

17 September 2020

SECURITIES AND EXCHANGE COMMISSION

Market and Securities Regulation Department

Secretariat Building, PICC Complex

Roxas Boulevard, Metro Manila Philippines

Attention: **DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR.**

MS. MARIA THERESA S. POSADAS

Re: **Definitive Information Statement for the
2020 Annual General Meeting
of Stockholders of ALLIANCE SELECT FOODS
INTERNATIONAL, INC.**

Gentlemen:

We appreciate your response to **ALLIANCE SELECT FOODS INTERNATIONAL, INC.'S** (the "**Company**") Preliminary Information Statement filed on 2 September 2020.

On behalf of the Company, enclosed is the Definitive Information Statement ("IS") for the Company's 2020 Annual Stockholders' Meeting ("ASM") to be held on 7 October 2020. The Definitive IS includes the following attachments:

1. Notice and Agenda with Explanation and Rationale for each agenda item;
2. Proxy Form;
3. Secretary's Certificate on the conduct of the ASM via remote communication;
4. Certifications from Mr. Dobbin A. Tan and Mr. Domingo Cu Go, the Company's Independent Directors;
5. Certification by the Corporate Secretary on whether the Directors are connected with the government;
6. Revised Management Report;
7. SEC Form 17-A with the Audited Financial Statements for the year ended 31 December 2018.
8. SEC Form 17-Q for the first and second quarters of 2020

Changes and updates on the Preliminary IS and the Management Report filed by the Company on 2 September 2020 are underscored in the enclosed Definitive IS for easy reference.

We trust that the foregoing completes the requirements of this Honorable Commission. Should you have further questions, please contact our **Atty. Daneia Isabelle F. Palad** at **8969357** to **59**. Thank you very much.

Very Truly Yours,

MIGALLOS & LUNA LAW OFFICES

By:



DANEIA ISABELLE F. PALAD

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town Province)

Atty. Barbara Anne C. Migallos
Atty. Daneia Isabelle F. Palad

Contact Person

899-2123/8969357 to 59

Telephone Number of the Contact Person

1	2
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Month

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Day

Fiscal Year

SEC 20-IS

Definitive Information Statement
(Annual Stockholders' Meeting)

FORM TYPE

Any day in
June

Month Day
Annual Meeting

N/A

Secondary license Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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To be accomplished by SEC Personnel concerned

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ALLIANCE SELECT FOODS INTERNATIONAL, INC.
Notice of the 2020 Annual General Meeting of Stockholders

TO OUR STOCKHOLDERS:

Please be informed that the **Annual General Meeting of the Stockholders of ALLIANCE SELECT FOODS INTERNATIONAL, INC.**, a corporation organized and existing under the laws of the Philippines with address at Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, will be held on **7 October 2020 at 2:30 p.m.** (the “**Annual General Meeting**” or the “**Meeting**”), The meeting will be presided at the Company’s address via Zoom Teleconferencing. The order of business thereat will be as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 25 June 2019 Annual General Meeting of Stockholders
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2019 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2019-2020
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters
10. Adjournment

For purposes of the Meeting, only stockholders of record at the close of business on 24 August 2020 are entitled to notice of, and to vote at, this year’s Meeting. The Definitive Information Statement with the attached Management Report, SEC Form 17-A with the Audited Financial Statements for the period ended 31 December 2019, SEC Form 17-Q for the 1st and 2nd quarters of 2020, and the Minutes of the Annual General Stockholders’ Meeting of the Company held on 25 June 2019 may be accessed at the Company’s website: <http://corporate.allianceselectfoods.com/>.

The Meeting will be via remote communication only. To register, certificated stockholders who will attend the Meeting should send a scanned copy of one (1) valid government identification card (ID) to ASM2020@allianceselectfoods.com (the “Dedicated Email Address”). Indirect shareholders should send scanned copies of their broker’s certification and one (1) valid ID to the same Dedicated Email Address. Deadline for registration is on 1 October 2020 at 12 NN. Once the Company successfully verifies the stockholder’s status, the Company will reply to each stockholder with an online ballot for voting purposes.

Proxies. A proxy form that is compliant with the requirements of the Securities and Exchange Commission is attached to the Definitive Information Statement. Should you be unable to attend the meeting, you can nevertheless be represented and vote at the Meeting by submitting a proxy by email to the same Dedicated Email Address, or by sending a physical copy to the Office of the Corporate Secretary at the Company’s principal address at 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila. The deadline for submission of proxies is on 28 September 2020.

Open Forum. Stockholders should send their questions via email to the Dedicated Email Address on or before 12:00 NN of 5 October 2020. Officers of the Company will endeavor to answer all questions during the Meeting.


BARBARA ANNE C. MIGALLOS
Corporate Secretary

The Rationale and Explanation for each Agenda item requiring shareholders’ approval is attached to this Notice.

The Definitive Information Statement, Management Report and 2019 Audited Financial Statements accompany this Notice.

EXPLANATION AND RATIONALE

For each item on the Agenda of the 2020 Annual General Meeting of Stockholders of Alliance Select Foods International, Inc. requiring the vote of stockholders

AGENDA

1. Call to Order

The Chairman will formally open the 2020 Annual General Meeting of Shareholders. The Directors and Officers of the Company will be introduced.

2. Proof of required notice of the meeting

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents have been duly provided in accordance with SEC Rules, within the required periods, to stockholders of record as of 24 August 2020.

3. Certification of quorum

The Corporate Secretary will attest whether a quorum is present for the meeting.

4. Reading and approval of the Minutes of the 25 June 2019 annual general meeting of stockholders, and action thereon

Shareholders may examine the Minutes of the 25 June 2019 annual general meeting of stockholders, in accordance with Sec. 73 of the Revised Corporation Code. The Minutes are also available on the Company's website.

Resolution to be adopted:

Shareholders will vote for the adoption of a resolution approving the Minutes of the 25 June 2019 annual general meeting of stockholders.

5. Presentation of annual report and audited financial statements for the year ended 2019 and action thereon

The annual report and the financial statements of the Company, audited by the Company's external auditors, Reyes Tacandong & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Definitive Information Statement and the Audited Financial Statements for 2019 are likewise made available on the Company's website (<http://corporate.allianceselectfoods.com/>).

OPEN FORUM. After the report, inquiries submitted by stockholders on or before 5 October 2020 via email as stated in the Notice will be answered by the appropriate officer. Due to time considerations, questions not addressed at the meeting will be responded to via email.

Resolution to be adopted:

Shareholders will vote for the adoption of a resolution approving the annual report and the audited financial statements for the year 2019.

6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2019

Actions by the Board and by the officers are contained in the Definitive Information Statement or are referred to in the Management Report.

Resolution to be adopted:

The ratification and approval of the acts of the Board of Directors and Officers.

7. Appointment of independent auditors

The Audit and Risk Committee screened the nominees for independent external auditor and endorsed the appointment of Reyes Tacandong and Company as the Company's independent external auditors for the year 2020.

Resolution to be adopted:

Shareholders will vote on a resolution for the appointment of Reyes Tacandong and Company as independent external auditor of the Company for 2020.

8. Election of directors, including independent directors

The Final List of Candidates for election as directors, as prepared by the Corporate Governance Committee in accordance with the Company's By-Laws, the Revised Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, is contained in the Definitive Information Statement. The Final List will be presented to the shareholders, and the election of directors will be held.

The Voting Procedure is stated in the Definitive Information Statement.

9. Other matters

Matters that are relevant to and appropriate for the annual general shareholders' meeting may be taken up. No resolution, other than the resolutions explained in the Notice and the Definitive Information Statement, will be submitted for voting by the shareholders.

10. Adjournment

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[X] Definitive Information Statement
2. Name of Registrant as specified in its charter
ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(formerly Alliance Tuna International, Inc.)
3. **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **CS200319138**
5. BIR Tax Identification Code **227-409-243-000**
6. **Suite 3104 A West Tower, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City, Metro Manila**
Address of principal office **1605**
Postal Code
7. Registrant's telephone number, including area code **(632) 7747 3798**
8. Date, time and place of the meeting of security holders

Date : **October 7, 2020**
Time : **2:30 p.m.**
Place : **presided at Suite 3104 A West Tower, Philippine Stock Exchange
Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **16 September 2020.**
10. **In case of Proxy Solicitations:**

Name of Person Filing the Statement/Solicitor: Alliance Select Foods International, Inc.

Address : **Suite 3104 A West Tower, Philippine Stock Exchange
Centre, Exchange Road Ortigas Center, Pasig City,
Metro Manila 1605**
Telephone No. : **(632) 77473798**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

**Number of Shares of
Common Stock Issued:** **2,500,000,000 (as of 31 July 2020)**

Amount of Debt Outstanding: **\$25,938,017 (as of 31 December 2019)**
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes **x** No _____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, Inc. – Common Shares

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

The Annual General Meeting of the Stockholders of Alliance Select Foods International, Inc. (the “**Company**”), a corporation organized and existing under the laws of the Philippines with address at Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, will be held on **7 October 2020 at 2:30 p.m.** (the “**Annual General Meeting**” or the “**Meeting**”). The meeting will be presided at the Company’s address via Zoom Teleconferencing.

The Agenda of the Meeting, as indicated in the accompanying Notice of Annual General Meeting, is as follows:

1. Call to order;
2. Proof of the required notice of the meeting;
3. Certification of quorum;
4. Reading and approval of the Minutes of the 2019 Annual General Meeting of Stockholders held on 25 June 2019;
5. Presentation of the Annual Report and the Audited Financial Statements for the Year Ended December 31, 2019 and Action Thereon;
6. Ratification and approval of the acts of the Board of Directors and Executive Officers for the corporate year 2019;
7. Appointment of Independent External Auditors;
8. Election of Directors, including Independent Directors;
9. Other Matters;
10. Adjournment

Shareholders may only participate via remote communication. To register, certificated stockholders who will attend the Meeting should send a scanned copy of one (1) valid government identification card (ID) to ASM2020@allianceselectfoods.com (the “Dedicated Email Address”). Indirect shareholders should send scanned copies of their broker’s certification and one (1) valid ID to the same Dedicated Email Address. Deadline for registration is on 1 October 2020 at 12 NN.

Once the Company successfully verifies the stockholder’s status, the Company will reply to each stockholder with an online ballot for voting purposes, and a link through which the Meeting may be accessed. Questions relating to the Meeting materials may also be sent to the said Dedicated Email Address on or before 5 October 2020 at 12:00 noon. Due to time considerations, questions that will not be addressed at the Meeting will be responded to via email.

Clarificatory questions regarding attendance via remote communication may be sent via email to ASM2020@allianceselectfoods.com.

Stockholders can also be represented and vote at the meeting by submitting a proxy by email to the same Dedicated Email Address, or by sending a physical copy to the Office of the Corporate Secretary at the Company’s principal address at 3104 A West Tower, Philippine

Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila. The deadline for submission of proxies is on 28 September 2020.

Proxies will be validated and tabulated by a special committee composed of the Company's stock transfer agent, Stock Transfer Service Inc. with address at 34th Floor, Rufino Plaza, Ayala Avenue, Makati City ("STSI"), the Corporate Secretary, and the Compliance Officer, and will be voted as indicated by the shareholder in the proxy and applicable rules. The tabulation of votes shall be done by the special committee and may be further reviewed by the Company's independent external auditor, Reyes Tacandong & Co. (RT), if necessary.

Voting procedures are contained in Item 19 of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4, and Item 19 for an explanation of cumulative voting.

