

COVER SHEET

for FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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| 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 | I | A | R | Y |
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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

info@allianceselectfoods.com

Company's Telephone Number/s

632 7747-3798

Mobile Number

-

No. of Stockholders

238

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

632 7747-3798

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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

SEC Number CS200319138
File Number

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

(Company's Full Name)

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

(Company's Address)

632 7747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17-Q

(Form Type)

(Amendment Designation if applicable)

For the Quarter Ended September 30, 2020

(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 September 30, 2020
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 7747 - 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 nine months ended September 30, 2020 (with comparative figures as at December 31, 2019 and for the period ended September 30, 2019) 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 nine months ended September 30, 2020, with comparative figures as at December 31, 2019 and for the period ended September 30, 2019, as appropriate.

The table below shows the comparisons of key operating results for the nine-month period ended September 30, 2020 versus the same period in 2019.

| | For the Nine Months Ended September 30 | |
|-------------------------------------|--|-----------------|
| In USD'000 | 2020 | 2019 |
| Revenue – net | \$51,941 | \$66,668 |
| Gross Profit | 4,523 | 7,847 |
| Gross Profit Margin | 9% | 12% |
| Selling and Administrative Expenses | 4,251 | 5,924 |
| Other Income (Charges) - Net | 180 | (134) |
| Finance Costs | 793 | 1,600 |
| Income (Loss) Before Tax | (340) | 242 |
| Income Tax Expense | 275 | 189 |
| Income (Loss) for the Period | (615) | 53 |
| Attributable to: | | |
| Equity holders of the parent | (\$747) | \$48 |
| Non-controlling interest | 132 | 4 |
| | (\$615) | \$18 |

** numbers may not add up due to rounding*

Results of operations

Nine months ended September 30, 2020 versus September 30, 2019

The Group's consolidated net revenues of \$51.9 million for the nine months ended September 30, 2020 was 22% lower than the revenues of \$66.7 million in the same reporting period last year. Revenues from 2019 included sales from Spence.

The year to date gross profit is at of \$4.5 million, with GP rate of 9% versus 12% in the previous year. Sales decline and slim margins were mainly due to competition.

Excluding Spence, selling and administrative expenses is flat versus the same reporting period last year.

Despite relatively weak group profitability, improved working capital management has allowed for a net repayment of around \$6 million of loans, delivering substantial savings on interest expense.

Financial Position

As at September 30, 2020 versus December 31, 2019

The increase in the Group's receivable balance was driven mainly by ASFII parent and partly offset by an increase in payable balance.

Inventory management and timing of raw material deposits significantly improve cash flow from operations.

No significant raw material deposits at the end of the quarter.

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 | September 30, 2020 | December 31, 2019 |
|------------------------|--------------------|-------------------|
| Current ratio | 1.33 | 1.28 |
| Debt to equity ratio | 0.97 | 1.17 |

For the Nine Months Ended September 30

| Profitability | 2020 | 2019 |
|--|--------|-------|
| Revenue growth rate | -22% | -10% |
| Net profit margin | -2.55% | 0.07% |
| Return on average stockholders' equity | -1.44% | 0.13% |

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

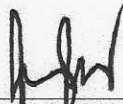
PART II - OTHER INFORMATION

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.



LEAH T. PORTEZA
Finance Head



LISA ANGELA Y. DEJADINA
Senior Vice President for Group Operations

SUBSCRIBED AND SWORN to before me this 10 NOV 2020 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 |
|-------------------------|----------------------|---------------|------------------|------------|
| Leah T. Porteza | Passport-P3239274A | 05-30-2017 | DFA, P. Princesa | 05-29-2022 |
| Lisa Angela Y. Dejadina | Passport-P1427002A | 12-30-2016 | DEA, NCR East | 12-29-2021 |

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Page No. 106
Book No. I
Series of 2020



