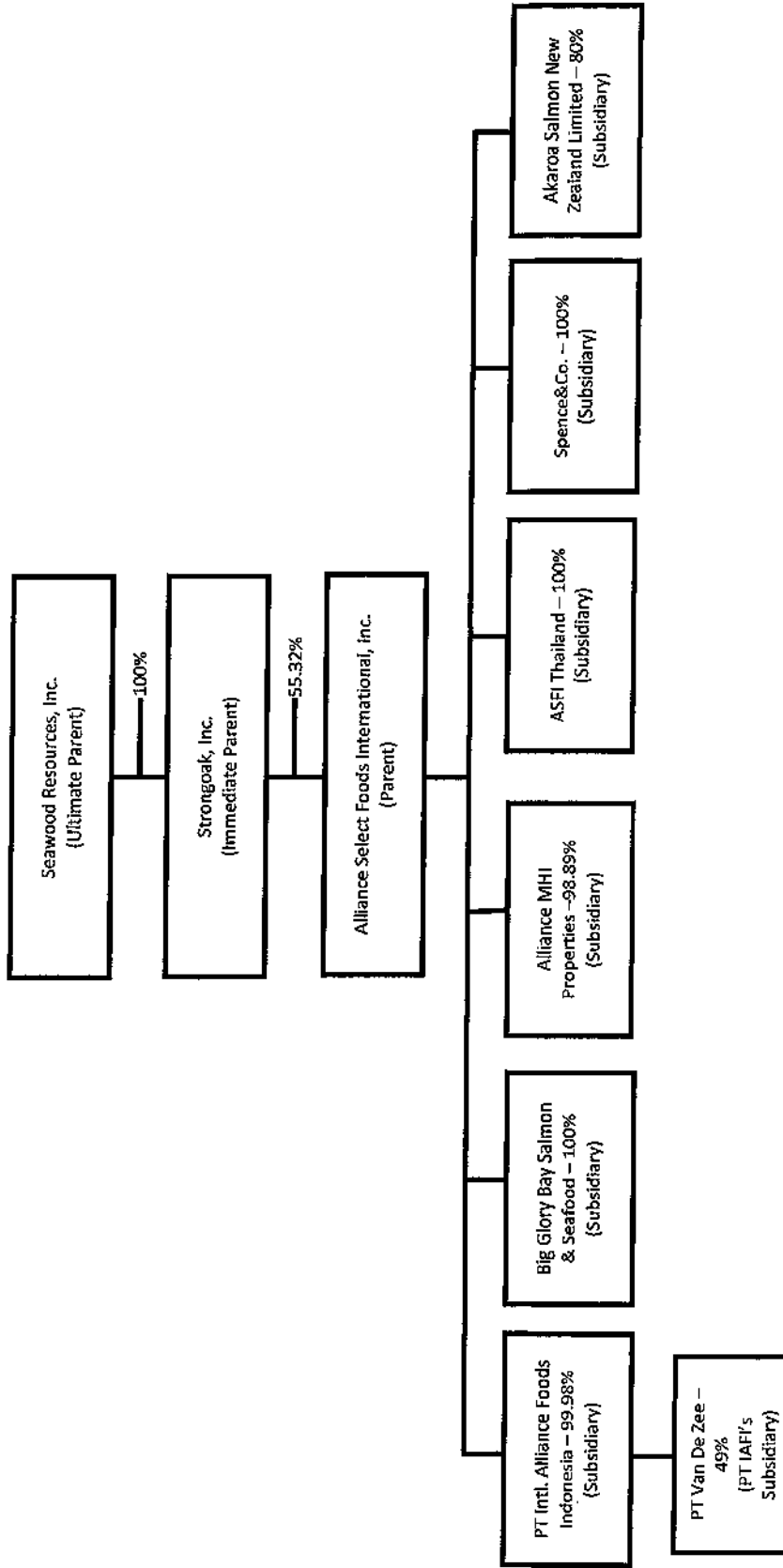
D. BALANCE OF THE PROCEEDS AS OF DECEMBER 31, 2017

P-

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

CORPORATE STRUCTURE

DECEMBER 31, 2017



COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 1 9 1 3 8

COMPANY NAME

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

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

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

Form Type

A S F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

info@allianceselectfoods.com

Company's Telephone Number/s

(02) 635-5241 to 44

Mobile Number

-

No. of Stockholders

236

Annual Meeting (Month / Day)

June 15

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Raymond K.H. See

Email Address

info@allianceselectfoods.com

Telephone Number/s

(02) 635-5241

Mobile Number

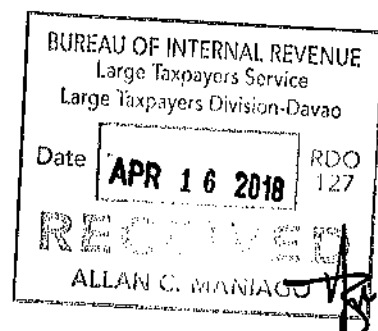
-

CONTACT PERSON'S ADDRESS

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

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

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





ALLIANCE SELECT FOODS
INTERNATIONAL, INC.
A PUBLICLY LISTED COMPANY

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 financial statements including the schedules attached therein for the years ended December 31, 2017 and 2016, 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.

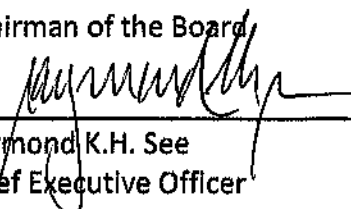
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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.

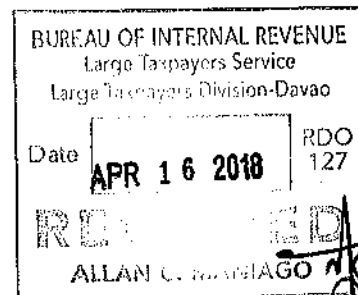
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the 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.

Signature 
Antonio C. Pacis
Chairman of the Board

Signature 
Raymond K.H. See
Chief Executive Officer

Signature 
Ma. Cristina C. Villaruz
Group Controller



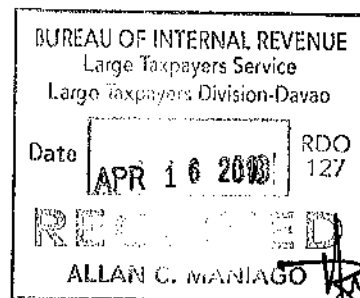
SUBSCRIBED AND SWORN to before me this 12 APR 2018 day of 2018 at Pasig City; affiants exhibited to me their government issued identification cards, as follows:

Name	Competent evidence of Identity	Date and Place of Issue	Valid until
Antonio Pacis	Passport No. EC5839503	October 30, 2015	October 29, 2020
Raymond K.H. See	Passport No. EC3595414	March 17, 2015	March 16, 2020
Maria Cristina Villaruz	PRC No. 0092146		April 1, 2019

Doc. No. 16 ;
 Page No. 5 ;
 Book No. I ;
 Series of 2018.