The Management Report, the Securities Exchange Commission ("SEC") Form 17-A with the Audited Financial Statements for the year ended 31 December 2019, and the Company's Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 31 March 2020, and as of 30 June 2020, are attached to this Information Statement. Said reports are also uploaded to the Company's website. Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said SEC Form 17-A, as filed with the SEC, and the Company's SEC Form 17-Q's, free of charge. The contact details for obtaining such copies are on Page 27 of this Information Statement.

Further information and explanation regarding specific agenda items, where appropriate, are contained in various sections of this Information Statement. This Information Statement constitutes notice of the resolutions to be adopted at the Meeting.

This Information Statement and Proxy Form shall be sent to security holders on or before 16 September 2020.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting on 7 October 2020 that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

For the information of stockholders, any stockholder of the Company shall have a right to dissent and demand payment of the fair value of his shares in the following instances, as provided in Section 80 of the Revised Corporation Code of the Philippines:

1. In case of an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
3. In case of merger or consolidation; and

4. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.
5. Section 11 of the Revised Corporation Code automatically grants perpetual existence to Corporation existing at the time of its effectivity unless stockholders representing a majority of its outstanding capital stock elect to retain the specific corporate term under its Articles of Incorporation. However, any change in the corporate term under Section 11 is without prejudice to the appraisal right of dissenting stockholders.

The Revised Corporation Code of the Philippines (Section 81) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office.

At the time of the filing of this Information Statement, the Company has not been informed by any incumbent director in writing of an intention to oppose any action to be taken at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 11 September 2020, there are **2,500,000,000** outstanding and issued common shares of the Company, exclusive of **287,537** treasury shares. The Company does not have any class of shares other than common shares.

All stockholders of record as of **24 August 2020** are entitled to notice and to vote at the Meeting.

A stockholder entitled to vote at the Meeting shall have the right to vote online or by proxy.

Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 24 August 2020 may vote the number of shares registered in his name for each of the directors to be elected; or he may multiply the number of shares registered in his name by the number of directors to be elected, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the directors to be elected.

Voting Procedures are stated in Item 19 (Page 26) of this Information Statement.

Security Ownership of Certain Record and Beneficial Owners

To the best of the knowledge of the Company, the following stockholders own more than five percent (5%) of the Company's outstanding capital stock as of 11 September 2020:

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 Beneficial Owner: Strongoak, Inc. 37F Enterprise Tower 1, Ayala Avenue, Makati City <i>Stockholder</i>	Please see Note 1 below. Strongoak, Inc. Please see Note 2 Proxy Named: Please see Note 3	Filipino	1,382,755,864	55.31%
Common	PCD Nominee Corporation 37/F Tower I, The Enterprise Center 6766 Ayala Center, Makati City	See Note 1 below.	Filipino	638,428,660	25.54%
Common	Harvest All Investment Ltd., 4304-43/F China Resources Bldg. 26 Harbour Road Wanchai, Hong Kong <i>Stockholder</i>	Harvest All Investment Ltd. (Same as Record Owner) Proxy Named: (Please see Note 3)	Hong Kong	177,261,165	7.09%

Common	Victory Fund Ltd. , 30 Biderford Road, #17-02 Thongsia Building, Singapore <i>Stockholder</i>	Victory Fund Ltd. (Same as Record Owner) Proxy Named: (Please see Note 3)	Hong Kong	138,474,015	5.54%
	TOTAL			2,336,919,704	93.48%

- 1 PCD Nominee Corporation ("PCD Nominee") is a wholly-owned subsidiary of the Philippine Depository & Trust Corp., the depository infrastructure for equities and fixed income markets in the Philippines. PCD Nominee is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines. PCD Nominee is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients. The beneficial owners of such shares are PCD Nominee's participants who hold the shares on their own behalf or in behalf of their clients.

The 638,428,660 shares shown above as of 31 July 2020 are shares beneficially owned by Filipinos, exclusive of the 1,382,755,864 shares beneficially owned by Strongoak, Inc., and held through PCD Nominee. Foreigners or non-Filipinos beneficially own 84,829,624 shares or 3.39% of the Company through PCD Nominee.

- 2 Mr. Antonio C. Pacis, Ms. Marie Grace T. Vera Cruz, and Mr. Gabriel A. Dee currently represent Strongoak in the Board of Directors of the Company.
- 3 The proxies naming the natural persons authorized to vote the shares of the foregoing record owners for the Meeting have not yet been received by the Company. The deadline set by the Board of Directors for the submission of proxies is on 28 September 2020.

Except as stated above, the Company has no knowledge of any person or any group who, directly or indirectly, is the beneficial owner of more than 5% of the Company's outstanding shares or who has a voting power, voting trust or any similar agreement with respect to shares comprising more than 5% of the Company's outstanding common stock. Other than Strongoak, Inc., the Company is not informed of any other participants under the PCD Nominee account who own more than 5% of the voting securities of the Company as of 31 July 2020.

Security ownership of Directors, Officers and Management

Security Ownership of Directors and Officers

To the best knowledge of the Company, the beneficial ownership of the Company's directors and officers as of 11 September 2020 is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Class
Common	Antonio C. Pacis <i>Chairman</i>	400 (Direct)	Filipino	0.00%
Common	Gabriel A. Dee <i>Vice Chairman</i>	1,000 (Direct)	Filipino	0.00%
Common	Raymond K.H. See, <i>Director, President and CEO</i>	5,000 (Direct) 10,521 (Indirect)	Filipino	0.00%
Common	Marie Grace T. Vera Cruz, <i>Director</i>	400 (Direct)	Filipino	0.00%
Common	Domingo Cu Go¹, <i>Independent Director</i>	1,000 (Direct)	Filipino	0.00%
Common	Joseph Peter Y. Roxas <i>Director</i>	100 (Direct) 2,141,000 (Indirect)	Filipino	0.08%
Common	Dobbin A. Tan <i>Independent Director</i>	10,000 (Direct)	Filipino	0.00%
Common	Barbara Anne C. Migallos <i>Corporate Secretary</i>	0	Filipino	0.00%
Common	Lisa Angela Y. Dejadina <i>Senior Vice President - Business Development and Operational Excellence</i>	0	Filipino	0.00%
Common	Ma. Kristina P. Ambrocio <i>Vice President – Head of Legal, Compliance Officer and Assistant Corporate Secretary</i>	0	Filipino	0.00%
Common	Ma. Cristina C. Villaruz <i>Assistant Treasurer and Data Protection Officer</i>	0	Filipino	0.00%
	TOTAL	2,268,521		0.08%

¹ Mr. Domingo Cu Go was elected as independent director of the Corporation on 11 September 2020 to serve the remaining term of Mr. Erwin M. Elechicon who passed away on 19 June 2020.

Voting Trust Holders/Changes in Control

The Company has no knowledge of any voting trust holders of 5% or more of the Company's stock, or of any arrangements that may result in a change of control of the Company.

The Company conducted a stock rights offering in 2015 consisting of 1,000,000,000 common shares at a price of P1.00 per share by way of pre-emptive rights offering exclusively to shareholders of the Company as of August 7, 2015, at the proportion of one stock rights share for every one and one-half common shares of the Company. The stock rights offering resulted in a change of control of the Company.

Strongoak, Inc. ("Strongoak"), which previously owned 430,286,226 shares, equivalent to 28.69% of the outstanding capital stock prior to the stock rights offering, subscribed to an additional 952,479,638 common shares under the said stock rights offering for a total subscription price of P952,479,638.00. Strongoak now owns 1,382,765,864 shares, equivalent to 55.31% of the outstanding capital stock of the Company. Prior to the stock rights offering, no single shareholder had control of or more than 50% of the voting power in the Company.

Item 5. Directors and Executive Officers

The names of the incumbent directors of the Company for 2019, their respective ages, citizenship, period of service, directorships in other companies and positions held for the last five (5) years are as follows:

DIRECTORS

Director	Nationality	Position	Age	Period of Service
Antonio C. Pacis	Filipino	Chairman	79	6 years and 8 months (First elected on 8 December 2014)
Gabriel A. Dee	Filipino	Vice Chairman	55	2 years and 1 month (First elected on 4 July 2018)
Raymond K. H. See	Filipino	Director, President, and CEO	52	6 years and 8 months (First elected on 8 December 2014)
Marie Grace T. Vera Cruz	Filipino	Director	39	6 years and 2 months (First elected on 16 June 2014)
Joseph Peter Y. Roxas	Filipino	Director	58	4 years and 5 months (First elected on 1 March 2016)
Dobbin A. Tan	Filipino	Independent Director	56	4 years and 5 months

				(First elected on 1 March 2016)
Domingo Cu Go	Filipino	Independent Director	60	First elected on 11 September 2020

ANTONIO C. PACIS - 79, 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 of publicly listed company BDO Unibank, Inc., OCLP Holdings Inc., Paluwagan Ng Bayan Savings Bank, Armstrong Pacific Co., Inc., Legisforum, Inc., Technology Investment Co., Inc. and Central Colleges of The Philippines.

He is Chairman of the Board of Directors at Asian Silver Estate, Inc., International Social Service Philippines, Inc., Amigo Holdings, Inc., Asian Waterfront Holdings, Inc., Mantle Holdings, Inc., and Corporate Secretary for Armstrong Securities, Inc., EBC Strategic Holdings Corp., and Paluwagan Ng Bayan Savings Bank.

Mr. Pacis has been practicing law since 1965 and continues to practice at Pacis and Reyes Law Office and was a professor of law at the Ateneo Law School.

GABRIEL A. DEE - 55, Filipino citizen; Vice Chairman.

Academic Background

Mr. Dee graduated from the University of the Philippines in 1984 with a Bachelor's degree in History, and obtained his law degree in 1988 from the same university. Mr. Dee also has MBA units from the Ateneo de Manila Graduate School of Business.

Professional Background/ Experience

Mr. Dee has been practicing law since 1988, and has been Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices since 2006. Mr. Dee is also Director and Corporate Secretary of various corporations, including listed company including listed companies MJC Investments Corporation (Director) and Macay Holdings, Inc. (Corporate Secretary). Mr. Dee is also a professorial lecturer on Corporation Law for the University of the Philippines College of Law and Lyceum College of Law, and has been a resource person/ speaker on various seminars on the topics of initial public offerings, listings and estate planning.

RAYMOND K. H. SEE - 52, 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 - 39, 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 - 58, 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 DFNN, Inc., a listed company in the Philippine Stock Exchange, and 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.

DOBBIN A. TAN - 56, 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.

DOMINGO CU GO – 60, Filipino Citizen, Independent Director

Mr. Go graduated from the Ateneo de Manila University with a Bachelor of Science degree in Management (Honors Program), and special studies during a one-year exchange scholarship program in International Christian University in Mitaka, Tokyo, Japan. He obtained his Master's degree in Business Administration from the University of the Philippines Diliman.

Mr. Go is presently a Director of the Financial Executives Institute of the Philippines, Inc. (FINEX) since January 2020, and is also a Director of the FINEX Academy, Inc. from January 2020 up to the present. Mr. Go is also a trustee of the Philippine Federation of Japan Alumni, Inc. from July 2015 to the present.

Mr. Go served as a consultant of Pricewaterhouse Coopers Consulting Services Philippines Co. Ltd. from May 2018 to April 2019. He was also the First Vice President/Head of the Equity Investments Department of the Metropolitan Bank & Trust Company (Metrobank) from 1995 until his mandatory retirement in 2016. He also held the positions in the Merchant Banking Division, and the Account Management Group of Metrobank, and held concurrent positions in investee companies of the Metrobank Group.