ATTY. GINO MARCO P. BAUTISTA
Notary Public for Pasig, San Juan, and Pateros
Commission No. 106 (2020-2021)
Until December 31, 2021
3104 A, West Tower, Phil. Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City
PTR No. 6533463/1-17-2020/Pasig City
IBP No. 097335/12-12-2019/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 | September 30, 2020 | December 31, 2019 |
|---|-------|-----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | \$1,269,191 | \$1,871,461 |
| Trade and other receivables | 6 | 12,729,399 | 12,113,532 |
| Inventories | 7 | 10,739,532 | 12,659,074 |
| Other current assets | 8 | 4,649,477 | 10,141,102 |
| Total Current Assets | | \$29,387,599 | 36,785,169 |
| Noncurrent Assets | | | |
| PPE and ROU | | 20,750,426 | 20,299,205 |
| Goodwill | 4 | 2,050,639 | 2,050,639 |
| Deferred tax assets | | 7,696,682 | 7,888,015 |
| Other noncurrent assets | | 836,084 | 784,984 |
| Total Noncurrent Assets | | 31,333,831 | 31,022,843 |
| | | \$60,721,430 | \$67,808,012 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Trade and other payables | 9 | \$5,236,663 | \$6,182,702 |
| Loans payable | 10 | 16,663,282 | 22,343,674 |
| Current portion of lease liabilities | | 154,889 | 159,766 |
| Income tax payable | | 67,785 | 23,170 |
| Total Current Liabilities | | 22,122,619 | 28,709,312 |
| Noncurrent Liabilities | | | |
| Due to related parties | | 2,000,000 | 2,000,000 |
| Loans payable - net of current portion | 10 | 1,589,937 | 1,594,343 |
| Lease liabilities - net of current portion | | 3,905,237 | 3,899,914 |
| Net retirement benefits obligation | | 326,557 | 287,475 |
| Deferred tax liabilities | | 17,401 | 17,208 |
| Total Noncurrent Liabilities | | 7,839,132 | 7,798,940 |
| Total Liabilities | | 29,961,751 | 36,508,252 |
| Equity | | | |
| Capital stock | 11 | 26,823,389 | 26,823,389 |
| Additional paid-in capital (APIC) | | 1,486,546 | 1,486,546 |
| Retained earnings | | 3,456,191 | 4,202,949 |
| Other comprehensive income | | 1,107,648 | 1,028,315 |
| | | 32,873,774 | 33,541,199 |
| Treasury shares | | (5,774) | (5,774) |
| Equity attributable to equity holders of the Parent Company | | 32,868,000 | 33,535,425 |
| Non-controlling interests | | (2,108,321) | (2,235,665) |
| Total Equity | | 30,759,679 | 31,299,760 |
| | | \$60,721,430 | \$67,808,012 |

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 September 30 | | For the Nine Months Ended September 30 | |
|---|---------------------------------------|---------------------|---|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| NET SALES | \$17,211,760 | \$23,572,991 | \$51,941,336 | \$66,667,685 |
| COST OF GOODS SOLD | (15,746,783) | (20,941,690) | (47,417,995) | (58,767,884) |
| GROSS PROFIT | 1,464,977 | 2,631,301 | 4,523,341 | 7,899,801 |
| SELLING AND ADMINISTRATIVE EXPENSES | (1,444,961) | (2,033,917) | (4,251,371) | (5,923,592) |
| INTEREST EXPENSE | (251,881) | (538,896) | (792,624) | (1,600,298) |
| OTHER INCOME (CHARGES) - Net | 8,092 | 12,447 | 180,325 | (134,054) |
| INCOME BEFORE INCOME TAX | (223,773) | 70,935 | (340,329) | 241,857 |
| INCOME TAX EXPENSE | 130,114 | 36,192 | 274,912 | 189,311 |
| NET INCOME | (353,887) | 34,743 | (615,241) | 52,546 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that will be reclassified subsequently to profit or loss</i> | | | | |
| Exchange differences on translation of foreign operations | 63,066 | (101,469) | 79,333 | (13,245) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (\$290,821) | (\$66,726) | (\$535,908) | \$39,301 |
| NET INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | (\$535,205) | \$41,212 | (\$746,758) | \$48,481 |
| Noncontrolling interests | 181,318 | (6,469) | 131,517 | 4,065 |
| | (\$353,887) | \$34,743 | (\$615,241) | \$52,546 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Equity holders of the Parent Company | (479,241) | (35,938) | (\$663,252) | \$58,719 |
| Noncontrolling interests | 188,420 | (30,788) | 127,344 | (19,418) |
| | (\$290,821) | (\$66,726) | (\$535,908) | \$39,301 |
| EARNINGS (LOSS) PER SHARE | | | | |
| Basic and diluted earnings per share | 12 | (\$0.00021) | \$0.00002 | (\$0.00030) |
| | | | (\$0.00030) | \$0.00002 |