[Signature]
ATTY. GINO MARCO P. BAUTISTA
 Notary Public for Pasig, San Juan, and Pateros
 Commission No. 135 (2018-2019)
 Until December 31, 2019
 1206 East Tower, Phil. Stock Exchange Centre,
 Exchange Road, Ortigas Center, Pasig City
 PTR No. 3861096/1-11-2018/Pasig City
 IBP No. 017649/11-24/2017/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.
Unit 1206 East Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

Opinion

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

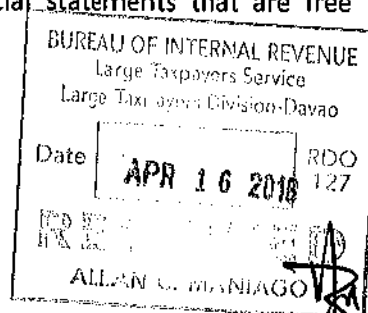
In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting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

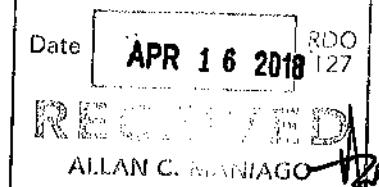
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 December 31, 2018

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

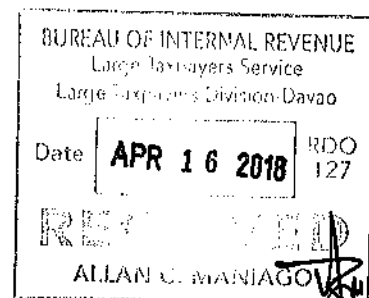
Valid until January 13, 2020

PTR No. 6607954

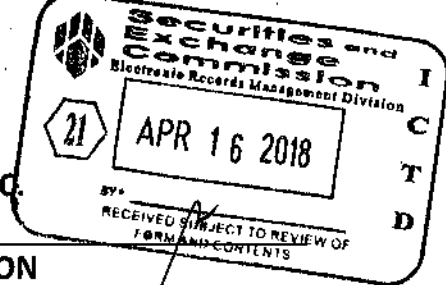
Issued January 3, 2018, Makati City

March 23, 2018

Makati City, Metro Manila



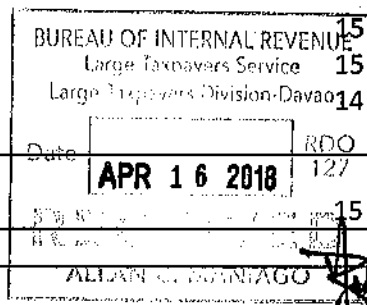
ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)



SEPARATE STATEMENTS OF FINANCIAL POSITION

December 31

	Note	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$2,225,131	\$4,186,918
Trade and other receivables	5	6,249,389	3,695,787
Inventories	6	11,468,354	5,506,505
Due from related parties	13	8,067,041	14,138,969
Other current assets	7	4,756,734	533,958
Total Current Assets		32,766,649	28,062,137
Noncurrent Assets			
Investments in subsidiaries	8	18,039,544	23,038,544
Property, plant and equipment	9	3,329,237	2,819,878
Deferred tax assets - net	24	9,450,239	7,714,414
Other noncurrent assets	10	2,068,086	2,021,253
Total Noncurrent Assets		32,887,106	35,594,089
		\$65,653,755	\$63,656,226
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$6,831,455	\$3,868,971
Loans payable	12	24,263,385	20,759,621
Notes payable	13	2,700,000	1,000,000
Due to Parent Company	13	2,002,804	-
Total Current Liabilities		35,797,644	25,628,592
Noncurrent Liabilities			
Loans payable - net of current portion	12	38,565	33,713
Notes payable - net of current portion	13	750,000	-
Net retirement benefit obligation	14	191,673	145,839
Total Noncurrent Liabilities		980,238	179,552
Total Liabilities		36,777,882	25,808,144
Equity			
Capital stock		53,646,778	53,646,778
Additional paid-in capital		6,662,001	6,662,001
Other comprehensive income		73,563	73,563
Deficit		(31,500,695)	(22,528,486)
Treasury shares		(5,774)	(5,774)
Total Equity		28,875,873	37,848,082
		\$65,653,755	\$63,656,226



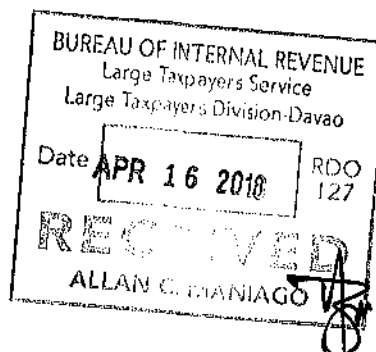
See accompanying Notes to Separate Financial Statements.

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

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2017	2016	2015
NET SALES	16	\$41,320,195	\$31,111,471	\$34,409,596
COST OF GOODS SOLD	17	(36,967,178)	(31,989,024)	(33,275,546)
GROSS PROFIT (LOSS)		4,353,017	(877,553)	1,134,050
SELLING AND ADMINISTRATIVE EXPENSES	18	(3,267,039)	(3,467,160)	(8,037,696)
INTEREST EXPENSE	12	(769,302)	(627,183)	(928,369)
OTHER INCOME (CHARGES) - Net	19	(10,929,749)	688,784	76,460
LOSS BEFORE INCOME TAX		(10,613,073)	(4,283,112)	(7,755,555)
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		94,961	420	35,221
Deferred		(1,735,825)	(298,595)	(570,345)
		(1,640,864)	(298,175)	(535,124)
NET LOSS		(8,972,209)	(3,984,937)	(7,220,431)
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement gain on retirement benefit obligation (net of tax effect)	14	-	105,728	92,034
TOTAL COMPREHENSIVE LOSS		(\$8,972,209)	(\$3,879,209)	(\$7,128,397)
LOSS PER SHARE				
Basic and diluted loss per share	21	(\$0.00359)	(\$0.00159)	(\$0.00430)

See accompanying Notes to Separate Financial Statements.

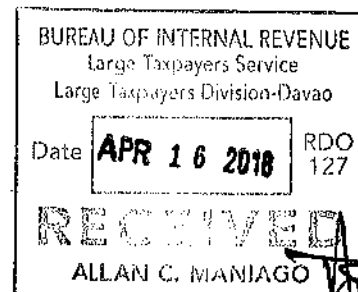


ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2017	2016	2015
CAPITAL STOCK				
Balance at beginning of year	15	\$53,646,778	\$53,646,778	\$32,238,544
Issuance		-	-	21,408,234
Balance at end of year		53,646,778	53,646,778	53,646,778
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year	15	6,662,001	6,662,001	6,768,843
Stock issue costs		-	-	(106,842)
Balance at end of year		6,662,001	6,662,001	6,662,001
OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at beginning of year	14	73,563	(32,165)	(124,199)
Remeasurement gain on retirement benefit obligation (net of tax effect)		-	105,728	92,034
Balance at end of year		73,563	73,563	(32,165)
DEFICIT				
Balance at beginning of year		(22,528,486)	(18,543,549)	(11,323,118)
Net loss		(8,972,209)	(3,984,937)	(7,220,431)
Balance at end of year		(31,500,695)	(22,528,486)	(18,543,549)
TREASURY SHARES				
Balance at beginning and end of year	15	(5,774)	(5,774)	(5,774)
		\$28,875,873	\$37,848,082	\$41,727,291

See accompanying Notes to Separate Financial Statements.