Mr. Dobbin A. Tan was nominated by Mr. Raymond K. H. See, and Mr. Domingo Cu Go was nominated by Atty. Gabriel A. Dee.

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set 24 August 2020 as the deadline for the submission of nominations to the Board of Directors. The deadline was duly announced and disclosed on 10 August 2020.

The Corporate Governance Committee of the Company met and screened the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Committee assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the independent directors, the Committee shall review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Manual of Corporate Governance, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulations.

Nominees for Election at Annual General Meeting of Stockholders on 7 October 2020.

The Corporate Governance Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors and prepared the Final List for election to the Board of Directors at the Annual Stockholders' Meeting.

The Final List of Candidates is as follows:

1. Antonio C. Pacis
2. Rena M. Rico-Pamfilo
3. Raymond K.H. See

4. Joseph Peter Y. Roxas
5. Gabriel A. Dee
6. Dobbin A. Tan – Independent Director
7. Domingo Cu Go – Independent Director

The Certifications of Messrs. Tan and Go, the Company's nominees for Independent Directors, are attached herewith as Annexes "A" and "B", respectively.

The qualifications of the incumbent directors are on Pages 8-11 of this Information Statement. The nominees are ALL incumbent directors except for one (1) nominee, Atty. Rena M. Rico-Pamfilo. The experience and background of Atty. Rico-Pamfilo are as follows:

RENA M. RICO-PAMFILO – 44, Filipino Citizen

Atty. Rena M. Rico-Pamfilo is a member of the Integrated Bar of the Philippines and is qualified to practice law in the Philippines and in the State of New York, U.S.A. Atty. Rico-Pamfilo graduated from the Ateneo de Manila University with a Bachelor's degree in Management, Major in Legal Management. She obtained her Juris Doctor degree from the Ateneo de Manila School of Law, where she graduated with second honors, and her Master of Laws degree from the National University of Singapore.

At present, Atty. Rico-Pamfilo is the Chief Legal Counsel of Seawood Resources, Inc, and a faculty member at the Ateneo de Manila University School of Law.

Atty. Rico-Pamfilo was a Senior Associate at Romulo Mabanta Buenaventura Sayoc & delos Angeles from January 2007 to 2011. She was also the Assistant Counsel and Assistant Registrar at the Singapore International Arbitration Center from January 2005 to December 2006. She was an Adjunct Assistant Professor, Faculty of Law at the National University of Singapore from January 2006 to December 2006. She worked as Court Attorney IV in the Office of Associate Justice Reynato S. Puno of the Supreme Court of the Philippines from November 2002 to March 2003, and was a Junior Associate at Sycip Salazar Hernandez & Gatmaitan from November 2000 to August 2002.

As of the date of filing of this Information Statement, no director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

Executive Officers

The following persons are the present executive officers of the Company:

Name of Officer	Nationality	Position	Age	Period of Service
Raymond K.H. See	Filipino	President and Chief Executive Officer	52	6 years and 8 months (First elected on December 8, 2014)
Barbara Anne C. Migallos	Filipino	Corporate Secretary	66	5 years and 1 month (First elected on July 6, 2015)

Lisa Angela Y. Dejadina	Filipino	Senior Vice President - Business Development and Operational Excellence	37	5 years and 9 months (First elected on 17 November 2014)
Ma. Kristina P. Ambrocio	Filipino	Vice President – Legal, Compliance Officer, and Assistant Corporate Secretary	41	4 years and 10 months (First elected on October 19, 2015)
Maria Cristina C. Villaruz	Filipino	Assistant Treasurer and Data Protection Officer	48	9 months (Re-elected on November 8, 2019)

RAYMOND K.H. SEE – 52, Filipino citizen; President & CEO.

Academic Background

Mr. See graduated from De La Salle University in 1989 with a degree in B.S. Industrial Management Engineering, minor in Mechanical Engineering.

Professional Background/ Experience

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.

BARBARA ANNE C. MIGALLOS – 66, 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, Corporate Secretary of 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, where she heads the Commercial Law Department. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

LISA ANGELA Y. DEJADINA. – 37, Filipino citizen; Senior Vice President for Business Development and Operational Excellence.

Academic Background

Ms. Dejadina has a degree in B.S. Industrial Engineering from the University of the Philippines where she graduated in 2005.

Professional Background/ Experience

Before joining the Company, Ms. Dejadina worked at Pilipinas Shell Petroleum Corporation where she covered various roles contributing to ten years 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).

MA. KRISTINA P. AMBROCIO. - 41, Filipino citizen; Vice President – Legal, Compliance Officer, and Assistant Corporate Secretary.

Academic Background

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.

Professional Background/ Experience

Prior to joining the Company, Ms. Ambrocio was Corporate Counsel and Assistant Corporate Secretary of Chevron Philippines, Inc.

MA. CRISTINA VILLARUZ. – 48, Filipino citizen; Assistant Treasurer and Data Protection Officer

Academic Background

Ms. Villaruz is a graduate of the University of the Philippines in the Visayas, with a Major in Accounting. She is also a Certified Public Accountant.

Professional Background/ Experience

Ms. Villaruz has held multiple finance positions in the food, fishing and aquaculture industries. Prior to joining the Company, she headed Alsons Aquaculture Corporations' Budget, Financial Analysis and Cost Control Department.

Significant Employees

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

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any:

- a. 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;
- b. 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;
- c. 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
- d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

for the past five (5) years up to date of this Preliminary Information Statement, that is material to the evaluation of ability or integrity to hold the relevant positions in the Company.

The pending and material legal proceedings involving the Company, and the directors, executive officers or control persons of the Company in their respective capacities as such, and the nominees for election as a director, are as follows:

- 1. Alliance Select Foods International, Inc., represented in this derivative suit by Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Chua v. George E. Sycip, Jonathan Y. Dee, Alvin Y. Dee, Ibarra A. Malonzo, Joanna Y. Dee-Laurel, Teresita Ladanga, and Grace Dogillo.**

Commercial Case No. 14-220 (RTC Br. 159, Pasig City)

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

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

Case was remanded back to Pasig RTC 159 for trial pursuant to the Order of the Supreme Court, directing RTC 159 to proceed with the hearing of the case.

2. 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
(RTC Br. 161, Pasig City)**

On May 12, 2014, Ms. Hedy S.C. Yap-Chua and Mr. Albert Hong Hin Kay filed a Petition for the Declaration of Nullity of Board Resolutions and Inspection of the Corporate Books and Records, with Prayer for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the Regional Trial Court of Pasig City ("Pasig RTC") against the Company's former directors, Mr. George E. SyCip, Messrs. Jonathan Y. Dee, Alvin Y. Dee and Ibarra A. Malonzo, and then Corporate Secretary, Mr. Avelino M. Sebastian. Ms. Yap-Chua and Mr. Hong sought to nullify, among others, the resolution of the Board dated May 5, 2014 approving the private placement of Strongoak, Inc. of P563,679,956 into the Company, and the issuance of 430,286,226 of the Company's common shares to Strongoak, Inc. pursuant thereto.

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

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

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

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

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

3. People of the Philippines vs. Jonathan Y. Dee, Marie Grace T. Vera Cruz, George E. SyCip, Antonio C. Pacis and Raymond K.H. See.

**Criminal Case Nos. M-PSG-18-02275-CR and M-PSG-18-02276-CR
(MTC Br. 70, Pasig City)**

On February 24, 2015, Ms. Hedy S.C. Yap-Chua filed a Complaint-Affidavit with the Department of Justice ("DOJ") against incumbent Directors Marie Grace T. Vera Cruz, Raymond K.H. See and Antonio C. Pacis, and former directors Mr. Jonathan Y. Dee and George E. SyCip ("Respondents") 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, which includes the signing of Ms. Yap-Chua's representatives to sign non-disclosure agreements, 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 Respondents, resolved to direct the lawyers of the Company and of Ms. Yap-Chua to meet face-to-face to resolve their differences regarding said procedure. Ms. Yap-Chua alleged in her Complaint-Affidavit that the procedure proposed by the Company, and the referral of the matter to the lawyers, was tantamount to a denial of her right to inspect company records.

In a Review Resolution dated March 20, 2018, the DOJ resolved the complaint finding probable cause against the Respondents ruling that the procedure prevented the inspection of the books. Respondents Vera Cruz, Pacis, See and SyCip filed their Motions for Reconsideration. While Respondent Dee filed a Petition for Review before the Secretary of Justice of the DOJ.

Acting on the Motions for Reconsiderations filed before the DOJ, the DOJ issued Resolution dated April 12, 2019 granting the motions for reconsiderations of Respondents See and Pacis dismissing the complaint against them. This eventually led to the **dismissal of the cases** against Respondents See and Pacis before MTC Pasig in a Consolidated Order dated June 25, 2019.

In March 2020, the MTC issued an Order **dismissing the case** against Respondents Jonathan Dee, George SyCip and Grace Vera Cruz on the ground of lack of jurisdiction resulting to the amendments introduced by the Revised Corporation Code of the Philippines which became effective in February 2019.

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, Raymund K.H. See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, Erwin M. Elechicon and Barbara Anne C. Migallos

**Commercial Case No. 15-234
(RTC Br. 265, Pasig City)**

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

loans, installation of a new management information system, and working capital requirements of the Company.

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

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

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

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

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

The Court of Appeals rendered a Decision dated February 15, 2016 sustaining the position of the Company that Harvest All 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 Supreme Court to set aside the ruling of the Court of Appeals 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 Supreme Court questioning the ruling of the Court of Appeals 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 Supreme Court. On March 15, 2017, the Supreme Court rendered a Decision in favor of the petition of Harvest All et al., ruling that the intra-corporate controversies may involve a subject matter which is either capable or incapable of pecuniary estimation, and remanded the case back to the RTC to

assess the correct filing fees, and upon payment, to proceed with the regular proceedings of the case. The Company, as well as the other Defendants filed their respective motions for reconsiderations.

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

Plaintiffs however, filed a Motion for Inhibition against Judge Lingan (RTC 159), which said Judge granted. Defendant SyCip filed a Petition for Certiorari and Mandamus with Application for the Issuance of TRO and/or Writ of Preliminary Injunction before the Court of Appeals against Judge Lingan for inhibiting from the case (CA-G.R. SP No. 158324).

Pursuant to the inhibition of Judge Lingan (RTC 159), the case was eventually re-raffled to RTC 265 on April 4, 2019.

The case was referred to mediation on October 18, 2019. The parties underwent mediation until January 2020, but parties failed to enter into a settlement. Pre-Trial Conference was set on March 4, 2020.

On the day of the Pre-Trial Conference, before hearing started, the parties received an Omnibus Order, dated February 20, 2020, issued by RTC 265 **dismissing the case** due to forum shopping and being moot and academic.

5. 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, Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Yap Chua ("Complainants") are minority shareholders of Alliance Select Foods International, Inc. ("Company") who allege that the respondents, then Directors and Officers Jonathan Y. Dee, Alvin Y. Dee, Joanna Y. Dee-Laurel, George E. SyCip, Teresita S. Ladanga, Grace S. Dogillo, Arak Ratborihan, and current Directors Raymond K.H. See, Marie Grace T. Vera Cruz, and Antonio C. Pacis, improperly used the Complainants' investments 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 the Company. The Complainants further asserted that their proportionate rights as shareholders were diminished, such as their entitlement to representation in the Board of Directors of the Company.