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 | September 30, 2020 | December 31, 2019 | September 30, 2019 | December 31, 2018 |
|--|------|-----------------------|----------------------|-----------------------|----------------------|
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | | | | |
| Capital Stock | | | | | |
| | 11 | | | | |
| Balance at beginning of year | | \$26,823,389 | \$26,823,389 | \$26,823,389 | \$53,646,778 |
| Effect of equity restructuring | | - | - | - | (26,823,389) |
| Balance at end of period | | 26,823,389 | 26,823,389 | 26,823,389 | 26,823,389 |
| Additional Paid-in Capital (APIC) | | | | | |
| Balance at beginning of year | | 1,486,546 | 1,486,546 | 1,486,546 | 6,662,001 |
| Effect of equity restructuring | | - | - | - | 26,823,389 |
| Application of APIC to Deficit | | - | - | - | (31,998,844) |
| Balance at end of period | | 1,486,546 | 1,486,546 | 1,486,546 | 1,486,546 |
| Other Comprehensive Income | | | | | |
| <i>Cumulative Remeasurement on Retirement Obligation</i> | | | | | |
| Balance at beginning of year | | 87,276 | 87,276 | 87,276 | 55,190 |
| Remeasurement gain on retirement | | - | - | - | 32,086 |
| Balance at end of period | | 87,276 | 87,276 | 87,276 | 87,276 |
| <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 | | 940,764 | 872,656 | 872,656 | 877,684 |
| Exchange differences on foreign currency translation | | 79,333 | 68,108 | (13,245) | (5,028) |
| Balance at end of period | | 1,020,097 | 940,764 | 859,411 | 872,656 |
| Total balance at end of year of other comprehensive income | | 1,107,648 | 1,028,315 | 946,962 | 960,207 |
| Retained Earnings (Deficit) | | | | | |
| Balance at beginning of year | | 4,202,949 | 9,291,312 | 9,291,312 | (25,231,797) |
| Effect of adoption of PFRS 16, net of tax effect | | - | (3,843) | - | - |
| Application of APIC to Deficit | | - | - | - | 31,998,844 |
| Net income (loss) | | (746,758) | (5,084,520) | 48,481 | 2,524,265 |
| Balance at end of period | | 3,456,191 | 4,202,949 | 9,339,793 | 9,291,312 |
| Treasury Shares | | (5,774) | (5,774) | (5,774) | (5,774) |
| NON-CONTROLLING INTERESTS | | | | | |
| Balance at beginning of year | | (2,235,665) | (2,264,941) | (2,264,941) | (2,315,859) |
| Total comprehensive income attributable to non-controlling interests | | 127,344 | 29,276 | (19,418) | 50,918 |
| Balance at end of period | | (2,108,321) | (2,235,665) | (2,284,359) | (2,264,941) |
| | | \$30,759,679 | \$31,299,760 | \$36,306,557 | \$36,290,739 |

