

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 1 9 1 3 8

COMPANY NAME

A	L	L	I	A	N	C	E	S	E	L	E	C	T	F	O	O	D	S	I	N	T	E	R	N	A	T	I	O	N	A	L	,
I	N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S	(	A	S	U	B	S	I	D	I	A	R	Y)	
o	f	S	t	r	o	n	g	o	a	k	I	n	c	.)																	

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

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Form Type

1 7 - Q

Department requiring the report

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@allianceselectfoods.com	632 747-3798	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
237	June 15	December 31

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Raymond K.H. See	info@allianceselectfoods.com	632 747-3798	-

CONTACT PERSON'S ADDRESS

Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City

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

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

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

(Company's Full Name)

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

(Company's Address)

632 747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17-Q

(Form Type)

(Amendment Designation if applicable)

For the Period Ended June 30, 2019

(Period Ended Date)

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2019
2. Commission identification number CS200319138
3. BIR Tax Identification No. 227-409-243-000
4. Exact name of issuer as specified in its charter Alliance Select Foods International, Inc.
5. Pasig City, Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Suite 3104A West Tower PSEC Exchange Rd. Ortigas Center Pasig City 1605
Address of issuer's principal office Postal Code
8. 632 747 - 3798
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes [/] No []

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

The Phil. Stock Exchange - Common shares

12. Indicate by check mark whether the registrant:

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

Yes [/] No []

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

Yes [/] No []

PART II - FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Alliance Select Foods International, Inc. (the “Company” or “Parent Company”) and its Subsidiaries (collectively referred to as the “Group”) as at and for the six months ended June 30, 2019 (with comparative figures as at December 31, 2018 and for the six months ended June 30, 2018) and selected notes to the Consolidated Financial Statements are hereto attached as Annex “A”.

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

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

The following discussion should be read in conjunction with the attached unaudited financial statements of the Group as at and for the six months ended June 30, 2019, with comparative figures at December 31, 2018 and for the six months ended June 30, 2018, as appropriate.

The table below shows the comparison of key operating results for the six-month period ended June 30, 2019 versus the same period in 2018.

In USD'000	For the Six Months Ended June 30	
	2019	2018
Revenue – net	\$43,095	\$48,061
Gross Profit	5,268	7,197
Gross Profit Margin	12%	15%
Selling and Administrative Expenses	3,890	3,994
Other Income (Charges) - Net	(146)	243
Finance Costs	1,061	738
Income Before Tax	171	2,708
Income Tax Expense	153	388
Income for the Period	18	2,320
Attributable to:		
Equity holders of the parent	\$7	\$2,201
Non-controlling interest	11	119
	\$18	\$2,320

Results of operations

Six months ended June 30, 2019 versus June 30, 2018

The Group’s consolidated net revenue of \$43.1 million for the first half of 2019 declined by 10% versus last year’s \$48.1 million in the same reporting period. The tuna segment’s year to date sales decreased by 9% versus same period last year caused by the lower market price of raw fish. On the other hand, securing a particular salmon specie requirement continues to challenge the salmon segment as its sales performance dropped by 14%.

The first half of 2019 reported a gross profit of \$5.3 million with a corresponding GP rate of 12%.

Selling and administrative expenses declined by 3% versus same period last year attributable to lower spending on people cost, savings on travel and reduced freight payments as a result of lower salmon segment volume sales.

Finance cost increased by 44% due to both higher interest rates and higher working capital requirements.

Financial Position

As at June 30, 2019 versus December 31, 2018

The Group's trade and other receivables grew by 26% as ASFII's net revenues increased by \$2.0 million in the second quarter of the current period versus the fourth quarter of last year. These receivables are expected to be fully collected in the third quarter.

The growth in the Group's inventory level is driven by the 25% net increase in ASFII's inventory.

KEY PERFORMANCE INDICATORS

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

Liquidity and Solvency	June 30, 2019	December 31, 2018
Current ratio	1.01	1.02
Debt to equity ratio	1.23	1.12

For the Six Months Ended June 30

Profitability	2019	2018
Revenue growth rate	-10.33%	38.44%
Net profit margin	0.02%	4.63%
Return on average stockholders' equity	0.02%	5.95%

The following defines each ratio:

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

PART II - OTHER INFORMATION

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


SIGNATURES

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

ALLIANCE SELECT FOODS INTERNATIONAL, INC.