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

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

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

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

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

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

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

Complainants Hedy et al. filed a Petition for Certiorari before the Court of Appeals alleging that there is grave abuse of discretion on the part of the DOJ in finding probable cause only to a lower charge of simple estafa instead of syndicated estafa and/or dismissing the charge against Raymond See, Grace Vera Cruz and Antonio Pacis, pending before the Court of Appeals (CA-G.R. SP No. 156008). After the parties have filed their Answers, and Replies and other subsequent pleadings, the Court of Appeals has issued a Resolution dated September 24, 2019 submitting the petition for decision.

Meanwhile, informations were filed with the Regional Trial Court of Makati for simple estafa, against former Directors and Officers Jonathan Dee, Alvin Dee, Joanna Dee-Laurel, George SyCip, Teresita Ladanga, Grace Dogillo, Arak Ratborihan, and John and Jane Does, which is pending trial.

Certain Relationships and Related Transactions

The Company has had no transactions covered under Part IV (D)(1) of Annex "C" of SRC Rule 12 in the last two (2) years, or those involving the Company or any of its subsidiaries in which an incumbent director, executive officer or stockholder owning ten percent (10%) or more of the total outstanding shares of the Company and members of their immediate family had or is to have a direct or indirect material interest.

Note 13 of the Notes to the Consolidated Financial Statements as of 31 December 2019 on the Company's related party transactions are incorporated by reference.

As indicated in the Consolidated Financial Statements as of 31 December 2019, the Company has not entered into any other related party transactions, or with parties that fall outside the definition of "related parties" but with whom the Company or its related parties have a relationship that enables the parties to negotiate the terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

Item 6. Compensation of Directors and Executive Officers

The following summarizes the executive compensation received by the CEO and the top four (4) most highly compensated officers of the Company for 2017, 2018, 2019 and 2020. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

	Year	Salaries Amounts in P'000	Bonuses/Other Income Amounts in P'000
CEO and the four most highly compensated officers named above	2017	₱ 14,865	₱ 215
	2018	₱ 18,980	₱ 254
	2019	₱ 16,939	₱ 273
	2020 (est)	₱ 17,612	₱ 263
Aggregate compensation paid to all officers and directors as a group unnamed	2017	₱ 19,417	₱ 679
	2018	₱ 23,855	₱ 755
	2019	₱ 25,038	₱ 1,012
	2020 (est)	₱ 23,017	₱ 1,025

The following are the Company's top five (5) compensated executive officers as of 31 December 2019:

Raymond K.H. See	President and CEO
Lisa Angela Y. Dejadina	Senior Vice President for Operations
Ma. Kristina P. Ambrocio	General Counsel, Asst. Corporate Secretary and Compliance Officer
Ma. Berniefel B. Sarmiento	Supply Chain Optimization Manager
Karen Anne G. Ramirez	Group Finance Advisor

Compensation of Directors

On 21 January 2016, the Company's Board of Directors adopted a policy, effective immediately, setting directors' per diems at P10,000 per attendance at Board meetings, and P5,000 per attendance at Committee meetings.

Under the amended By-Laws, as compensation, the Board shall receive and allocate an amount of not more than 10% of the Company'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 shareholders representing at least majority of the outstanding capital stock at a regular or special meeting of the shareholders.

Employment Contracts, Termination of Employment, Change-in-control arrangements

Other than the usual employment contracts, there are no existing employment contracts with executive officers. Furthermore, there are no special retirement plans for executives.

There is also no arrangement for compensation to be received from the Company in the event of a change in control of the Company.

Item 7. Independent Public Accountants

The appointment of the Company's independent auditors for the fiscal year 2020 will be submitted to the shareholders for approval and ratification at the Meeting.

The Audit Committee has recommended, and the Board of Directors has approved, the re-appointment of the accounting firm of Reyes Tacandong & Co. (Reyes Tacandong) as the Company's independent auditors. Reyes Tacandong was first appointed as the Company's independent auditors in 2015. Mr. Emmanuel V. Clarino is the partner-in-charge of Reyes Tacandong.

Representatives of Reyes Tacandong will be present at the Meeting, and will have an opportunity to make a statement, if they desire to do so; and to respond to appropriate questions from shareholders.

The Company has been advised that the Reyes Tacandong auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for professional services rendered by the Company's independent auditors for each of the last three (3) fiscal years:

Audit and Audit-Related Fees	2019	2018	2017
Regular Audit	P 1,370,000	P 1,345,000	P 1,280,000
Review of proposed equity restructuring			600,000
Long Form Audit			
Review of Forecast			
All Other Fees	P 238,100	P 134,500	128,000
Total Audit and Audit-Related Fees	P 1,608,100	P 1,479,500	P 2,008,000

Tax Fees

There were no tax-related services rendered by the independent auditors other than the assistance rendered in the preparation of the income tax returns which formed part of the regular audit engagement.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

As stated above, Reyes Tacandong was first appointed to be the Company's independent auditors for 2015. Reyes Tacandong succeeded Navarro Amper & Co. (Navarro Amper), who was the Company's independent auditors for 10 years prior to 2015. Other than that, there was no change in the Company's independent accountants during the three most recent calendar years or in any subsequent interim period.

There has been no disagreement with either Reyes Tacandong or Navarro Amper on accounting and financial disclosure.

Item 8. Compensation Plans

No action is to be taken by the shareholders at the Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken at the Meeting with respect to the authorization or issuance of securities other than for Exchange.

Item 10. Modification or Exchange of Securities

No action is to be taken at the Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

As stated above, no action is to be taken at the Meeting with respect to financial and other information.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken at the Meeting with respect to any transaction involving the following:

- a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company;
- b) the acquisition by the Company or any of its security holders of securities of another person;
- c) the acquisition by the Company of any other going business or of the assets thereof;
- d) the sale or other transfer of all or any substantial part of the assets of the Company; or
- e) the liquidation or dissolution of the registrant.

Item 13. Acquisition or Disposition of Property

No action is to be taken at the Meeting with respect to the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action is to be taken at the Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Action is to be taken on the reading and approval of the following:

1. Minutes of the Previous Stockholders' Meeting

The Minutes of the 2019 Annual Stockholders' Meeting held on 25 June 2019 are posted on the Company's website ([www. http://allianceselectfoods.com/home/our-company/](http://allianceselectfoods.com/home/our-company/)), and also available for inspection by stockholders at the principal office of the Company. Copies thereof will also be made available upon request at the venue of the Meeting.

As reflected in the Minutes, the 2019 Annual General Stockholders' Meeting was attended by shareholders holding 2,017,181,570 common shares (wither in person or represented by proxy) representing 80.70% of the outstanding capital stock of the Company. The following directors and officers were also present:

1. Mr. Raymon K.H. See – Director, President and CEO;
2. Ms. Marie Grace T. Vera Cruz – Director;
3. Mr. Joseph Pether Y. Roxas – Director;
4. Mr. Erwin M. Elechicon – Independent Director;
5. Mr. Dobbin A. Tan – Independent Director;
6. Atty. Barbara Anne C. Migallos – Corporate Secretary;
7. Atty. Ma. Kristina P. Ambrocio – Vice President and Head of Legal, Assistant Corporate Secretary, Compliance Officer;
8. Ms. Lisa Y. Dejadina – SVP – Business Development and Operational Excellence;
9. Ms. Jennifer Porsuelo – former Assistant Treasurer and Data Protection Officer.

The matters taken up during the Annual Stockholders' Meeting held on 25 June 2019 are as follows: (i) reading and approval of the minutes of the 2018 Annual Stockholders' Meeting held on 4 July 2018; (ii) presentation and approval of the Management Report and Audited Financial Statements for the year ended December 31, 2018; (iii) ratification and approval of the acts of the Board of Directors and Executive Officers; (iv) appointment of independent external auditors; and (v) election of Directors, including Independent Directors.

The stockholders were given an opportunity to ask questions at the meeting, after the presentation of the management report and the audited financial statements for the year ended 31 December 2018. Only stockholders and their duly designated proxies were entitled to take the floor to make a comment or raise a question.

All of the agenda items submitted to the stockholders were approved. Attached as Annex "C" is the tabulation of the results of the 2019 Annual Stockholders Meeting, showing the "FOR" "AGAINST" or "ABSTAIN" votes.

The resolution to be adopted will be for the approval of the minutes of the 2019 Annual Stockholders' Meeting held on 25 June 2019.

2. Management Report

The Company's Management Report, which includes the Audited Financial Statements for 2019, will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement. The 2019 Annual Report under SEC Form 17-A is available on the Company's website (<http://allianceselectfoods.com/>). Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said Annual Report as filed with the SEC, free of charge. The contact details for obtaining such copy are on Page 27 of this Information Statement.

The resolution to be adopted will be the approval of the Management Report and the Audited Financial Statements of the Company for the year ended 31 December 2019.

Item 16. Matters Not Required to be Submitted

There are no matters or actions to be taken up at the Meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken at the Meeting with respect to the Amendment of the Company's Charter, Bylaws or other Documents.

Item 18. Other Proposed Action

Action is to be taken on the ratification and approval of the acts of the Board of Directors and executive officers.

1. Acts of the Board of Directors and Executive Officers

All acts, contracts, proceedings, elections and appointments made or taken by the Board of Directors and/or the officers of the Company during the past corporate year will be submitted for ratification and approval of shareholders. These refer to the actions taken by the Board of Directors at its meetings held on 12 February 2019, 5 April 2019, 7 May 2019, 7 August 2019, 8 November 2019, 10 June 2020, 7 August 2020, 13 August 2020, and 11 September 2020. The acts of officers referred to are those that implemented the actions taken by the Board. A summary of significant actions of the Board, as set forth in the Minutes of meetings, is provided below.

At the special meeting of the Company on 12 February 2019, the Business Plan for 2019 was approved by the Board of Directors.

At the meeting of the Corporation held on 5 April 2019, the Board of Directors approved the financial statements of the Company for the year ended 31 December 2019.

At the 7 May 2019 meeting, the Board approved the first quarter financial performance and management report of the Company. The Board also approved the date of the Annual Stockholders' Meeting for 2019, and the timeline as presented by the Corporate Secretary. At the same meeting, the revolving credit facility with Strongoak to be used by ASFII for working capital requirements as the requirement arises was also approved by the Board, as well as the appointment of Reyes Tacandong & Co. as the Company's independent external auditors.

Lastly, the Code of Business Conduct and Ethics, as well as the Whistleblowing Policy, were approved.

At the meeting on 7 August 2019, the Board approved the financial statements of the Company for the first half of 2019. The Board also approved the availment of the capital expenditure (capex) facility, and the capex projects, as presented. In addition, the Board approved the exercise of the option to purchase the Spence property, which will be financed by the funding scheme proposed by management.

In a special board meeting held on October 18, 2019, took up the change of PT International Alliance Food Indonesia's core business operations to export trading, and sale of its fixed assets in North Sulawesi. In a special board meeting held on October 23, 2019, the Board approved the divestment of the Corporation's 100% equity investment in wholly-owned Massachusetts-based subsidiary Spence & Co. Ltd.

At the meeting of the Board of Directors on 8 November 2019, the Board approved following:

- a. the financial statements of the Company for the period ended 30 September 2019.
- b. engagement of strategic and financial advisor in connection with managing the Company's sale of Spence Co. ("Target") to Acme Smoked Fish of Massachusetts, LLC.
- c. renewal of the Company's consultancy agreement for certain services;
- d. Ms. Maria Cristina C. Villaruz was also appointed as the Company's Assistant Treasurer ratified the execution
- e. Deed of Postponement and authorized the Company to act as guarantor of Akaroa Treasurer, Data Privacy Officer and Authority to File Reportorial Requirements.