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30 | |
|--|--------------------------------|--------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | (340,330) | \$241,857 |
| Adjustments for: | | |
| Interest expense | 792,624 | 1,600,298 |
| Depreciation and amortization | 762,351 | 763,633 |
| Gain on asset disposal | (236,843) | - |
| Foreign exchange loss (gain) | (26,455) | 240,473 |
| Retirement benefit | 66,572 | 64,879 |
| Interest income | (3,604) | (90,025) |
| Operating income before working capital changes | 1,014,315 | 2,821,115 |
| Decrease (increase) in: | | |
| Trade and other receivables | (775,423) | 395,018 |
| Inventories | 1,918,235 | (4,183,936) |
| Other current assets | 5,482,563 | (1,100,261) |
| Other noncurrent assets | (45,250) | (218,990) |
| Increase (decrease) in trade and other payables | (878,564) | (1,176,489) |
| Net cash from operations | 6,715,876 | (3,463,543) |
| Income tax paid | (27,468) | (254,727) |
| Interest received | 3,604 | 90,025 |
| Net cash flow in operating activities | 6,692,012 | (3,628,245) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (1,099,583) | (894,289) |
| Proceeds from asset disposal | 236,843 | - |
| Net cash flow in investing activities | (862,740) | (894,289) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net loan availments (payments) | (5,673,696) | 4,268,653 |
| Payments of interest | (792,624) | (1,574,692) |
| Increase in due to a related party | - | (5,924) |
| Net cash flow in financing activities | (6,466,320) | 2,688,037 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | |
| | 34,778 | 71,461 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (602,270) | (1,763,036) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 1,871,461 | 7,012,332 |
| CASH AND CASH EQUIVALENTS AT END OF THE QUARTER | \$1,269,191 | \$5,249,296 |

See accompanying Notes to Consolidated Financial Statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

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

Subsidiaries

The consolidated financial statements include the accounts of ASFII and the following subsidiaries (collectively referred herein as the “Group”) as at September 30, 2020 and December 31, 2019:

| Name of Subsidiary | % of Ownership | | Nature of Business | Principal Place of Business |
|--|----------------|-------|--------------------------------------|-----------------------------|
| | 2020 | 2019 | | |
| Big Glory Bay Salmon and Seafood Company, Inc. (BGB) | 100 | 100 | Salmon and other seafoods processing | Philippines |
| PT International Alliance Food Indonesia (PT IAFI)* | 99.98 | 99.98 | Export trading | Indonesia |
| Alliance MHI Properties, Inc. (AMHI) | 98.89 | 98.89 | Leasing | Philippines |
| Akaroa Salmon (NZ) Ltd. (Akaroa) | 80 | 80 | Salmon farming and processing | New Zealand |
| PT Van De Zee (PT VDZ) | 49 | 49 | Fishing | Indonesia |

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

PT IAFI and PT VDZ. PT IAFI was established under the Indonesian Foreign Capital Investment Law. In October 2019, the plant and machinery of PT IAFI was sold to an Indonesian entity.

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes all applicable PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the SEC.

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

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries. As of September 30, 2020, there were no changes in the Parent Company's ownership interests in its subsidiaries.

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

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

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

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

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

Non-controlling interests represent the interests of minority shareholders of PT IAFI, PT VDZ, Akaroa and AMHI.

3. Significant Judgments, Accounting 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 an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as to the Group's operations, may impact future estimates including, but not limited to, the allowance for ECL, valuation of inventories, fair value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial gains or losses on retirement benefits obligation and discount rate assumptions.

The judgments, 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.

4. Goodwill

Goodwill resulted when 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:

| | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Trade receivables | \$9,843,299 | \$10,612,564 |
| Others | 4,890,167 | 3,539,220 |
| | 14,733,466 | 14,151,784 |
| Less allowance for impairment losses | 2,004,067 | 2,038,252 |
| | \$12,729,399 | \$12,113,532 |

Trade receivables are generated from the sale of inventories and are generally collectible within 30 to 180 days.

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

7. Inventories

This account consists of:

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Finished goods | \$5,764,066 | \$9,696,307 |
| Raw materials | 5,546,117 | 3,680,096 |
| Parts and supplies | 276,891 | 311,001 |
| Allowance for impairment loss | (847,542) | (1,028,330) |
| | \$10,739,532 | \$12,659,074 |

8. Other Current Assets

This account consists of:

| | 2020 | 2019 |
|-----------------------|--------------------|---------------------|
| Advances to suppliers | \$3,541,457 | \$9,094,833 |
| Input VAT | 818,698 | 667,357 |
| Other prepayments | 289,322 | 378,912 |
| | \$4,649,477 | \$10,141,102 |

9. 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.

10. 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 9 months.

Long-term loans are from local banks, which are denominated in dollar and peso, bearing annual interest rate ranging from 6.50% to 9.25%.