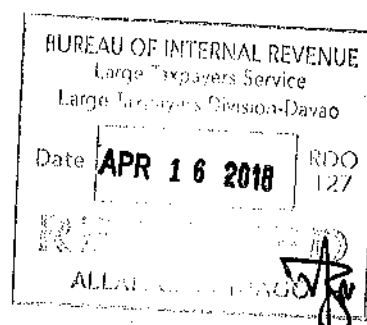


ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF CASH FLOWS

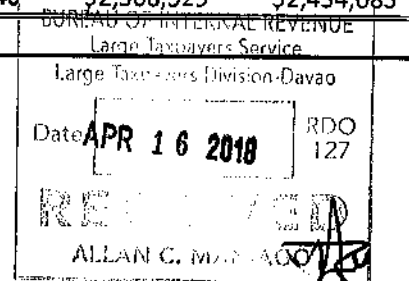
		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		(\$10,613,073)	(\$4,283,112)	(\$7,755,555)
Adjustments for:				
Provision for impairment losses on:				
Due from related parties	13	6,667,442	-	-
Investment in a subsidiary	8	4,999,000	-	-
Inventories	6	230,780	267,059	3,441,498
Trade and other receivables	5	57,275	42,925	123,651
Other noncurrent assets	10	-	314,320	240,964
Property, plant and equipment	9	-	-	101,406
Interest expense	12	769,302	627,183	928,369
Depreciation and amortization	9	378,691	378,607	361,226
Interest income	4	(263,613)	(145,212)	(167,723)
Retirement benefits	14	46,423	87,143	71,322
Unrealized foreign exchange loss (gain)		18,366	(59,160)	(6,023)
Loss (gain) on disposal of investment and property, plant and equipment	19	(627)	(3,589)	599,487
Reversal of allowance for impairment losses on inventories	19	-	-	(368,294)
Operating income (loss) before working capital changes		2,289,966	(2,773,836)	(2,429,672)
Decrease (increase) in:				
Trade and other receivables		(2,635,866)	(1,170,777)	855,453
Inventories		(6,192,629)	(571,910)	2,632,526
Other current assets		(4,316,253)	(159,617)	283,535
Other noncurrent assets		(64,688)	(32,472)	(26,253)
Increase (decrease) in trade and other payables		3,627,819	770,819	(690,638)
Net cash generated from (used for) operations		(7,291,651)	(3,937,793)	624,951
Interest received		32,815	76,692	99,275
Income tax paid		(1,484)	(306)	-
Contribution to retirement fund	14	-	(42,403)	(33,738)
Retirement benefits paid	14	-	(38,833)	(18,381)
Net cash provided by (used in) operating activities		(7,260,320)	(3,942,643)	672,107

(Forward)



		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	9	(\$888,050)	(\$444,651)	(\$510,200)
Increase in due from related parties		(1,006,166)	(3,622,661)	(5,318,736)
Proceeds from:				
Sale of property, plant and equipment	9	627	3,589	-
Disposal of investments	8	-	-	5,000
Net cash used in investing activities		(1,893,589)	(4,063,723)	(5,823,936)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans		29,122,545	33,999,512	65,504,488
Availment of promissory notes		2,450,000	-	800,000
Issuance of shares		-	-	21,301,392
Payments of loans		(25,608,602)	(36,031,962)	(67,628,428)
Advances from Parent Company		2,002,804	-	-
Interest paid		(786,161)	(598,183)	(787,428)
Net cash provided by (used in) financing activities		7,180,586	(2,630,633)	19,190,024
EFFECT OF FOREIGN EXCHANGE RATE CHANGES				
		11,536	(5,136)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,961,787)	(10,642,135)	14,038,195
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,186,918	14,829,053	790,858
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	\$2,225,131	\$4,186,918	\$14,829,053
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	4			
Cash on hand		\$1,602	\$2,797	\$10,012
Cash in banks		2,223,529	502,640	656,575
Cash equivalents		-	3,681,481	14,162,466
		\$2,225,131	\$4,186,918	\$14,829,053
NONCASH INVESTING ACTIVITIES				
Rental payable offset against due from a related party	13	\$584,348	\$-	\$-
Conversion of advances to equity investment	8	-	2,568,529	2,434,083
		\$584,348	\$2,568,529	\$2,434,083

See accompanying Notes to Separate Financial Statements.



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

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information and Status of Operation

General Information

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

Strongoak Inc. (the "Parent Company") acquired 952,479,638 common shares of the Company from the increase in authorized capital stock and stock rights offering, which were both approved by the SEC on October 28, 2015. This resulted in Strongoak Inc. owning a total of 1,382,765,864 common shares, representing 55.32% of the total issued and outstanding shares of the Company (see Note 15). As at December 31, 2017 and 2016, the Company is a subsidiary of Strongoak Inc. Strongoak Inc. is a domestic company engaged in investing activities.

On July 20, 2017 and September 7, 2017, the Board of Directors (BOD) and Stockholders, respectively, approved the Company's equity restructuring by reducing the par value of its shares and applying the resulting excess and additional paid-in capital against the Company's deficit. On March 23, 2018, the equity restructuring was approved by the SEC (see Note 15).

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

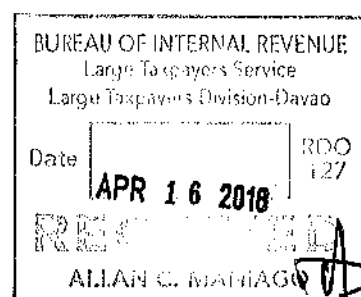
Investments in Subsidiaries

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

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Spence & Company Ltd. (Spence)	100	Salmon and other seafood processing	United States of America
Big Glory Bay Salmon and Seafood Company, Inc. (BGB)	100	Salmon and other seafood 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) ^{(a) (b)}	49	Fishing	Indonesia

(a) No operations in 2017, 2016 and 2015

(b) Indirect ownership through PTIAFI



Status of Operations

Management is undertaking the necessary initiatives to improve operation and maintain financial stability. With these initiatives, which include expanding global market, targeting key accounts, improving efficiencies across all areas of operations and better inventory management and raw material sourcing, management has projected a turnaround in operation with a positive result of operation and cash flow in the coming years.

The Company incurred net losses of \$8.97 million, \$3.98 million and \$7.22 million in 2017, 2016 and 2015, respectively, as the Company continue to streamline its operation. The losses were primarily due to impairment losses recognized from investment in and advances to PTIAFI aggregating \$11.67 million in 2017, impairment losses on inventories of \$0.23 million, \$0.27 million and \$3.44 million in 2017, 2016 and 2015, respectively, and impairment losses on property, plant and equipment and other noncurrent assets of \$0.31 million and \$0.34 million in 2016 and 2015, respectively (see Notes 6, 8, 9, 10, and 13). Losses in 2016 and 2015 were also due to volatility in raw material prices and lower pricing.

In 2017, the Company decided to undertake an equity restructuring. This will result to the elimination of the Company's capital deficit of \$32.00 million, which the SEC approved on March 23, 2018.

The Parent Company has infused capital of \$30.05 million to sustain the Company's operations and in 2017 extended a loan of \$2.00 million (equivalent to ₱100.00 million) to the Company (see Note 13). The Parent Company will continue to provide the necessary level of financial support to enable ASFII to meet its working capital requirements.

Approval of Separate Financial Statements

The Company's separate financial statements were approved and authorized for issuance by the BOD on March 23, 2018.

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

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

The 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.

Measurement Bases

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

The separate financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of an asset and the fair value of 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 period during which the change has occurred.

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

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

- Amendments to PFRS 12, *Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

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

New and Amended PFRS Issued But Not Yet Effective

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

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the 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 its contractual cash flow characteristics.

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

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; 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 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.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification 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.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- 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.

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

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - 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.

Management has initially assessed that the adoption of PFRS 9, PFRS 15 and PFRS 16 might have a significant effect on amounts reported in the Company's financial assets and liabilities, revenue and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial assets and liabilities are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. Financial instruments are initially measured at fair value which includes transaction costs directly attributable to the acquisition (e.g. fees, commissions, transfer taxes, etc.).

However, transaction costs related to the acquisition of financial instruments classified as fair value through profit or loss (FVPL) are recognized immediately in profit or loss. The Company uses trade date accounting to account for financial instruments.