At the meeting of the Board of Directors on 10 June 2020, management presented the 2019 Financial Performance and Management Report, and the same were approved by the Board. At the same meeting, the schedule of the regular meetings to be held by the Board of Directors, based on the deadlines of financial reports, was approved. The Board also approved the schedule of the Company's Annual General Stockholders' Meeting for 2020, as well as the conduct thereof via remote communication.

At the 7 August 2020 Meeting, the Board approved the First Quarter Financial Performance and Management Report of the Company, and appointed Reyes Tacandong & Co. as the Company's independent external auditors. The Board of Directors also approved the adjusted schedule of the Company's Annual General Stockholders' Meeting for 2020.

At the regular meeting of the Board of Directors on 13 August 2020, management presented the 2nd Quarter Performance and Management Report, and the Board approved the same.

At the special meeting of the Board of Directors on 11 September 2020, the Board elected Mr. Domingo Cu Go as the Company's Independent Director, to serve the remaining term of Mr. Erwin M. Elechicon who passed away.

Item 19. Voting Procedures

Stockholders of record as of 24 August 2020 may vote at the Meeting. Stockholders have the right to vote in person or by proxy.

Under the Company's policy for the effective participation by shareholders in shareholders' meetings of the Company and the exercise of shareholders' right to vote:

1. To vote, a stockholder must first register online. Certificated stockholders should send a scanned copy of one (1) valid government identification card (ID) to ASM2020@allianceselectfoods.com. Indirect shareholders should send scanned copies of their broker's certification and one (1) valid ID to ASM2020@allianceselectfoods.com. Deadline for registration is on 1 October 2020, at 12NN. Once the Company successfully verifies the stockholder's status, the Company will reply to each stockholder with an online ballot for voting purposes.
2. Only items reflected on the Agenda and the Information Statement will be voted upon. No resolution that is not in the Agenda will be voted on.
3. Votes may be casted online by sending the filled up online ballot form to ASM2020@allianceselectfoods.com.
4. If a shareholder is unable to attend the meeting, he/she may still be represented at the meeting by submitting proxies either online, or by sending a physical copy to the Office of the Corporate Secretary at the Company's principal address at Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City 1605
5. Cumulative voting may be adopted in the election of directors as allowed by the Revised Corporation Code of the Philippines. On this basis, each registered stockholder as of 24 August 2020 may vote the number of shares registered in his name for each of the seven (7) directors to be elected; or he may multiply the number of shares registered in his name by seven (7), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the seven (7) directors to be elected.
6. Validation of online ballots and proxies shall be undertaken by a special committee designated by the Board for the validation of proxies. For the 2020 AGM, RT, the Company's independent external auditor shall work with the special committee, to review the tabulation of proxies, when necessary
7. Voting results for each item on the agenda shall be announced during the meeting and shall be made publicly available immediately.

PART II.

PLEASE SEE SEPARATE PROXY FORM

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, Metro Manila on 17 September 2020.

By:


BARBARA ANNE C. MIGALLOS
Corporate Secretary

UPON THE WRITTEN REQUEST OF THE STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A PRINTED COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A, AS FILED WITH THE SEC FREE OF CHARGE. ANY WRITTEN REQUEST SHALL BE ADDRESSED TO:

ATTY. BARBARA ANNE C. MIGALLOS

Corporate Secretary

*Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road,
Ortigas Center, Pasig City 1605*

PART II

PLEASE FILL UP AND SIGN THIS PROXY AND RETURN IMMEDIATELY TO THE CORPORATE SECRETARY VIA EMAIL (ASM2020@allianceselectfoods.com) OR BY SENDING PHYSICAL COPIES TO THE OFFICE OF THE CORPORATE SECRETARY.

PROXY FORM

The undersigned stockholder of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "Company") hereby appoints **MR. RAYMOND K. H. SEE** or in his absence, the **CHAIRMAN**, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **2020 Annual General Meeting of Stockholders** of the Company to be held on **7 October 2020 at 2:30 p.m.**, to be presided at the Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, and at any of the adjournments thereof for the purpose of acting on the following matters:

<p>1. Approval of minutes of the Annual General Meeting of Stockholders held on 25 June 2019</p> <p>___ Yes ___ No ___ Abstain</p> <p>2. Approval of the Annual Report and Audited Financial Statements for 2019</p> <p>___ Yes ___ No ___ Abstain</p> <p>3. Ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2019-2020</p> <p>___ Yes ___ No ___ Abstain</p> <p>4. Appointment of Reyes Tacandong & Co. as independent auditors</p> <p>___ Yes ___ No ___ Abstain</p>	<p>5. Election of Directors</p> <p>Vote for nominees listed below:</p> <p>Regular Directors:</p> <ol style="list-style-type: none"><input type="checkbox"/> Antonio C. Pacis<input type="checkbox"/> Gabriel A. Dee<input type="checkbox"/> Raymond K. H. See<input type="checkbox"/> Joseph Peter Y. Roxas<input type="checkbox"/> Rena M. Rico-Pamfilo <p>Independent Directors:</p> <ol style="list-style-type: none"><input type="checkbox"/> Dobbin A. Tan<input type="checkbox"/> Domingo Cu Go <p><input type="checkbox"/> Withhold authority for all nominees listed above</p> <p><input type="checkbox"/> Withhold authority to vote for the nominees listed below:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.</p>
<p>_____</p> <p>DATE</p>	<p>_____</p> <p>PRINTED NAME OF STOCKHOLDER</p> <p>_____</p> <p>SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY</p>

THIS PROXY SHOULD BE RECEIVED VIA EMAIL (ASM2020@allianceselectfoods.com) OR BY THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY ON OR BEFORE **28 SEPTEMBER 2020**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED BY THE PROXY HEREIN DESIGNATED FOR THE APPROVAL OF THE MATTERS STATED ABOVE, AND FOR THE ELECTION OF NOMINEES FOR DIRECTORS AT HIS DISCRETION.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. PROXIES EXECUTED BY BROKERS MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER. FORMS OF THE CERTIFICATION MAY BE REQUESTED FROM THE OFFICE OF STOCK TRANSFER SERVICES, INC. (TEL NO. 8403-2410)

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON. THIS PROXY SHALL BE VALID FOR FIVE (5) YEARS FROM THE DATE HEREOF UNLESS OTHERWISE INDICATED IN THE BOX HEREIN PROVIDED.

No director or executive officer, nominee for election as director, or associate of such director, executive officer or nominee, of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office.

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DOBBIN A. TAN**, Filipino, of legal age, with address at the U301, 38 Rockwell Drive cor. Palma Street, Makati City, Metro Manila, hereby declare under oath that:

1. I am nominated for re-election as Independent Director of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at Suite 3104 A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila., at the Company's 2020 Annual General Meeting of Stockholders to be held on October 7, 2020. I have been Independent Director of the Company since March 1, 2016.

2. I am also currently affiliated with the following companies or organizations:

Company	Position	Period of Service
Xavier School, Inc.	Treasurer	April 2014 to Present
PhilEquity Fund, Inc.	Independent Director	March 2014 to Present
New Sunlife Ventures, Inc.	President and Chief Executive Officer	January 2013 to Present
Information Gateway Group (Rising Tide Mobile Entertainment, Inc., I-Gateway Mobile Philippines, Inc., and G-Gateway Mobile, Philippines, Inc.)	President	November 2016 to Present
Red Rock Security, Inc.	President	November 2016 to Present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("**SRC**"), the 2015 Implementing Rules and Regulations of the SRC (the "**SRC Rules**"), and other issuances of the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 15 day of September 2020 at Makati City, Metro Manila.

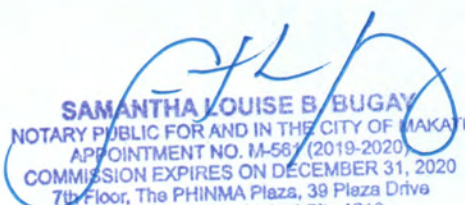


DOBBIN A. TAN
Affiant

SUBSCRIBED AND SWORN to before me this 15 day of September 2020, affiant exhibiting to me his Competent Evidence of Identity consisting of his Philippine Passport No. P8156326A issued on 31 July 2018 at DFA Manila, expiring on 30 July 2028 bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

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Series of 2020.

ASFII - Dobbin A Tan Independent Director Cert /dfp67



SAMANTHA LOUISE B. BUGAY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-561 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117340; Makati City; 1/3/2020
IBP O.R. No. 100827; Makati City; 1/3/2020
TIN 355-207-180
Attorney's Roll No. 73688
Admitted to the Philippine Bar: 20 June 2019

REPUBLIC OF THE PHILIPPINES)
 MAKATI CITY)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DOMINGO CU GO**, Filipino, of legal age, with address at Makati City, Metro Manila, hereby declare under oath that:

1. I am nominated for re-election as Independent Director of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "**Company**"), a corporation duly organized and existing under Philippine law, with principal office at Suite 3104 A West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, at the Company's 2020 Annual General Meeting of Stockholders to be held on October 7, 2020. I have been Independent Director of the Company since September 11, 2020.

2. I am also currently affiliated with the following companies or organizations:

Company	Position	Period of Service
Financial Executives Institute of the Philippines, Inc. (FINEX)	Director	January 2020 to present
FINEX Academy, Inc.	Director	January 2020 to present
The Philippine Federation of Japan Alumni, Inc.	Trustee	July 2015 to present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("**SRC**"), the 2015 Implementing Rules and Regulations of the SRC (the "**SRC Rules**"), and other issuances of the Securities and Exchange Commission ("**SEC**").

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders under Rule 38.2.3 of the SRC Rules, or otherwise.

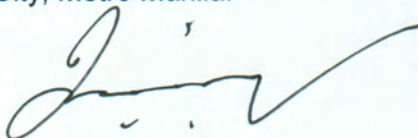
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agency or instrumentality.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the SRC, SRC Rules, the Code of Corporate Governance for Publicly Listed Companies, and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the abovementioned information within five (5) days from its occurrence.


Done this 14th day of September 2020 at Makati City, Metro Manila.


DOMINGO CU GO
Affiant

SUBSCRIBED AND SWORN to before me this 14th day of September 2020, affiant exhibiting to me his Competent Evidence of Identity consisting of his Driver's License No. NO1-90-112280 issued on 22 May 2017 at Makati City, expiring on 05 June 2022 bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc No. 408
Page No. 83
Book No. I
Series of 2020.

ASFII - Domingo Cu Go Independent Director Cert /dtp67


WILLIE ANN M. ANGSİY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-560 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117341; Makati City; 1/3/2020
IBP O.R. No. 100826; Makati City; 1/3/2020
TIN 421-685-039
Attorney's Roll No. 73856
Admitted to the Philippine Bar: 20 June 2019



June 25, 2019

The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street,
Bonifacio Global City, Taguig City,
Philippines 1634

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: 2019 Annual Stockholders' Meeting

Gentlemen:

Please be informed that at the Annual General Meeting of Stockholders of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "Company") held at 2:30 p.m. today, June 25, 2019, at the Philippine Stock Exchange Auditorium, Ground floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila 1605 (the "**Meeting**"), all matters requiring the vote of stockholders as set out in the Notice with Agenda and Information Statement for the Meeting were duly approved by the vote of stockholders.

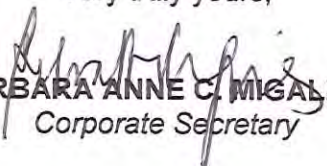
Stockholders of record as of May 22, 2019 were entitled to vote at Meeting. As of said date, the Company had 2,499,712,463 outstanding and issued common shares. At the Meeting, there were present, in person or represented by proxy, stockholders holding 2,017,205,538 common shares, representing 80.70% of the Company's total outstanding capital stock.