11. Equity

Capital Stock

Details of the Company's capital stock as at September 30, 2020 and December 31, 2019 are as follows:

| | 2020 | | 2019 | |
|--|---------------|----------------|---------------|----------------|
| | Shares | Amount | Shares | Amount |
| Authorized | | | | |
| Ordinary shares at ₱0.5 and ₱1 par value | | | | |
| Balance at beginning and end of period | 3,000,000,000 | ₱1,500,000,000 | 3,000,000,000 | ₱1,500,000,000 |
| Issued and Outstanding | | | | |
| 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 beginning and end of period | 2,499,712,463 | \$26,817,615 | 2,499,712,463 | \$26,817,615 |

12. Income (Loss) Per Share

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

| | 2020 | 2019 |
|--|---------------|---------------|
| Net income (loss) attributable to Parent Company | (\$746,758) | \$48,481 |
| Weighted average number of ordinary shares outstanding | 2,499,712,463 | 2,499,712,463 |
| | (\$0.00030) | \$0.00002 |

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

13. 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.

14. 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.

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.

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.

As at September 30, 2020 and December 31, 2019, the aging analysis of the Group's financial assets is as follows:

| | 2020 | | | | | Impaired Financial Assets | Total |
|--------------------------------|-------------------------------------|------------------------------------|--------------------------|-------------|-----------------|---------------------------------|-------|
| | Neither Past Due nor Impaired | Past Due Accounts but not Impaired | | | Over 60 Days | | |
| | | 1 - 30 Days Past Due | 31 - 60 Days Past Due | | | | |
| Cash in banks | \$1,253,696 | \$- | \$- | \$- | \$- | \$1,253,696 | |
| Trade and other receivables | 8,196,343 | 1,950,113 | 1,352,899 | 1,230,044 | 2,004,067 | 14,733,466 | |
| | \$9,450,039 | \$1,950,113 | \$1,352,899 | \$1,230,044 | \$2,004,067 | \$15,987,162 | |

| | 2019 | | | | | Impaired Financial Assets | Total |
|--------------------------------|-------------------------------------|------------------------------------|--------------------------|-------------|-----------------|---------------------------------|-------|
| | Neither Past Due nor Impaired | Past Due Accounts but not Impaired | | | Over 60 Days | | |
| | | 1 - 30 Days Past Due | 31 - 60 Days Past Due | | | | |
| Cash in banks | \$1,856,977 | \$- | \$- | \$- | \$- | \$1,856,977 | |
| Trade and other receivables | 7,831,644 | 476,272 | 32,938 | 3,772,678 | 2,038,252 | 14,151,784 | |
| | \$9,688,621 | \$476,272 | \$32,938 | \$3,772,678 | \$2,038,252 | \$16,008,761 | |

Market Risk

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

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

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

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

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 September 30, 2020 and December 31, 2019, follows:

| | 2020 | 2019 |
|----------------------|-----------------|-----------------|
| Debt | \$29,961,751 | \$36,508,252 |
| Equity | 30,759,679 | 31,299,760 |
| Debt-to-Equity Ratio | \$0.97:1 | \$1.17:1 |

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.



OFFICIAL RECEIPT

FREIGHT FORWARDER

Owned & Operated by
 JRS BUSINESS CORPORATION
 Operating Under Rep. Act. 3260
 VAT REG. TIN 000-056-694-076
 Calcan Bldg. 1195 Chino Roces Avenue
 San Antonio Village City of Makati
 Tel. No. 867-2695; 866-4306 CP No. 09420708870
 E-mail: jrsmain@mozcom.com
 Website: www.jrs-express.com

BC: 2921



No. 070320

| | |
|--------|----------|
| DATE | 11-10-20 |
| ORIGIN | |
| PIECES | |
| WEIGHT | M |

(Consignee)