JENNIFER C. PORSUELO
 Group Comptroller



LISA ANGELA Y. DEJADINA
 Senior Vice President for Group Operations

SUBSCRIBED AND SWORN to before me this 14 AUG 2019 at PASIG CITY affiants exhibiting to me their government issued identification cards, as follows:

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

Doc. No. 339
 Page No. 69
 Book No. I
 Series of 2019



ATTY. GINO MARCO P. BAUTISTA
 Notary Public for Pasig, San Juan, and Pateros
 Commission No. 135 (2018-2019)
 Until December 31, 2019
 3104 A, West Tower, Phil. Stock Exchange Centre,
 Exchange Road, Ortigas Center, Pasig City
 PTR No. 5281587/1-14-2019/Pasig City
 IBP No. 069385/1-15-2019/Quezon City
 Roll of Attorneys No. 58507
 MCLE Compliance No. VI-0025935;4-29-2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	June 30, 2019	December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$4,203,254	\$7,012,332
Trade and other receivables	6	14,986,108	11,848,595
Inventories	7	17,735,827	13,945,762
Other current assets	8	8,195,937	8,154,691
Total Current Assets		45,121,126	40,961,380
Noncurrent Assets			
Property, plant and equipment	9	15,485,528	15,486,050
Goodwill	4	9,502,585	9,502,585
Deferred tax assets		9,405,671	9,433,423
Other noncurrent assets		1,829,322	1,655,214
Total Noncurrent Assets		36,223,106	36,077,272
		\$81,344,232	\$77,038,652
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	\$8,922,516	\$9,119,103
Loans payable	11	35,470,585	30,917,296
Due to related parties		91,897	91,530
Income tax payable		55,999	186,662
Total Current Liabilities		44,540,997	40,314,591
Noncurrent Liabilities			
Loans payable - net of current portion		12,040	46,989
Net retirement benefit obligation		229,698	223,134
Deferred tax liabilities		142,690	142,544
Refundable lease deposits		21,205	20,655
Total Noncurrent Liabilities		405,633	433,322
Total Liabilities		44,946,630	40,747,913
Equity			
	12		
Capital stock		26,823,389	26,823,389
Additional paid-in capital		1,486,546	1,486,546
Other comprehensive income		1,048,431	960,207
Retained earnings		9,298,581	9,291,312
		38,656,947	38,561,454
Treasury shares		(5,774)	(5,774)
Equity attributable to equity holders of the Parent			
Company		38,651,173	38,555,680
Non-controlling interests		(2,253,571)	(2,264,941)
Total Equity		36,397,602	36,290,739
		\$81,344,232	\$77,038,652

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Quarter Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
NET SALES	\$23,498,152	\$24,409,785	\$43,094,694	\$48,060,717
COST OF GOODS SOLD	13 (20,948,485)	(20,640,324)	(37,826,194)	(40,864,063)
GROSS PROFIT	2,549,667	3,769,461	5,268,500	7,196,654
SELLING AND ADMINISTRATIVE EXPENSES	(1,929,010)	(2,048,877)	(3,889,675)	(3,994,217)
INTEREST EXPENSE	11 (509,663)	(409,125)	(1,061,402)	(737,932)
OTHER INCOME (CHARGES) - Net	(46,616)	(251,900)	(146,501)	243,239
INCOME BEFORE INCOME TAX	64,378	1,059,559	170,922	2,707,744
INCOME TAX EXPENSE	58,605	44,398	153,119	387,556
NET INCOME	5,773	1,015,161	17,803	2,320,188
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	49,835	(109,217)	88,224	(185,230)
TOTAL COMPREHENSIVE INCOME	\$55,608	\$905,944	\$106,027	\$2,134,958
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company	\$14,427	\$986,095	\$7,269	\$2,201,108
Noncontrolling interests	(8,654)	29,066	10,534	119,080
	\$5,773	\$1,015,161	\$17,803	\$2,320,188
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	\$67,518	\$899,857	\$94,657	\$2,037,748
Noncontrolling interests	(11,910)	6,087	11,370	97,210
	\$55,608	\$905,944	\$106,027	\$2,134,958
EARNINGS PER SHARE				
Basic and diluted earnings per share	14 \$0.00001	\$0.00040	\$0.00000	\$0.00088