The voting was by balloting. The Company's Corporate Secretary and Assistant Corporate Secretary tabulated the votes. Approval of the matters requiring the vote of stockholders required the affirmative vote of stockholders owning at least a majority of the outstanding voting capital stock. The voting results are as follows:

Matter requiring vote of stockholders	For	Against	Abstain
1. Reading and approval of the Minutes of the 2018 Annual General Meeting of Stockholders held on July 4, 2018 (Item 4 on Agenda)	1,672,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979 (0.53%)
2. Approval of the Annual Report and the Audited Financial Statements for the Year Ended December 31, 2018. (Item 5 on Agenda)	1,672,678,207 (66.91%)	331,364,352 (13.26%)	19,872,408 (0.79%)

3. Ratification and approval of the acts of the Board of Directors and Executive Officers for the corporate year 2017-2018. (Item 6 on Agenda)	1,672,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979 (0.53%)
4. Appointment of Reyes Tacandong & Co. as the Company's Independent External Auditors for 2019. (Item 7 on Agenda)	1,672,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979 (0.53%)
5. Election of Directors for the ensuing year (Item 8 on Agenda)	Yes	No	Abstain
a) Election of Atty. Antonio C. Pacis as Regular Director	1,672,961,439 (66.93%)	331,364,351 (13.26%)	12,879,748 (0.52%)
b) Election of Mr. Gabriel Dee as Regular Director	1,672,971,813 (66.93%)	331,364,351 (13.26%)	12,869,374 (0.51%)
c) Election of Mr. Raymond K.H. See as Regular Director	1,672,999,044 (66.93%)	331,364,351 (13.26%)	12,842,143 (0.51%)
d) Election of Ms. Marie Grace T. Vera Cruz as Regular Director	1,672,988,670 (66.93%)	331,364,351 (13.26%)	12,852,517 (0.51%)
e) Election of Mr. Erwin M. Elechicon as Independent Director	1,672,971,813 (66.93%)	331,364,351 (13.26%)	12,869,374 (0.51%)
f) Election of Mr. Joseph Peter Y. Roxas as Regular Director	1,672,961,439 (66.93%)	331,364,351 (13.26%)	12,879,748 (0.52%)
g) Election of Mr. Dobbin A. Tan as Independent Director	1,672,964,033 (66.93%)	331,364,351 (13.26%)	12,877,154 (0.52%)

Very truly yours,


BARBARA ANNE C. MIGALLOS
 Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino and with office address at 7th Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, Metro Manila, hereby depose and state that under oath that:

1. I am the incumbent Corporate Secretary of **ALLIANCE SELECT FOODS INTERNATIONAL, INC.** (the "**Corporation**"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, and with principal office address at 3104 A West Tower PSE Center, Exchange Road, Ortigas Center, Pasig City, Metro Manila.

2. The following incumbent Directors of the Company are not connected with any government agency or instrumentality:

- 2.1. Atty. Antonio C. Pacis
- 2.2. Atty. Gabriel A. Dee
- 2.3. Mr. Raymond K. H. See
- 2.4. Mr. Joseph Peter Y. Roxas
- 2.5. Ms. Grace T. Vera Cruz
- 2.6. Mr. Dobbin A. Tan
- 2.7. Mr. Domingo Cu Go


IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of September 2020 at Makati City, Metro Manila, Philippines.


BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17th day of September 2020, affiant exhibiting to me her Community Tax Certificate No. 04346179 issued on 6 January 2020 at Makati City, and her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice

Doc. No.: 482 ;
Page No.: 98 ;
Book No.: 1 ;
Series of 2020.

R537 SecCert Certification - Directors Non Gov /dtp67



SAMANTHA LOUISE B. BUGAY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-561 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117340; Makati City; 1/3/2020
IBP O.R. No. 100827; Makati City; 1/3/2020
TIN 355-207-180
Attorney's Roll No. 73688
Admitted to the Philippine Bar: 20 June 2019

SECRETARY'S CERTIFICATE

I, **BARBARA ANNE C. MIGALLOS**, of legal age, with office address at the 7th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of **Alliance Select Foods International, Inc.**, a corporation organized and existing under Philippine law, with principal address at the 3104 A West Tower PSE Center, Exchange Road, Ortigas Center, Pasig City (the "Company"), after being duly sworn in accordance with law, hereby depose and state that at the meeting of the Board of Directors on 7 August 2020 via remote communication and electronic means, approved the following resolution:

"**RESOLVED**, as it is hereby resolved, that for the health, safety and protection of all concerned, particularly the Company's stockholders, the Board deems it most prudent to conduct its Annual General Stockholders' Meeting to be held on 7 October 2020, online and via remote communication only."


IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of September 2020 at Makati City.


BARBARA ANNE C. MIGALLOS

SUBSCRIBED AND SWORN to before me this 17th day of September 2020, affiant exhibiting to me her CTC No. 04346179 issued on 6 January 2020 at Makati City, and her Passport No. P7148981A issued on 11 May 2018 at DFA NCR South, expiring on 10 May 2028 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 481
Page No.: 98
Book No.: 2
Series of 2020.

R337 ASFII ASM via remote communication /dfp67


SAMANTHA LOUISE B. BUGAY
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-557 (2019-2020)
COMMISSION EXPIRES ON DECEMBER 31, 2020
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 8117340; Makati City; 1/3/2020
IBP O.R. No. 100827; Makati City; 1/3/2020
TIN 355-207-180
Attorney's Roll No. 73688
Admitted to the Philippine Bar: 20 June 2019

ALLIANCE SELECT FOODS INTERNATIONAL, INC.

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements

The consolidated financial statements of Alliance Select Foods International, Inc. (the “Company”) and its subsidiaries for the period ended December 31, 2019 in compliance with SRC Rule 68, as amended, are attached to the Information Statement and are incorporated by reference. Copies of the said financial statements are also uploaded on the Company’s website (<http://allianceselectfoods.com/>).

The Company’s unaudited interim financial statements for the first and second quarters of 2020 or the periods ended March 31, 2020 and June 30, 2020, respectively, on SEC Form 17-Q are also attached to this information Statement and uploaded on the Company’s website.

II. Disagreements with Accountants on Accounting and Financial Disclosure

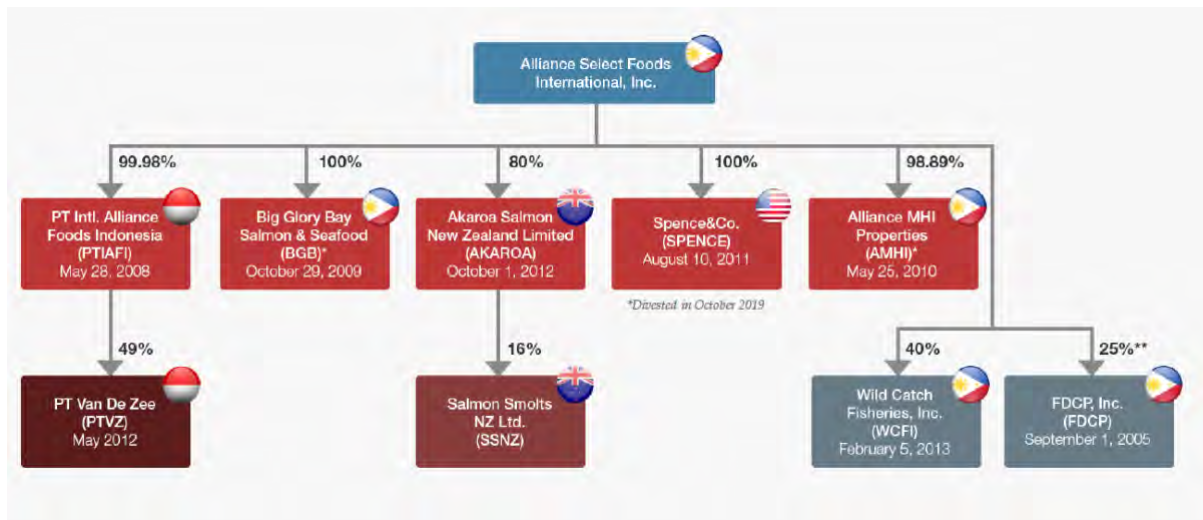
Reyes Tacandong & Co. was appointed as the external auditor of the Company for the year 2019. There were no disagreements with the Company’s independent external auditors, Reyes Tacandong & Co., regarding the financial statements of the Company for the year 2019.

III. The Company

Alliance Select Foods International, Inc. is a public corporation under Section 17.2 of the Securities Regulation Code (SRC) and was registered in 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 in General Santos City, Mindanao, Philippines. On November 8, 2006, the Company’s shares were listed on the PSE through an initial public offering. In July 2010, the Company was renamed as “Alliance Select Foods International, Inc.”

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

The following presents the conglomerate map of the Company’s operating subsidiaries and affiliates, including its corresponding percentage of ownership as of June 30, 2020.



The following discussion describes briefly the operating subsidiaries and affiliates of the Company:

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 FDGP, 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. On October 18, 2019, PT IAFI changed its core business operations to export trading, and sold its fixed assets in North Sulawesi.

PT IAFI set up PT Van de Zee (PT VDZ), a fishing company in Indonesia in May 2012 with an initial stake of 80%. In 2014, a new law in Indonesia required that domestic ownership in local entities be increased to at least 51%. Currently, PT IAFI owns 49% of PT VDZ. Due to subsequent changes in Indonesian fishing regulations restricting foreign commercial fishing, PT VDZ is currently not in operation.

As part of the Parent Company's product diversification strategy, it invested in a New Zealand based processor of smoked salmon in January 2009. The initial investment of a 39.00% stake in PFNZ was later increased to 50% plus 1 share. PFNZ was engaged in the business of processing, manufacturing, and distributing smoked salmon and other seafood under the Prime Smoke and Studholme brand. On October 2015, the Parent Company divested its interest in PFNZ.

In October 2009, the Parent Company and PFNZ established a joint-venture company called Big Glory Bay ("BGB") that imports salmon from New Zealand, Chile and Norway, among others, and processes it in General Santos City, Mindanao, Philippines. The smoked salmon products from BGB are sold locally and abroad. In October 2015, the Parent Company accepted PFNZ's BGB shares as partial payment for PFNZ's payment obligations to the Parent Company. This resulted in BGB becoming a 100% subsidiary of the Company.

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 preferred shares arising from the increase in authorized capital stock of AMHI. AMHI's application for increase in capital stock 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. On October 23, 2019, the Parent Company divested 100% of its equity investment in Spence & Co. Ltd.

The Parent Company acquired an 80% stake in Akaroa in October 2012. With its principal office in Christchurch, New Zealand, Akaroa is engaged in the business of sea cage salmon farming and is among the pioneers of farmed salmon industry in New Zealand. Akaroa smokes and processes fresh 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).

In 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.

PRODUCTS

Tuna

The Group's Tuna Division, comprised of ASFII and PT IAFI, sells processed tuna. The market for canned tuna is comprised of the institutional and retail markets. The end users of the institutional cans include restaurants, hotels, and commissaries. The retail pack is sold to wholesalers, distributors, and food companies that have their own brands. The retail can is what consumers normally purchase in supermarkets and grocery stores.

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

Salmon

BGB processes various salmon species and manufactures them into smoked and raw products for retail and institutional consumers. These are frozen and vacuum packed, and sold in different forms and cuts. Products are sold in retail stores under Prime New Zealand, Gold Standard, and Superfish.