A. Lopez

M KATI

DESTINATION

SERVICES
 EXPRESS ORDINARY

PACKAGE TYPE IP

JRS BOX
 XS SMALL MEDIUM LARGE

DESCRIPTION / CONTENTS
 Docs

RECEIVED IN GOOD ORDER AND CONDITION

PRINT NAME _____ DATE _____

Signature _____ TIME _____

Received from SEC

TIN No. _____ Address _____

engaged in the business style of _____

the sum of _____ (P 130)

in partial/full payment for _____

RECEIVED FOR JRS

Cashier/Collector Name _____

SHIPPERS SIGNATURE

APRIL LOPES _____

Print Name _____ Signature _____

| PAYMENT OF THE FOLLOWING | |
|--------------------------|--------|
| PARTICULARS | AMOUNT |
| FREIGHT | 130 |
| VALUATION | |
| INSURANCE | |
| PICK UP FEE | |
| OTHERS | |
| TOTAL | P |
| FORM OF PAYMENT | |
| CASH | P |
| CHECK NO. | |
| BANK | |
| CHECK DATE | |
| AMOUNT ON CHECK | P |
| VATable | P |
| VAT Exempt Sale | |
| VAT Zero Rated Sale | |
| TOTAL SALES | 13.97 |
| 12% VAT | |
| Gross Sales | |
| Less Withholding Tax | P 130 |
| AMOUNT DUE | |

SUBJECT TO CONDITIONS AT THE BACK HEREOF

"THIS OFFICIAL RECEIPT SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE OF ATP"

25008kts. (50 x 4) SN 052501 to 177500
 BIR PERMIT DCN 3AU0001588911
 Date of ATP: 06-22-2018 Valid until: 06-22-2023
 Printed by: ADVANCE COMPUTER FORMS, INC.
 1001 GP Bank St. Bldg. Ugong Dist. 2 Valenzuela City
 Trunkline: 518-8888 Tel: 444-0168; 445-0822 Fax: 432-2592
 VAT REG. TIN 002-925-923-000 • www.advancecomputerforms.com

Printer's Accreditation No. 024MP20180030000
 Date of Issuance: May 03, 2018
 Date of Expiration: Dec. 17, 2020

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FREIGHT FORWARDER

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 JRS BUSINESS CORPORATION
 Operating Under Rep. Act. 3260
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 Calcan Bldg. 1195 Chino Rocas Avenue
 San Antonio Village City of Makati
 Tel. No. 867-2695; 866-4306 CP No. 09420708870
 E-mail: jrmain@mozcom.com
 Website: www.jrs-express.com

BC: 2921



No. 070319

| | |
|--------|----------|
| DATE | 11.13.20 |
| ORIGIN | |
| PIECES | |
| WEIGHT | m |

(Consignee)

SEC

Psay

| | |
|--------------------------------------|---|
| DESTINATION | |
| SERVICES | <input checked="" type="checkbox"/> EXPRESS <input type="checkbox"/> ORDINARY |
| PACKAGE TYPE | IP |
| JRS BOX | <input type="checkbox"/> XS <input type="checkbox"/> SMALL <input type="checkbox"/> MEDIUM <input type="checkbox"/> LARGE |
| DESCRIPTION / CONTENTS | docs |
| RECEIVED IN GOOD ORDER AND CONDITION | |
| PRINT NAME | DATE |
| Signature | TIME |

Received from Aaron Jude Lopez

TIN No. _____ Address _____

engaged in the business style of _____

the sum of _____ (P 130)

in partial/full payment for _____

RECEIVED FOR JRS

Cashier/Collector Name _____

SHIPPER'S SIGNATURE

AARON LOPEZ _____

Print Name Signature

| PAYMENT OF THE FOLLOWING | |
|--------------------------|--------|
| PARTICULARS | AMOUNT |
| FREIGHT | 136 |
| VALUATION | |
| INSURANCE | |
| PICK UP FEE | |
| OTHERS | |
| TOTAL | P |
| FORM OF PAYMENT | |
| CASH | P |
| CHECK NO. | |
| BANK | |
| CHECK DATE | |
| AMOUNT ON CHECK | P |
| VATable | P |
| VAT Exempt Sale | |
| VAT Zero Rated Sale | |
| TOTAL SALES | |
| 12% VAT | 13-92 |
| Gross Sales | |
| Less Withholding Tax | P/130 |
| AMOUNT DUE | |

SUBJECT TO CONDITIONS AT THE BACK HEREOF

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Printer's Accreditation No. 024MP20180000000001
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