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	June 30, 2019	December 31, 2018	June 30, 2018	December 31, 2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Capital Stock					
	12				
Balance at beginning of year		\$26,823,389	\$53,646,778	\$53,646,778	\$53,646,778
Effect of equity restructuring		–	(26,823,389)	(26,823,389)	–
Balance at end of period		26,823,389	26,823,389	26,823,389	53,646,778
Additional Paid-in Capital (APIC)					
Balance at beginning of year		1,486,546	6,662,001	6,662,001	6,662,001
Effect of equity restructuring		–	26,823,389	26,823,389	–
Application of APIC to Deficit		–	(31,998,844)	(31,998,844)	–
Balance at end of period		1,486,546	1,486,546	1,486,546	6,662,001
Other Comprehensive Income					
<i>Cumulative Remeasurement on Retirement Obligation</i>					
Balance at beginning of year		87,276	55,190	55,190	55,190
Remeasurement gain on retirement		–	32,086	–	–
Balance at end of period		87,276	87,276	55,190	55,190
<i>Revaluation Reserves</i>					
Balance at beginning and end of period		275	275	275	275
<i>Cumulative Translation Adjustment</i>					
Balance at beginning of year		872,656	877,684	877,684	893,534
Exchange differences on foreign currency translation		88,224	(5,028)	(185,230)	(15,850)
Balance at end of period		960,880	872,656	692,454	877,684
Total balance at end of year of other comprehensive income		1,048,431	960,207	747,919	933,149
Retained Earnings (Deficit)					
Balance at beginning of year		9,291,312	(25,231,797)	(25,231,797)	(26,669,068)
Application of APIC to Deficit		–	31,998,844	31,998,844	–
Net income		7,269	2,524,265	2,201,108	1,437,271
Balance at end of period		9,298,581	9,291,312	8,968,155	(25,231,797)
Treasury Shares					
		(5,774)	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS					
Balance at beginning of year		(2,264,941)	(2,315,859)	(2,315,859)	(2,470,729)
Total comprehensive income attributable to non-controlling interests		11,370	50,918	97,210	154,870
Balance at end of period		(2,253,571)	(2,264,941)	(2,218,649)	(2,315,859)
		\$36,397,602	\$36,290,739	\$35,801,586	\$33,688,498

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$170,922	\$2,707,744
Adjustments for:		
Depreciation and amortization	520,269	592,364
Interest expense	1,061,402	737,932
Unrealized foreign exchange gain	(297,929)	(379,275)
Retirement benefit	43,381	44,938
Interest income	(53,239)	(54,473)
Loss on disposal of property, plant and equipment	-	768
Operating income before working capital changes	1,444,806	3,649,998
Decrease (increase) in:		
Trade and other receivables	(2,714,735)	(2,321,369)
Inventories	(3,789,952)	(5,072,139)
Other current assets	(370,923)	399,536
Other noncurrent assets	(81,906)	(104,753)
Decrease in trade and other payables	(521,586)	(1,738,065)
Net cash used in operations	(6,034,296)	(5,186,792)
Income tax paid	(256,029)	(222,320)
Interest received	53,239	54,473
Net cash used in operating activities	(6,237,086)	(5,354,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(437,032)	(383,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availments	4,795,045	6,884,663
Payments of interest	(1,009,503)	(533,669)
Increase in due to a related party	367	175,329
Net cash from financing activities	3,785,909	6,526,323
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	79,131	51,859
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(2,809,078)	840,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
	7,012,332	4,427,478
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
	\$4,203,254	\$5,267,970

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 seafood. Its shares are listed in the Philippine Stock Exchange (PSE) since November 8, 2006.

Strongoak Inc. (Strongoak), the immediate parent of ASFII, owns 55.32% of ASFII. Strongoak is a domestic company engaged in investment activities.

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

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

Subsidiaries

The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the “Group”) as at June 30, 2019 and December 31, 2018:

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

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

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

PTIAFI and PT VDZ. PTIAFI was established under the Indonesian Foreign Capital Investment Law and is primarily engaged in canned fish processing exclusively for international market. The plant is located in Bitung Indonesia.

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

The interim consolidated financial statements are presented in United States (U.S.) Dollar, the functional currency of the primary economic environment in which the Parent Company operates.

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

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As of June 30, 2019, there were no changes in the Parent Company's ownership interests in its subsidiaries.

Significant Accounting Judgments, Estimates and Assumptions

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

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

3. Summary of Significant Accounting Policies

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and interpretations which the Group adopted effective January 1, 2019:

- PFRS 16, *Leases*

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

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

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

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

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

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

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

Deferred effectivity

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

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

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

4. Goodwill

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

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

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

5. Cash and Cash Equivalents

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

Cash in banks earn interest at prevailing bank deposit rates.