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, Gravlox Pastrami Salmon.

Akaroa serves king salmon both for its domestic and international clients. For international markets, Akaroa's products are air-flown and delivered to retailers, distributors or direct customers in Singapore, Japan, USA, Philippines, and Hong Kong, among others.

Fishmeal

Fishmeal is the by-product of the tuna and salmon processing operations. Fishmeal is 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, 2019, 2018 and 2017 are as follows:

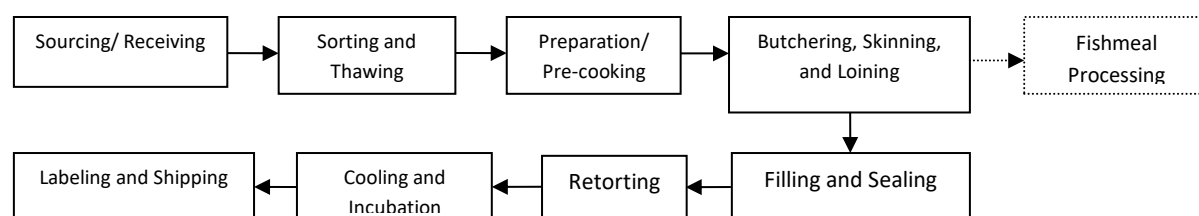
Product	December 31, 2019	December 31, 2018	December 31, 2017
Tuna	70%	69%	58%
Fishmeal	4%	2%	2%
Salmon	26%	29%	40%
Total*	100%	100%	100%

**Numbers might not add up due to rounding*

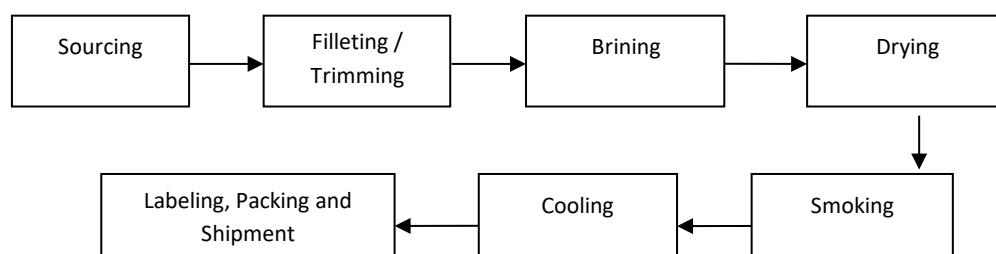
PRODUCTION PROCESS

The following diagrams present the different processes that the Company employs in producing canned tuna and smoked salmon in its processing facilities.

Canned Tuna



Smoked Salmon



IV. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion and analysis of the Company's financial condition and results of operations and certain trends, risks, and uncertainties that may affect the Company's business. The discussion and analysis of the Company's results of operations is presented in four (4) comparative sections: a) The six (6) months ended June 30, 2020 with comparative figures for the period ended June 30, 2019, b) the year ended December 31, 2019 with comparative figures as of December 31, 2018; c) the year ended December 31, 2018 with comparative figures as of December 31, 2017; d) the year ended December 31, 2017 with comparative figures as of December 31, 2016; and Disclosure relating to liquidity and financial condition and the trends, risks, and uncertainties that have had or that are expected to affect revenues and income, completes the management's discussion and analysis.

Further, 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, 2019, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended and unaudited financial statements of the Group for the period ended June 30, 2020. 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.

Operating Performance

Six months Ended June 30, 2020 versus June 30, 2019

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

Amount in US\$ '000	For the Six Months Ended June 30	
	2020	2019
Revenue	\$34,730	\$43,095
Gross Profit	3,058	5,268
Gross Profit %	9%	12%
Selling and Administrative Expenses	2,806	3,890
Other Income (Charges) - Net	172	(146)
Finance Costs	541	1,061
Income (Loss) Before Tax	(117)	171
Income Tax Expense	145	153
Income for the Period	(261)	18
Attributable to:		
Equity holders of the parent	(\$213)	\$7
Non-controlling interest	(48)	11
	(\$261)	\$18

**Numbers might not add up due to rounding*

The Group's consolidated net revenues of \$34.7 million for the first half of 2020 was 19% lower than the revenues of \$43.1 million in the same reporting period last year. Revenues from 2019 included sales from Spence.

The first half of 2020 registered a gross profit of \$3.1 million, with GP rate of 9% versus 12% in the previous year.

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

Finance cost significantly decreased by 49% due to lower average loan balance for working capital and lower borrowing rates.

December 31, 2019 versus December 31, 2018

	Years Ended December 31		
Amount in US\$ '000	2019	2018	% Change
Revenue	\$84,883	\$97,134	-13%
Gross profit	8,177	12,340	-34%
Gross Profit %	10%	13%	
Selling & Administrative Expenses	8,564	7,341	17%
Finance Cost	2,035	1,504	35%
Profit (loss) for the year	(5,132)	2,603	-297%
Non-controlling interest	(47)	79	-160%
Profit(Loss) attributable to equity holders of the parent	(5,085)	2,524	-301%
Net Profit (Loss) %	-6%	3%	
EBITDA	(360)	6,073	-106%
<i>EBITDA margin</i>	-0%	6%	
Return on equity (ROE)	-15%	7%	
Earnings per share	-0.002	0.001	-301%
Book value per share	0.0134	0.0154	-13%

**Numbers might not add up due to rounding*

The Group's consolidated revenues of \$85 million in 2019 were 13% lower than the revenues of \$97 million in 2018. In 2019, about 74% of total revenues were contributed by tuna-related products and the remaining 26% were contributed by salmon-related products. There is a 10% and 19% decline in revenue for the tuna and salmon segments, respectively. Drop in tuna segment sales was due to the decline in tuna prices translating to lower average selling prices in 2019. The disposal of 100% equity investment in Spence around October 2019 impacted salmon segment sales during the year.

The Group's gross profits of \$8 million in 2019 is lower than gross profits of \$12 million in 2018. The gross profit margin is at 10% and 13% in 2019 and 2018, respectively. The labor shortage in ASFII during the first half of the year drove production inefficiency, with lower loining recovery resulting to increased material costs.

After years of suffering losses due to frequent shut downs of PT IAFI primarily due to Indonesian fishing regulations that have made foreign commercial fishing in Indonesian waters practically impossible, resulting in higher fish prices and insufficient supply for tuna canneries across Indonesia, management decided to change core business operations in Indonesia to export trading, and pursued a sale of IAFI's fixed assets in North Sulawesi.

The Group sold its 100% stake in Spence to ACME last October 2019.

Over the past three years, the Group has successfully implemented measures to reduce selling and administrative expenses and has consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories are lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2019, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$921,936. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for trade and other receivables amounting to \$11,729. 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 \$2.0 million in 2019 were 35% higher than its finance costs of \$1.5 million in 2018. Increase in finance cost can be attributed to higher prevailing borrowing rates and the greater working capital requirement to support growing operation particularly in securing raw materials.

The Group ended the year with a net loss of \$5.1 million from \$2.6 million net income in 2018.

December 31, 2018 versus December 31, 2017

The table below shows the comparison of key operating results for the fiscal period ended December 31, 2018 versus the same period in 2017.

Amount in US\$ '000	Years Ended December 31		
	2018	2017	% Change
Revenue	\$97,134	\$72,192	35%
Gross profit	12,340	9,449	31%
Gross Profit %	13%	13%	
Selling & Administrative Expenses	7,341	8,117	-10%
Finance Cost	1,504	788	91%
Profit for the year	2,603	1,563	67%
Non-controlling interest	79	126	-37%
Profit attributable to equity holders of the parent	2,524	1,437	76%
Net Profit %	3%	2%	
EBITDA	6,073	2,501	143%
<i>EBITDA margin</i>	6%	3%	
Return on equity (ROE)	7%	4%	
Earnings per share	0.0010	0.0006	68%
Book value per share	0.0154	0.0135	14%

**Numbers might not add up due to rounding*

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

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

The shut downs of PT IAFI is due to its inability to source low-cost fish in the region, resulting in an uncompetitive cost structure in the globally-competitive tuna canning market. PT IAFI's predicament is common to other tuna canning companies in Indonesia. Indonesian fishing

regulations have made foreign commercial fishing in Indonesian waters practically impossible, resulting in higher fish prices and insufficient supply for tuna canneries across Indonesia.

Over the past three years, the Group has successfully implemented measures to reduce selling and administrative expenses and has consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories are lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2018, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$209,488. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for trade and other receivables amounting to \$80,000. The Group identified specific accounts that are doubtful of collection, considering historical collection and write-off experience, and provided a provision pertaining to the amounts deemed to be uncollectible.

Increase in finance cost can be attributed to higher prevailing borrowing rates and the greater working capital requirement to support growing operation particularly in securing raw materials.

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

December 31, 2017 versus December 31, 2016

The table below shows the comparison of key operating results for the fiscal period ended December 31, 2017 versus the same period in 2016.

Amount in US\$ '000	Years Ended December 31		
	2017	2016	% Change
Revenue	\$72,192	\$59,914	20%
Gross profit	9,449	3,468	172%
Gross Profit %	13%	6%	
Selling & Administrative Expenses	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) %	2%	-10%	
EBITDA	2,501	(3,015)	183%
EBITDA 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%

**Numbers might not add up due to rounding*

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 \$0.8 million in 2017 were 9% lower than its finance costs of \$0.9 million 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.

Financial Condition, Liquidity, and Capital Resources

June 30, 2020 compared to December 31, 2019

The Group's trade and other receivables grew by 6% of which majority are current and collectible within 30 days.

The drop in deposits mainly for raw materials by 22% caused the decline in period end balance for other current assets.

	June 30, 2020	December 31, 2019
Current Ratio	1.26	1.28
Debt-to-equity Ratio	1.19	1.17

December 31, 2019 compared to December 31, 2018

Balance Sheet Highlights	Years Ended December 31		
Amount in US\$'000	2019	2018	% Change
Cash & cash equivalent	\$1,871	\$7,012	-73%
Receivables	12,114	11,849	2%
Inventories	12,659	13,946	-9%
Other current assets	10,141	8,155	24%
Total Current Assets	\$36,785	\$40,961	-10%
Property & Equipment	16,275	15,486	5%
Total Assets	\$67,808	\$77,039	-12%
Trade and Other Payables	\$6,183	\$9,140	-32%
Bank Loans	22,344	30,917	-28%
Total Current Liabilities	28,709	40,244	-29%
Total Liabilities	36,508	40,748	-10%
Total Stockholders' Equity	31,300	36,291	-14%
Total Liabilities & SE	\$67,808	\$77,039	-12%

**Numbers might not add up due to rounding*

There was no impairment of goodwill recognized during the year.

Proceeds from the sales of Spence and disposal/retirement of property, plant and equipment in PT IAFI were mainly used to pay-off loans from local banks and trade payables.

	December 31, 2019	December 31, 2018
Current Ratio	1.28	1.02
Debt-to-equity Ratio	1.17	1.12

December 31, 2018 compared to December 31, 2017

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

**Numbers might not add up due to rounding*

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

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

There was no impairment of goodwill recognized during the year.

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

	December 31, 2018	December 31, 2017
Current Ratio	1.02	0.92
Debt-to-equity Ratio	1.12	1.09

December 31, 2017 compared to December 31, 2016

Balance Sheet Highlights	Years Ended December 31		
	2017	2016	% Change
<i>Amount in US\$'000</i>			
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%

**Numbers might not add up due to rounding*

The 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.