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

b. Classification

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

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

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

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

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

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

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

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

The Company's trade and other payables (excluding customers' deposits and statutory payable), loans payable, notes payable and due to Parent Company are classified under this category.

c. Impairment of Financial Assets

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

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

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

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

d. Derecognition

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

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

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

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

e. Offsetting

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

Inventories

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

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

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

Other Assets

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

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" under "Other noncurrent assets" account in the separate statement of financial position.

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

Investments in Subsidiaries and Joint Ventures

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

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

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:

	Number of Years
Building	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 represents the on-going installation of pouch line facility and boilers and is stated at cost including other direct costs. This 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 services for which the advances were made are rendered to the customers.

Capital Stock and Additional Paid-In Capital

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

Deficit

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

Treasury Shares

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

Revenue Recognition

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

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

Interest Income. Interest income is recognized in a time proportion basis using the effective interest method.

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

Cost and Expense Recognition

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

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

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

Interest Expense. Interest expense is recognized in a time proportion basis using the effective interest method.

Leases

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

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

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

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

Retirement Benefits

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The 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 period 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 periods.

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

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

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

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

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

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

Foreign Currency-Denominated Transactions and Translation

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

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

Loss per Share

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

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

There are no potential dilutive shares.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Assessing Going Concern. The Company incurred losses in 2017, 2016 and 2015, and in a deficit position as at December 31, 2017 and 2016. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management's plans to mitigate the material uncertainty are adequately disclosed in Note 1. Accordingly, the separate financial statements continue to be prepared on a going concern basis.

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company accounts for its interest in a joint arrangement with FDCP, Inc. (FDCP) and Wild Catch Fisheries, Inc. (WCFI) as a joint venture under PFRS 11. Management has determined that by virtue of its majority ownership of voting rights in AMHI and PTVDZ as at December 31, 2017 and 2016, the Company has the ability to exercise control over these investees.

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

Rental expense amounted to \$0.17 million, \$0.72 million and \$0.62 million in 2017, 2016 and 2015, respectively (see Note 22).

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

No impairment loss on cash in banks and cash equivalents was recognized in 2017 and 2016. Cash in banks and cash equivalents aggregated \$2.23 million and \$4.19 million as at December 31, 2017 and 2016, respectively (see Note 4).

The Company recognized provision for impairment loss on trade receivables amounting to \$57,275, \$42,925 and \$123,651 in 2017, 2016 and 2015, respectively. The Company also written off trade and other receivables amounting to \$478 and \$26,969 in 2016 and 2015, respectively. Trade and other receivables, net of allowance for impairment losses, amounted to \$6.25 million and \$3.70 million as at December 31, 2017 and 2016, respectively (see Note 5).

Due from related parties, net of allowance for impairment loss, amounted to \$8.07 million and \$14.14 million as at December 31, 2017 and 2016, respectively. Due from PTIAFI amounting to \$9.01 million was provided with a provision for impairment loss amounting to \$6.67 million in 2017 (see Note 13).

Receivable from WCFI and refundable lease deposits, net of allowance for impairment losses, aggregated \$1.67 million and \$1.61 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses amounted to \$2.18 million as at December 31, 2017 and 2016, respectively (see Note 10).

Estimating NRV of Inventories. The NRV of inventories represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale 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 of transactions occurred. The Company records provisions for excess of cost and NRV of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

The Company recognized provision for impairment loss on inventories amounting to \$0.23 million, \$0.27 million and \$3.44 million in 2017, 2016 and 2015, respectively (see Note 18). Inventories carried at lower of cost and NRV aggregated \$11.47 million and \$5.51 million as at December 31, 2017 and 2016, respectively (see Note 6).

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

There were no changes in the estimated useful lives of the Company's property, plant and equipment in 2017, 2016 and 2015. The carrying amount of property, plant and equipment amounted to \$3.33 million and \$2.82 million as at December 31, 2017 and 2016, respectively (see Note 9).

Assessing for 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 and input VAT in 2017, 2016 and 2015. Other current assets and input VAT aggregated \$5.15 million and \$0.94 million as at December 31, 2017 and 2016, respectively (see Notes 7 and 10).

Provision for impairment loss was recognized on investment in PTIAFI in 2017 amounting to \$5.00 million. The recoverable amount was estimated based on fair value less cost to sell. The recoverable amount of investment in PTIAFI represents the amount expected to be generated from the eventual sale of PTIAFI's assets net of related payables. Such amount is based on various valuation methods applicable to the specific assets, i.e discounted cash flow, net realizable value, and appraised value. Management believes that the recoverable amount of its investment in PTIAFI is reasonable. Investment in subsidiaries, net of allowance for impairment loss amounted to \$18.04 million and \$23.04 million as at December 31, 2017 and 2016, respectively (see Note 8).

Allowance for impairment loss on property, plant and equipment amounted to \$0.10 million as at December 31, 2017 and 2016 and \$13.72 million as at December 31, 2015. The carrying amount of property, plant and equipment aggregated \$3.33 million and \$2.82 million as at December 31, 2017 and 2016, respectively (see Note 9). The recoverable amount of property, plant and equipment represents the assets' value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

In 2016, the Company recognized provision for impairment loss on its idle assets amounting to \$0.31 million. As at December 31, 2017, management has assessed that there is no further allowance for impairment is required on its investments in joint ventures and idle assets in excess of those that were already provided. Carrying amounts of these nonfinancial assets are disclosed in Note 10.

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

Retirement benefit costs amounted to \$46,423, \$87,143 and \$71,322 in 2017, 2016 and 2015, respectively. The retirement benefits obligation amounted to \$0.19 million and \$0.15 million as at December 31, 2017 and 2016, respectively (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 \$0.75 million and \$1.01 million as at December 31, 2017 and 2016 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.

The Company has recognized deferred tax assets amounting to \$9.45 million and \$7.73 million as at December 31, 2017 and 2016, respectively (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	\$1,602	\$2,797
Cash in banks	2,223,529	502,640
Cash equivalents	-	3,681,481
	\$2,225,131	\$4,186,918

Cash in banks earn interest at prevailing bank deposit rates.

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

Interest income included in the separate statements of comprehensive income is summarized below (see Note 19):

	Note	2017	2016	2015
Cash and cash equivalents		\$16,964	\$76,692	\$99,275
Due from related parties	13	178,897	-	-
Accretion of lease deposits	10	67,752	68,520	68,448
		\$263,613	\$145,212	\$167,723

5. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Third parties		\$6,249,009	\$3,595,510
Related party	13	31,080	31,080
Others		644,447	687,069
		6,924,536	4,313,659
Allowance for impairment losses		(675,147)	(617,872)
		\$6,249,389	\$3,695,787

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

Trade receivables amounting to \$6.02 million and \$3.59 million as at December 31, 2017 and 2016, respectively, are used to secure the Company's short-term loans (see Note 12).

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

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

	Note	2017	2016
Balance at beginning of year		\$617,872	\$575,425
Provision	18	57,275	42,925
Write-off		-	(478)
Balance at end of year		\$675,147	\$617,872

6. Inventories

This account consists of:

	2017	2016
At Cost:		
Raw and packaging materials	\$8,251,540	\$2,750,488
Finished goods	2,530,151	1,817,512
Parts and supplies	178,117	203,397
At NRV –		
Finished goods	508,546	735,108
	\$11,468,354	\$5,506,505

The costs of inventories measured at NRV are as follows:

	2017	2016
Finished goods	\$1,128,719	\$2,000,768
Raw and packaging materials	102,650	125,151
	\$1,231,369	\$2,125,919

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

	Note	2017	2016
Balance at beginning of year		\$1,390,811	\$2,535,239
Provision	18	230,780	267,059
Reversal		(898,768)	(1,411,487)
Balance at end of year		\$722,823	\$1,390,811

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

Inventories amounting to \$8.25 million and \$2.75 million as at December 31, 2017 and 2016, respectively, are used to secure the Company's short-term loans (see Note 12).