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

6. Trade and Other Receivables

This account consists of:

	June 30, 2019	December 31, 2018
Trade receivables	\$15,105,371	\$12,208,171
Others	1,927,687	1,687,374
	17,033,058	13,895,545
Less allowance for impairment losses	2,046,950	2,046,950
	<u>\$14,986,108</u>	<u>\$11,848,595</u>

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

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

7. Inventories

This account consists of:

	June 30, 2019	December 31, 2018
Finished goods	\$9,024,752	\$7,049,815
Raw materials	8,539,091	7,089,102
Parts and supplies	362,466	325,299
Work-in-process	354,615	240,694
Allowance for impairment loss	(545,097)	(759,148)
	<u>\$17,735,827</u>	<u>\$13,945,762</u>

8. Other Current Assets

This account consists of:

	June 30, 2019	December 31, 2018
Advances to suppliers	\$6,537,893	\$7,068,066
Input VAT	677,113	611,827
Other prepayments	980,931	474,798
	<u>\$8,195,937</u>	<u>\$8,154,691</u>

9. Property, Plant and Equipment

	June 30, 2019	December 31, 2018
Cost		
Beginning of period	\$25,611,632	\$25,186,930
Net additions	519,747	424,702
End of period	<u>26,131,379</u>	<u>25,611,632</u>
Accumulated depreciation and amortization		
Beginning of period	8,427,118	7,384,097
Depreciation and amortization	520,269	1,043,021
End of period	<u>8,947,387</u>	<u>8,427,118</u>
Allowance for impairment		
Beginning and end of period	<u>1,698,464</u>	<u>1,698,464</u>
	<u>\$15,485,528</u>	<u>\$15,486,050</u>

10. Trade and Other Payables

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

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

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

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

11. Loans Payable

Loans payable include borrowings from local banks and investment banks.

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

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

12. Equity

Capital Stock

Details of the Company's capital stock as at June 30, 2019 and December 31, 2018 are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at P0.5 and P1 par value				
Balance at beginning of year	3,000,000,000	₱1,500,000,000	3,000,000,000	₱3,000,000,000
Effect of equity restructuring	–	–	–	1,500,000,000
Balance at end of year	3,000,000,000	₱1,500,000,000	3,000,000,000	₱1,500,000,000
Issued and Outstanding				
Balance at beginning of year	2,500,000,000	\$26,823,389	2,500,000,000	\$53,646,778
Effect of equity restructuring	–	–	–	26,823,389
Total issued and fully paid	2,500,000,000	26,823,389	2,500,000,000	26,823,389
Treasury Stock	(287,537)	(5,774)	(287,537)	(5,774)
Balance at end of year	2,499,712,463	\$26,817,615	2,499,712,463	\$26,817,615

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

13. Cost of Goods Sold

This account consists of:

	2019	2018
Raw materials used	\$31,784,150	\$34,363,346
Direct labor	4,020,060	3,817,916
Manufacturing overhead	3,996,921	3,802,964
Total manufacturing costs	39,801,131	41,984,226
Finished goods, beginning	7,049,815	5,413,534
Total cost of goods manufactured	46,850,946	47,397,760
Finished goods, ending	(9,024,752)	(6,533,697)
	\$37,826,194	\$40,864,063

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

14. Income Per Share

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

	2019	2018
Net income attributable to Parent Company	\$7,269	\$2,201,108
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463
	<u>\$0.000003</u>	<u>\$0.000881</u>

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

15. Significant Agreements

Supply Agreement

The Parent Company entered into an exclusive supply agreement with a customer to provide specified products for duration of five years starting 2018, renewable upon mutual agreement by both parties.

Operating Lease Agreements

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

16. Financial Risk Management Objectives and Policies

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

The Group's is exposed to credit risk, market risk and liquidity risk. The Group's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk

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

The gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements amounted to \$20.1 million and \$21.8 million as of June 30, 2019 and December 31, 2018, respectively.

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

are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

As at June 30, 2019 and December 31, 2018, the aging analysis of the Group's financial assets is as follows:

	2019					
	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	\$4,191,825	\$-	\$-	\$-	\$-	\$4,191,825
Cash equivalents	5,243	-	-	-	-	5,243
Trade and other receivables	11,905,491	2,267,356	21,816	791,444	2,046,950	17,033,057
Receivable from PFNZ*	887,270	-	-	-	-	887,270
	\$16,989,829	\$2,267,356	\$21,816	\$791,444	\$2,046,950	\$22,117,395

* Under other noncurrent assets

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

* Under other noncurrent assets

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

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

Market Risk

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

The sensitivity analyses in the following sections relate to the position as at June 30, 2019 and December 31, 2018.

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

- The sensitivity of the relevant items in the statement of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at June 30, 2019 and December 31, 2018.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at June 30, 2019 for the effects of the assumed changes of the underlying risk.

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.

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

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

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

Capital Management

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

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

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at June 30, 2019 and December 31, 2018, follows:

	2019	2018
Debt	\$44,946,630	\$40,747,913
Equity	36,397,602	36,290,739
Debt-to-Equity Ratio	\$1.23:1	\$1.12:1

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

Debt is composed of trade and other payables, loans payable, due to related parties and income tax payable, while equity includes share capital, reserves of the Group and non-controlling interests, less treasury shares. The computed ratios above are acceptable.

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