Inventories charged to cost of goods sold amounted to \$30.35 million, \$25.67 million, and \$26.75 million in 2017, 2016, and 2015, respectively (see Note 17).

7. Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	\$4,673,341	\$321,594
Prepayments:		
Taxes	59,152	163,048
Insurance	16,043	33,925
Others	8,198	15,391
	\$4,756,734	\$533,958

Other prepayments pertain to subscriptions and other fees.

8. Investments in Subsidiaries

The account consists of investments in:

Name of Subsidiaries	Note	2017	2016
Spence		\$9,240,946	\$9,240,946
BGB		6,177,761	6,177,761
PTIAFI		4,999,000	4,999,000
Akaroa		2,326,800	2,326,800
AMHI		294,037	294,037
		23,038,544	23,038,544
Allowance for impairment loss	19	(4,999,000)	-
		\$18,039,544	\$23,038,544

Movements in investments in subsidiaries at cost are as follows:

	2017	2016
Balance at beginning of year	\$23,038,544	\$20,470,015
Additions	-	2,568,529
Balance at end of year	\$23,038,544	\$23,038,544

SPENCE

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

BGB

BGB is engaged in manufacturing goods such as salmon and other processed seafoods. It was registered with the Philippine SEC in October 2009 and its registered office is located at Suite 1206, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. Its plant facilities are located in Barrio Tumbler, General Santos City.

In October 2016, the Company converted advances of \$2.57 million for 125,000,000 shares of stock of BGB (see Note 13).

PTIAFI

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

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

PTIAFI has been incurring losses due to changes in Indonesia's fishing regulations imposing moratorium on foreign vessels. This moratorium has adversely affected PTIAFI's operations. In 2017, the Company's prices have remained uncompetitive primarily due to this moratorium. This resulted to continued losses during year. The Company reassessed the recoverability of its investment in PTIAFI and recognized a provision for impairment loss amounting to \$5.00 million in 2017 (see Note 19).

AKAROA

Akaroa is a company incorporated and domiciled in New Zealand, engaged in sea cage salmon farming and operates two marine farms in Akaroa Harbor, South New Zealand. It also processes fresh and smoked salmon. Akaroa also holds 25% stake in Salmon Smolt NZ. Ltd, a modern hatchery quarantining high quality and consistent supply of smolts (juvenile salmon) for its farm.

AMHI

AMHI was incorporated in the Philippines and registered with the SEC on June 18, 2010 as a property holding company. The registered address and principal office of AMHI is at Purok Saydala, Barangay Tambler, General Santos City.

PFNZ

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

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

Financial Information

The summarized financial information of the subsidiaries with non-controlling interests as at and for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Total assets	\$9,737,122	\$9,569,843	\$10,352,867
Total liabilities	16,606,783	12,642,222	11,330,175
Equity (capital deficiency)	(6,844,828)	(3,072,379)	3,666,524
Net income (loss)	203,209	(2,328,738)	(5,992,341)

9. Property, Plant and Equipment

Movements in this account are as follows:

		2017							
		Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	Construction-In-Progress	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

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

Transportation equipment with net carrying value of \$65,769 and \$58,295 as at December 31, 2017 and 2016, respectively, are held as collateral to long-term loans (see Note 12).

As discussed in Note 1, the Company has incurred losses from operations until 2016. The Company reviewed the recoverable amounts of these assets based on value in use by projecting cash flow covering a period of five years. A determined Weighted Average Cost of Capital was used to discount the cash flows. Details of the rates used are as follows:

	Rate
Discount rate	7.66%
Growth rate	5.00%

Management determined the projected cash flows based on past performance, existing contracts and expectations on market development such as average price per full container load and revenue growth range and the related cost to generate such revenue. Management has concluded that no impairment losses have to be recognized in 2017, 2016 and 2015.

In 2016, fishing vessels with cost amounting to \$14.41 million and accumulated depreciation and impairment amounting to \$14.10 million, were reclassified to "Other noncurrent assets" as "Idle assets" as these are no longer used in operations (see Note 10).

The Company recognized a gain on disposal of transportation equipment amounting to \$627 and \$3,589 in 2017 and 2016, respectively (see Note 19).

Depreciation and amortization charged to operations are as follows:

	Note	2017	2016	2015
Cost of goods sold	17	\$306,910	\$312,617	\$301,968
Selling and administrative expenses	18	71,781	65,990	59,258
		\$378,691	\$378,607	\$361,226

The cost of fully depreciated property, plant and equipment still used in Company's operations amounted to \$0.25 million and \$0.24 million as at December 31, 2017 and 2016, respectively.

10. Other Noncurrent Assets

This account consists of:

	Note	2017	2016
Receivable from WCFI	13	\$2,182,863	\$2,182,863
Refundable lease deposits	22	1,674,393	1,613,428
Input VAT		393,693	407,825
Idle assets	9	314,320	314,320
Investments in joint ventures		280,243	280,243
		4,845,512	4,798,679
Allowance for impairment losses		(2,777,426)	(2,777,426)
		\$2,068,086	\$2,021,253

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 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, \$68,520 and \$68,448 in 2017, 2016 and 2015, respectively (see Note 4).

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Company's operations. Details of the carrying amount of the fishing vessel reclassified from property, plant and equipment are as follows (see Note 9):

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

The fishing vessel was stated at its recoverable amount which is based on scrap value. In 2016, the carrying amount of fishing vessel amounting to \$314,320 was fully provided with allowance for impairment losses (see Note 18).

Details of idle assets as at December 31, 2017 and 2016 are as follows:

	Amount
Carrying amount	\$314,320
Less allowance for impairment	314,320
	<u>\$-</u>

Investments in Joint Ventures

FDCP. FDCP is engaged in manufacturing and wholesale of tin cans. FDCP ceased manufacturing operations in September 2015. The Company recognized impairment loss of \$0.24 million in 2015 to fully provide its investment in FDCP (see Note 18). 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. The Company's investment in WCFI is fully provided with allowance for impairment losses as WCFI ceased operations in 2014.

Allowance for Impairment Losses

Details as at December 31, 2017 and 2016 are as follows:

	Note	
Receivable from WCFI	13	\$2,182,863
Investments in joint ventures		280,243
Idle assets	9	314,320
		<u>\$2,777,426</u>

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

	Note	2017	2016
Balance at beginning of year		\$2,777,426	\$2,463,106
Provision	18	–	314,320
Balance at end of year		\$2,777,426	\$2,777,426

11. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade payables:			
Third parties		\$5,212,632	\$1,933,832
Related parties	13	277,721	685,723
Accrued expenses		1,028,991	1,003,315
Statutory payable		239,812	50,703
Customers' deposits		72,299	195,398
		\$6,831,455	\$3,868,971

The Company pays in advance its purchases of frozen/imported goods. Credit term for purchases of local goods averages 30 days. No interest is charged on payables that have exceeded credit terms.

Details of accrued expenses are as follows:

	Note	2017	2016
Professional fees		\$393,849	\$315,696
Salaries and wages		130,011	76,185
Consultancy fee	13	110,154	–
Rental		106,313	118,999
Short-term employee benefits		86,253	44,383
Freight		78,061	122,478
Interest		73,736	90,595
Others		50,614	234,979
		\$1,028,991	\$1,003,315

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

12. Loans Payable

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

Short-term Loans

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

	Currency	Nominal Interest Rate	2017	2016
Local banks	USD	4.5%	\$18,487,091	\$14,967,021
Investment banks	PHP	5.0%	3,064,290	3,077,233
	USD	4.5%	2,700,000	2,700,000
			24,251,381	20,744,254
Add current portion of chattel mortgage loans			12,004	15,367
			\$24,263,385	\$20,759,621

The loans from local banks, with term of 3-6 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.

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.

Loans of \$18.48 million and \$12.47 million as at December 31, 2017 and 2016, respectively, are secured by the Company's trade receivables and inventories as follows:

	Note	2017	2016
Trade receivables	5	\$6,023,684	\$3,589,400
Inventories	6	8,251,539	2,750,488
		\$14,275,223	\$6,339,888

Chattel mortgage loans - Net of Current Portion

Terms and conditions of outstanding chattel mortgage loans from a local bank are as follows:

Currency	Nominal Interest Rate	Year of Maturity	2017	2016
PHP	9.24% - 9.59%	2021	\$50,569	\$49,080
Less current portion of long-term loans			12,004	15,367
			\$38,565	\$33,713

Loan Security. As at December 31, 2017 and 2016, chattel mortgage loans are secured by transportation equipment with carrying amount of \$65,769 and \$58,295, respectively (see Note 9).

Schedules of Principal Payments

These are summarized below:

Year	Amount
2018	\$12,004
2019	13,189
2020 - 2022	25,376
	\$50,569

Interest Expense

Interest expense arising from borrowings follows:

	Note	2017	2016	2015
Short-term loans		\$742,485	\$546,683	\$674,158
Long-term loans		4,676	70,447	150,179
Notes payable	13	13,544	10,053	104,032
Due to Parent Company	13	8,597	-	-
		\$769,302	\$627,183	\$928,369

13. Related Party Transactions

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

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2017	2016	2017	2016
Trade and Other Receivables					
Joint venture	5	\$-	\$-	\$31,080	\$31,080
Due from Related Parties					
Subsidiaries		\$595,514	\$1,089,372	\$14,500,298	\$13,904,880
Joint venture		96	-	234,185	234,089
Allowance for impairment		-	-	(6,667,442)	-
				\$8,067,041	\$14,138,969
Other Noncurrent Assets					
Joint venture	10	\$-	\$-	\$2,182,863	\$2,182,863
Subsidiaries		60,965	68,520	1,674,393	1,613,428
Allowance for impairment		-	-	(2,182,863)	(2,182,863)
				\$1,674,393	\$1,613,428
Trade and Other Payables					
Joint venture	11	-	-	\$262,844	\$262,844
Subsidiaries		(\$408,002)	\$199,299	14,877	\$422,879
Parent Company		110,154	-	110,154	-
				\$387,875	\$685,723
Notes Payable					
Subsidiary		\$2,450,000	\$1,000,000	\$3,450,000	\$1,000,000
Due to Parent Company					
		\$2,002,804	\$-	\$2,002,804	\$-

The relationship of each related party is disclosed in Note 1.

Trade Receivable, Trade Payable 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 consultancy fee. Payable to Spence pertains to interest payable. These trade accounts which resulted from these transactions are noninterest-bearing.

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 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 in 2017 on these advances follows (see Note 4):

Due from:	Interest Rate	
BGB	3.00%	\$115,060
AMHI	7.50%	47,986
Akaroa	7.00%	15,851
		<u>\$178,897</u>

In October 2016, the Company converted advances of \$2.57 million for 125,000,000 shares of stock of BGB (see Note 8).

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

Other Noncurrent Assets. Refundable lease deposit to AMHI resulted from a long-term lease contract (see Note 22). The receivable from WCFI was from the sale of fishing vessels (see Note 10).

Notes Payable. The Company's notes payable to Spence pertains to working capital advances, payable in lump-sum plus interest of 0.4% per annum broken down as follows:

	2017	2016
Current portion	<u>\$2,700,000</u>	\$1,000,000
Long-term	<u>750,000</u>	-
	<u>\$3,450,000</u>	<u>\$1,000,000</u>

Interest expense incurred amounted \$13,544, \$10,053 and \$0.10 million in 2017, 2016 and 2015, 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 is subject to 6.5% annual interest and payable within four months from drawdown date. Interest expense amounted to \$8,597 in 2017 (see Note 12). The ultimate Parent Company is Seawood Resources, Inc., a domestic company engaged in investing activities.

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

	2017	2016	2015
Short-term employee benefits	\$398,487	\$504,165	\$436,492
Post-employment benefits	35,934	39,581	16,541
	\$434,421	\$543,746	\$453,033

14. Retirement Benefit Obligation

The Company values its defined benefit obligation using projected unit credit method by the service of an independent actuary and accrues retirement benefit expense for its qualified employees. The Company has a trust agreement with a local bank establishing the Company's retirement plan. The most recent actuarial valuation was as at December 31, 2016 by independent actuary.

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

	2017	2016	2015
Service cost:			
Current service cost	\$38,802	\$70,049	\$54,246
Net interest expense	7,621	17,094	17,076
Retirement benefit costs recognized in profit or loss	\$46,423	\$87,143	\$71,322

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:

	2017	2016
Present value of defined benefit obligation	\$233,863	\$187,475
Fair value of plan assets	(42,190)	(41,636)
	\$191,673	\$145,839

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

	2017	2016
Balance at beginning of year	\$187,475	\$360,463
Current service cost	38,802	70,049
Interest cost	8,349	17,682
Benefits paid:		
From operations	–	(38,833)
From plan assets	–	(10,102)
Remeasurement gains:		
Arising from experience adjustments	–	(114,936)
Arising from changes in financial assumptions	–	(37,020)
Retirement liability reclassified to payable	–	(46,451)
Unrealized foreign exchange gain	(763)	(13,377)
Balance at end of year	\$233,863	\$187,475

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

	2017	2016
Balance at beginning of year	\$41,636	\$11,991
Interest income	728	588
Employer contribution	-	42,403
Benefits paid	-	(10,102)
Loss on plan assets	-	(916)
Unrealized foreign exchange loss	(174)	(2,328)
Balance at end of year	\$42,190	\$41,636

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

	2017	2016
Cash and cash equivalents	\$363	\$107
Debt instruments	41,889	41,585
Fees payables	(5)	(6)
Withholding taxes payable	(57)	(50)
	\$42,190	\$41,636

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

	2017	2016	2015
Discount rate	5.25%	5.25%	4.94%
Expected rate of salary increases	4.00%	4.00%	5.00%

The sensitivity analysis on the defined benefits obligations as at December 31, 2017 and 2016 is as follows:

	Effect on Retirement Benefits Obligations
1% increase in the discount rate	(\$22,013)
1% decrease in the discount rate	26,220
1% increase in the salary increase rate assumption	26,308
1% decrease in the salary increase rate assumption	(22,624)
10% improvement in employee turnover	2,984
10% increase in employee turnover	(2,984)

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

The average duration of the benefit obligation is 18 years.

15. Equity

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

	Shares	Amount
Authorized		
Ordinary shares at ₱1 par value		
Balance at beginning and end of year	3,000,000,000	₱3,000,000,000
Issued and Outstanding		
Balance at beginning of year	2,500,000,000	\$53,646,778
Treasury shares	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$53,641,004

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

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

On February 17, 2015, the BOD approved the stock rights offering of up to 1,000,000,000 shares at ₱1.0 par value a share by way of pre-emptive rights offering to eligible existing common shareholders of the Company at the proportion of 1 rights offer for every one and ½ existing common shares held as of record date.

On October 28, 2015, the SEC approved the increase in the Company's authorized capital stock from ₱1,500.00 million divided into 1,500,000,000 shares to ₱3,000.00 million divided into 3,000,000,000 shares at ₱1.00 par value a share.

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

On July 20, 2017 and September 7, 2017, the BOD and Stockholders, respectively, approved the Company's plan to undergo an equity restructuring to eliminate the Company's deficit, as follows:

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

On March 23, 2018, the SEC approved the equity restructuring.

As at December 31, 2017 and 2016, additional paid-in capital amounted to \$6.66 million.

The Company has 236 and 256 shareholders as at December 31, 2017 and 2016, respectively.

16. Net Sales

This account consists of:

	2017	2016	2015
Net sales of fish products	\$39,691,190	\$28,938,265	\$32,168,987
Others	1,629,005	2,173,206	2,240,609
	<u>\$41,320,195</u>	<u>\$31,111,471</u>	<u>\$34,409,596</u>

Others pertain to sale of fishmeal.

17. Cost of Goods Sold

This account consists of:

	Note	2017	2016	2015
Direct materials		\$30,189,700	\$25,571,245	\$22,950,029
Direct labor		2,460,057	2,258,881	2,006,521
Manufacturing overhead:				
Warehousing		925,600	1,113,311	1,031,855
Fuel		989,675	835,778	862,005
Light and water		386,492	277,811	187,738
Depreciation and amortization	9	306,910	312,617	301,968
Rental	22	117,196	662,944	500,800
Others		1,432,138	861,274	1,632,468
Total manufacturing costs		36,807,768	31,893,861	29,473,384
Finished goods, beginning	6	3,818,280	3,913,443	7,715,605
Total cost of goods manufactured		40,626,048	35,807,304	37,188,989
Finished goods, ending	6	(3,658,870)	(3,818,280)	(3,913,443)
		\$36,967,178	\$31,989,024	\$33,275,546

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

18. Selling and Administrative Expenses

This account consists of:

	Note	2017	2016	2015
Salaries, wages and other benefits		\$959,548	\$1,130,481	\$935,813
Outside services		634,253	345,328	856,803
Taxes and licenses		300,997	237,636	438,309
Impairment loss on:				
Inventories	6	230,780	267,059	3,441,498
Trade and other receivables	5	57,275	42,925	123,651
Other noncurrent assets	10	-	314,320	240,964
Property, plant and equipment	9	-	-	101,406
Representation and entertainment		139,263	153,659	122,103
Transportation and travel		133,208	203,930	146,264
Security fees		79,307	77,134	68,282
Depreciation and amortization	9	71,781	65,990	59,258
Business development		71,641	89,505	59,019
Rental	22	53,532	59,177	116,693
Utilities and communication		48,896	62,647	71,327
Retirement benefit costs	14	46,423	87,143	71,322
Insurance		32,446	76,085	82,292
Materials and supplies		26,860	18,014	34,710
Fuel and oil		22,192	43,231	112,099
Buyer's claims		16,504	25,407	624,919
Others		342,133	167,489	330,964
		\$3,267,039	\$3,467,160	\$8,037,696

19. Other Income (Charges)

This account consists of:

	Note	2017	2016	2015
Impairment losses on:				
Due from PTIAFI	13	(\$6,667,442)	\$-	\$-
Investment in PTIAFI	8	(4,999,000)	-	-
Management fee	13	400,000	400,000	300,000
Interest income	4	263,613	145,212	167,723
Bank charges		(128,841)	(82,810)	(91,734)
Foreign exchange gain (loss)		(34,703)	108,584	220,463
Gain on disposal of transportation equipment	9	627	3,589	-
Loss on disposal of investment	8	-	-	(599,487)
Reversal of allowance for impairment on other noncurrent assets		-	-	5,821,845
Provision for impairment loss in fishing vessel		-	-	(5,821,845)
Reversal of allowance for inventory obsolescence		-	-	368,294
Others		235,997	114,209	(288,799)
		(\$10,929,749)	\$688,784	\$76,460

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

20. Employee Benefits

This account consists of:

	Note	2017	2016	2015
Short-term employee benefits		\$3,188,231	\$3,143,395	\$3,067,058
Post-employee benefits	14	46,423	87,143	71,322
		\$3,234,654	\$3,230,538	\$3,138,380

21. Loss Per Share

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

	2017	2016	2015
Loss for the year	(\$8,972,209)	(\$3,984,937)	(\$7,220,431)
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463	1,677,794,655
	(\$0.00359)	(\$0.00159)	(\$0.00430)

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

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

22. Significant Agreements

Operating Lease Agreements

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

In addition, the Company shall pay an amount equivalent to 36 months rental of \$1.63 million as security deposits.

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

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

Refundable lease deposits amounted to \$1.67 million and \$1.61 million as at December 31, 2017 and 2016, respectively (see Note 10).

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

	Note	2017	2016	2015
Cost of goods sold	17	\$117,196	\$662,994	\$500,800
Selling and administrative expenses	18	53,532	59,177	116,693
		\$170,728	\$722,171	\$617,493

Minimum lease payments under noncancellable operating leases are as follows:

	2017	2016
Not later than one year	\$29,766	\$597,097
Later than one year but not later than five years	—	872,700
	\$29,766	\$1,469,797

23. Corporate Social Responsibility

For the past six (6) years, the Company has been giving back to the community through the feeding program conducted in Banisil High School located in General Santos City. The program aimed to feed underweight students in an attempt to combat frequent absences and poor academic performance as well as educate the families about proper nutrition for their children. The feeding program was completed by 2017. The Company is now developing its corporate social responsibility program to focus on the local workers' community welfare, as well as promoting a clean and healthy environment together with energy conservation, for commencement in 2018.

24. Income Taxes

Current Tax

The Company's current income tax expense represents minimum corporate income tax amounting to \$94,961, \$420 and \$35,221 in 2017, 2016 and 2015, respectively.

Deferred Tax

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

	2017	2016
Deferred tax assets		
Allowance for impairment losses on:		
Property, plant and equipment	\$4,208,964	\$4,208,964
Due from PTIAFI	2,000,233	-
Other noncurrent assets	738,932	738,932
Inventories	216,847	417,244
Receivables	202,544	185,362
NOLCO	1,924,326	1,993,774
MCIT	95,381	420
Retirement benefit obligation	57,502	43,752
Unrealized foreign exchange loss	5,510	-
Rental payable	-	126,464
Accrued expenses	-	17,250
	9,450,239	7,732,162
Deferred tax liability		
Unrealized foreign exchange gain	-	17,748
	\$9,450,239	\$7,714,414

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

Inception Year	Amount	Expired/Applied	Balance	Expiry Year
2016	\$4,876,913	\$-	\$4,876,913	2019
2015	3,916,364	-	3,916,364	2018
2014	877,793	877,793	-	2017
	\$9,671,070	\$877,793	\$8,793,277	

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

Inception Year	Amount	Expired/Applied	Balance	Expiry Year
2017	\$94,961	\$-	\$94,961	2020
2016	420	-	420	2019
2015	35,221	-	35,221	2018
2014	69,260	69,260	-	2017
	\$199,862	\$69,260	\$130,602	

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

	2017	2016
NOLCO	\$713,657	\$907,547
Excess MCIT over RCIT	35,221	104,481
	\$748,878	\$1,012,028

The Company has assessed that with the new strategic plan being implemented to turn-around the business, the Company will generate enough taxable income to utilize the total deferred tax assets of \$9.45 million and \$7.73 million as at December 31, 2017 and 2016, respectively.

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

	2017	2016	2015
Benefit from income tax computed at statutory tax rate	(\$3,183,922)	(\$1,284,934)	(\$2,326,667)
Change in unrecognized deferred tax assets	(263,150)	257,426	1,411,069
Expired MCIT	69,260	52,786	-
Tax effects of:			
Impairment loss on investment in PTIAFI	1,499,700	-	418,381
Expired NOLCO	202,803	701,816	-
Nondeductible expense	57,761	-	-
Interest income from accretion of refundable lease deposit	(20,326)	(20,556)	(20,534)
Interest income already subjected to final tax	(5,089)	(23,008)	(29,783)
Nondeductible interest expense	2,099	9,491	12,285
Effect of foreign exchange gain	-	8,804	125
	(\$1,640,864)	(\$298,175)	(\$535,124)

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, 2017 and 2016.

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$2,225,131	\$2,225,131	\$4,186,918	\$4,186,918
Trade and other receivables	6,249,389	6,249,389	3,695,787	3,695,787
Due from related parties	8,067,041	8,067,041	14,138,969	14,138,969
Refundable lease deposits	1,674,393	1,674,393	1,613,428	1,613,428
	\$18,215,954	\$18,215,954	\$23,635,102	\$23,635,102
Financial Liabilities				
Trade and other payables*	\$6,519,344	\$6,519,344	\$3,622,870	\$3,622,870
Loans payable	24,301,950	24,307,309	20,793,334	20,788,462
Notes payable	3,450,000	3,447,690	1,000,000	1,000,000
Due to Parent Company	2,002,804	2,002,804	-	-
	\$36,274,098	\$36,277,147	\$25,416,204	\$25,411,332

* Excluding statutory payable and customers' deposits

Due to the short-term maturities of cash and cash equivalents, trade and other receivables, due from related parties, 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 2017, 2016 and 2015.

26. Financial Risk Management Objectives and Policies

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

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

Credit Risk

Credit risk is a risk when a counterparty fails to fulfill its obligations to the Company.

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

	2017	2016
Cash and cash equivalents	\$2,225,131	\$4,186,918
Trade and other receivables	6,249,389	3,695,787
Due from related parties	8,067,041	14,138,969
Refundable lease deposits	1,674,393	1,613,428
	\$18,215,954	\$23,635,102

The Company, however, deals only with reputable banks and customer to limit this risk.

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

	2017				Impaired Financial Assets	Total
	Neither Past Due nor Impaired	Past Due 1 - 30 Days Past Due	Account but not Impaired 31 - 60 Days Past Due	Over 60 Days		
Cash and cash equivalents	\$2,225,131	\$-	\$-	\$-	\$-	\$2,225,131
Trade and other receivables	4,082,249	678,202	371,109	1,117,829	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
	\$13,467,281	\$678,202	\$371,109	\$3,699,362	\$7,342,589	\$25,558,543

	2016					Impaired Financial Assets	Total
	Neither Past Due nor Impaired	Past Due 1 - 30 Days Past Due	Account but not 31 - 60 Days Past Due	Impaired Over 60 Days			
Cash and cash equivalents	\$4,186,918	\$-	\$-	\$-	\$-	\$4,186,918	
Trade and other receivables	2,931,672	146,243	-	617,872	617,872	4,313,659	
Due from related parties	13,904,880	-	-	234,089	-	14,138,969	
Refundable lease deposits	1,613,428	-	-	-	-	1,613,428	
	<u>\$22,636,898</u>	<u>\$146,243</u>	<u>\$-</u>	<u>\$851,961</u>	<u>\$617,872</u>	<u>\$24,252,974</u>	

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

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

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

Substandard Grade. Receivables from other counterparties with history of defaulted payments.

Interest Rate Risk

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

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

Management believes that any variation in the interest will not have a material impact on the net profit of the Company.

Bank and mortgage loans as disclosed in Note 12 agreed at interest rates ranging from approximately 4.5% to 9.59% per annum for bank and mortgage loans; expose the Company to fair value interest rate risk.

The Company has no borrowings with floating interest rate.

Liquidity Risk

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

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

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

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

2017				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	Nil	\$6,519,344	\$-	\$6,519,344
Loans payable	4.50% - 9.59% p.a	24,263,385	38,565	24,301,950
Notes payable	0.40% p.a	2,700,000	750,000	3,450,000
Future interest	4.50% - 9.59% p.a	29,603	11,111	40,714
Due to Parent Company	6.50% p.a	2,002,804	-	2,002,804
		\$35,515,136	\$799,676	\$36,314,812

*Excluding statutory payable and customers' deposits aggregating \$312,111

2016				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	Nil	\$3,622,870	\$-	\$3,622,870
Loans payable	2.50% - 9.59% p.a	20,759,621	33,713	20,793,334
Future interest	2.50% - 9.59% p.a	8,466	5,743	14,209
Notes payable	0.40% p.a	1,000,000	-	1,000,000
		\$25,390,957	\$39,456	\$25,430,413

*Excluding statutory payable and customers' deposits aggregating \$246,101

Foreign Currency Risk

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

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

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

	2017	2016
Cash and cash equivalents	\$370,606	\$2,011,822
Trade and other receivables	153,582	149,312
Due from related parties	4,995,995	4,886,649
Trade and other payables	(5,338,616)	(2,657,434)
Loans payable	(3,114,859)	(5,586,421)
Due to Parent Company	(2,002,804)	-

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 foreign currency rates.

The sensitivity analysis includes all of the Company's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in net profit when the U.S. Dollar strengthens by 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 net profit and the balances on the following table would be negative.

The following table details the Company's sensitivity to a 6% increase and decrease in the U.S. Dollar against the relevant foreign currency.

	Effect on Loss Before Tax	
	2017	2016
Cash and cash equivalents	\$22,236	\$120,709
Trade and other receivables	9,215	8,959
Due from related parties	299,760	293,199
Trade and other payables	(320,317)	(159,446)
Loans payable	(186,892)	(335,185)
Due to Parent Company	(120,168)	-
	(\$296,166)	(\$71,764)

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 Parent Company decided to undertake an equity restructuring which will result to 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.

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

	2017	2016
Debt	\$36,777,882	\$25,808,144
Equity	28,875,873	37,848,082
Debt-to-Equity Ratio	1.27:1	0.68:1

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

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				2017
	2016	Availments	Payments	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	769,302	(786,161)	-	73,736
	\$21,883,929	\$34,344,651	(\$26,394,763)	(\$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.
Unit 1206 East Tower
Philippine Stock Exchange Centre, Exchange Road
Ortigas Avenue, Pasig City

We have audited the accompanying separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated March 23, 2018.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has two hundred twenty one (221) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 6607954

Issued January 3, 2018, Makati City

March 23, 2018
Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing the separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at and for the year ended December 31, 2017, and have issued our report thereon dated March 23, 2018. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

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

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

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 1021-AR-2 Group A

Valid until March 27, 2020

BIR Accreditation No. 08-005144-005-2017

Valid until January 13, 2020

PTR No. 6607954

Issued January 3, 2018, Makati City

March 23, 2018
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, 2017

Deficit at beginning of year as shown in the separate financial statements	(\$22,528,486)
Less deferred tax assets at the beginning of year	(7,732,162)
Add deferred tax liability at the beginning of year	17,748
Total deficit, as adjusted at beginning of year	(30,242,900)
Net loss during the year closed to retained earnings	(8,972,209)
Less:	
Movement in deferred tax assets	1,718,077
Movement in deferred tax liability	17,748
Treasury shares	5,774
Total retained earnings available for dividend declaration at end of year	\$-

Reconciliation:

Deficit at end of year as shown in the separate financial statements	(\$31,500,695)
Less:	
Deferred tax assets as at end of year	9,450,239
Treasury shares	5,774
Total retained earnings available for dividend declaration at end of year	\$-

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

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

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

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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
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			✓
	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	Title	Adopted	Not Adopted	Not Applicable
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			✓

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
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 18	Revenue	✓		
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 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	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			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
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	✓		
	Amendments to PAS 41: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