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

The 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.

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

The 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%.

	December 31, 2017	December 31, 2016
Current Ratio	0.92	0.87
Debt-to-equity Ratio	1.09	0.86

Plan of Operation

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 pertaining to 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, 2019, there were no other material events or uncertainties known to management 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.

Key performance Indicators

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

	For the period ended December 31				For the 6-month ended June 30
Liquidity and Solvency	2016	2017	2018	2019	2020
Current ratio	0.87	0.92	1.02	1.28	1.26
Debt to equity ratio	0.86	1.09	1.12	1.17	1.19
Profitability					
Revenue growth rate	-12%	20%	35%	-13%	-19%
Net profit margin	-10%	2%	3%	-6%	-1%
Return on average stockholders' equity	-17%	4%	7%	-15%	-1%

The following defines each ratio:

- The current assets to current liabilities ratio are used to measure liquidity. This is computed by dividing total current assets by total current liabilities. The result is expressed in proportion.
- 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 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 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.

V.Number of Holders of Each Class of Common Security

As of June 30, 2020, there are 2,499,712,463 outstanding and issued common shares of the Company, exclusive of 287,537 treasury shares. The Company does not have any class of shares other than common shares.

VI. Names of the Top Twenty (20) Shareholders of Each Class

The top twenty (20) stockholders of the Company as of 31 July 2020 are the following:

Name	No. of shares	% ownership
1. PCD Nominee Corporation (Filipino)	2,021,184,524	80.85%
2. Harvest All Investment Limited	177,261,165	7.09%
3. Victory Fund Limited	138,474,015	5.54%
4. PCD Nominee Corporation (Foreign)	84,829,624	3.39%
5. Albert Hin Kay Hong	39,017,537	1.56%
6. Bondeast Private Limited	13,023,411	0.52%
7. Kawsek JR., Peter	4,538,646	0.18%
8. Martin Antonio G. Zamora	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. Alliance Tuna International Inc.	257,464	0.01%
20. GENPACCO, Inc.	172,973	0.01%

As of August 24, 2020, foreign ownership of the company's common stock equity stands at 18.21% or 455,244,878 - common shares. Locally owned common stock stands at 81.79% or 2,044,467,585 common shares. Currently, there is no foreign ownership limitation applicable to FOOD.

There is no action to be taken at the 2020 AGM with respect to an acquisition, business combination or other reorganization that will affect the amount and percentage of present holdings of the Company's common equity owned beneficially by (i) any person or group who is known to the Company to be the beneficial owner of more than five percent (5%) of any class of the registrant's common equity; (ii) each director and nominee; and (iii) all directors and officers as a group, and the Company's present commitments to such persons with respect to the issuance of shares of any class of its common equity, if any.

VII. Directors

Board of Directors

Director	Nationality	Position	Age	Year Position was Assumed
Antonio C. Pacis	Filipino	Chairman of the Board	79	2014
Gabriel A. Dee	Filipino	Vice Chairman	55	2018
Raymond K.H. See	Filipino	Director, President & CEO	52	2014
Marie Grace T. Vera Cruz	Filipino	Director	39	2014
Joseph Peter Y. Roxas	Filipino	Director	58	2016
Erwin M. Elechicon*	Filipino	Independent Director	60	2016
Dobbin A. Tan	Filipino	Independent Director	56	2016

*Passed away in June 2020

ANTONIO C. PACIS - 79, Filipino citizen; Chairman of the Board

Mr. Pacis obtained his law degree from the Ateneo Law School in 1965 and his Master of Law degree from the Harvard Law School in 1967.

He is on the Board of Directors at OCLP Holdings Inc., BDO Unibank, Inc., Paluwagan NG Bayan Savings Bank, Armstrong Pacific Co., Inc., Legisforum, Inc., Technology Investment Co., Inc. and Central Colleges of The Philippines.

He is Chairman of the Board of Directors at Asian Silver Estate, Inc., International Social Service Philippines, Inc., Amigo Holdings, Inc., Asian Waterfront Holdings, Inc., Mantle Holdings, Inc., and Corporate Secretary for Armstrong Securities, Inc., EBC Strategic Holdings Corp., and Paluwagan NG Bayan Savings Bank.

Mr. Pacis has been practicing law since 1965 and continues to practice at Pacis and Reyes Law Office and was a professor of law at the Ateneo Law School.

GABRIEL A. DEE - 55, Filipino citizen; Vice-Chairman

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

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

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

RAYMOND K. H. SEE - 52, 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 - 39, 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 - 58, 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 - 60, Filipino citizen; Independent Director

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

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

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

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

DOBBIN A. TAN - 56, 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.

VIII. Executive Officers

Officer	Nationality	Position	Age	Year Position was Assumed
Raymond K.H. See	Filipino	President & CEO	52	2014
Lisa Angela Y. Dejadina	Filipino	SVP – Operational Excellence and Business Development	37	2014
Barbara Anne C. Migallos	Filipino	Corporate Secretary	65	2015
Ma. Kristina P. Ambrocio	Filipino	Asst. Corporate Secretary and Compliance Officer	41	2015
Maria Cristina C. Villaruz	Filipino	Assistant Treasurer and Data Protection Officer	37	2019

RAYMOND K.H. SEE - 52, 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 - 37, 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 - 65, 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 - 41, 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.

MA. CRISTINA VILLARUZ – 48, Filipino citizen; Assistant Treasurer and Data Protection Officer

Ms. Villaruz has held multiple finance positions in the food, fishing and aquaculture industries. Prior to joining the Company, she headed Alsons Aquaculture Corporations' Budget, Financial Analysis and Cost Control Department. Ms. Villaruz is a graduate of the University of the Philippines in the Visayas, with a Major in Accounting. She is also a Certified Public Accountant.

IX. Market Price of the Issuer's Common Shares

The common shares of the Company are traded on the PSE under the symbol FOOD. The Company's common stock was first listed on the PSE on November 8, 2006.

The table below sets out the high and low sales prices for the Company's common shares as reported on the PSE for the periods indicated.

	2017		2018		2019		2020	
	High	Low	High	Low	High	Low	High	Low
Q1	0.82	0.80	0.66	0.63	1.02	0.95	0.51	0.51
Q2	0.86	0.84	0.62	0.55	0.86	0.72	0.55	0.55
Q3	0.79	0.77	0.59	0.57	0.78	0.68		
Q4	0.62	0.61	1.10	1.04	0.68	0.51		

On June 30, 2020, the last trading day for the month, the closing price for FOOD was P.55 per share.

The number of shareholders of record as of August 31, 2020 owning at least one board lot is 202 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 September 15, 2020 is 31.86%.

X. Dividends

The Company is authorized to declare and distribute dividends to the extent it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed profits of a corporation that have not been earmarked for any corporate purposes. A corporation may pay dividends in cash, by distribution of property, or by issuance of shares. Dividends declared in the form of cash or additional shares are subject to approval by the Company's Board of Directors.

In addition to Board approval, dividends declared in the form of additional shares are also subject to the approval of the Company's shareholders representing at least two-thirds (2/3) of the outstanding capital stock. Holders of outstanding common shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares. SEC approval is required before any property or stock dividends can be distributed. While there is no need for SEC approval for distribution of cash dividends, the declaration of cash dividends must be immediately disclosed to the SEC and the PSE in accordance with the SRC Rule 17.

The Company has not adopted a specific dividend policy. Nevertheless, the Company has declared dividends for the years 2007, 2008, 2009, and 2011.

The Company has not declared dividends for the past three (3) most recent fiscal years.

In the future, the Company intends to continue to pay dividends out of its unrestricted retained earnings. The ability to pay dividends, and the amount of such, however, shall depend on the Company's retained earnings, cash flow requirements, financial condition, capital expenditures, and investment requirements during the relevant period.

XI. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

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

XII. Corporate Governance

The Company believes that corporate governance is a necessary component of what constitutes sound strategic business management, and therefore undertakes all efforts necessary to create awareness within the organization.

The Company's corporate governance principles and practices are principally embodied in the Company's Articles of Incorporation, By-Laws and its amendments, and Manual on Corporate Governance. The Company complies with the Revised Code of Corporate Governance set by the Securities & Exchange Commission (SEC) and the Corporate Governance Guidelines and Listing Rules of the Philippines Stock Exchange (PSE), and endeavors to elevate its corporate governance practices in line with best practices.

The Company's Articles of Incorporation, By-Laws and Manual on Corporate Governance may be viewed on the Company's website (<http://corporate.allianceselectfoods.com/>).

To ensure adherence to corporate governance principles and best practices, the Company has a Compliance Officer with the rank of Vice President that reports directly to the Chairman of the Board. The Compliance Officer constantly monitors and evaluates compliance of the Directors and officers to its Manual on Corporate Governance.

Corporate Governance Updates

The Company filed its revised Manual on Corporate Governance (containing revisions as of July 2014) with the SEC on 31 July 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.

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.

SEC Number **CS200319138**

File Number

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

(Company's Full Name)

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

(Company's Address)

632 7747-3798

(Telephone Number)

December 31

(Calendar Year Ending)
(month & day)

SEC FORM 17 A

(Form Type)

(Amendment Designation if applicable)

For the Fiscal Year December 31, 2019

(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, 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 3104 A West Tower PSEC Exchange Rd. Ortigas Business District, Pasig City
Address of issuer's principal office
- 1605
Postal Code
8. 632 7747 - 3798
Issuer's telephone number, including area code
9. 1206 East Tower PSEC Exchange Rd. Ortigas Center Pasig City 1605
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

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

Common shares, P0.50 par value

2,499,712,463 shares

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

Yes [/] No []

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

The Phil. Stock Exchange - Common shares

12. Indicate by check mark whether the registrant:

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

Yes ☐ No ☐

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

Yes ☐ No ☐

Part I – BUSINESS AND GENERAL INFORMATION

Item 1 – BUSINESS

BACKGROUND

Alliance Select Foods International, Inc. (ASFII or the “Parent Company” or the “Company”) is a publicly listed corporation under Section 17.2 of the Securities Regulation Code (SRC). ASFII was registered with the Philippine Securities and Exchange Commission (SEC) on September 1, 2003 as Alliance Tuna International, Inc. It started commercial operations in 2004 to engage in tuna processing, canning, and the export of canned tuna products from General Santos City, Mindanao, Philippines. On November 8, 2006, the Company’s shares were listed on the Philippine Stock Exchange through an initial public offering. In July 2010, the Company was renamed as “Alliance Select Foods International, Inc.”

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.

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. On October 18, 2019, PT IAFI changed its core business operations to export trading, and sold its fixed assets in North Sulawesi.

PT IAFI set up PT Van de Zee (PT VDZ), a fishing company in Indonesia in May 2012 with an initial stake of 80%. In 2014, a new law in Indonesia required that domestic ownership in local entities be increased to at least 51%. Currently, PT IAFI owns 49% of PT VDZ. Due to subsequent changes in Indonesian fishing regulations restricting foreign commercial fishing, PT VDZ is currently not in operation.

As part of the Parent Company’s product diversification strategy, it invested in a New Zealand based processor of smoked salmon in January 2009. The initial investment of a 39.00% stake in PFNZ was later increased to 50% plus 1 share. PFNZ was engaged in the business of processing, manufacturing, and distributing smoked salmon and other seafood under the Prime Smoke and Studholme brand. On October 2015, the Parent Company divested its interest in PFNZ.

In October 2009, the Parent Company and PFNZ established a joint-venture company called Big Glory Bay (“BGB”) that imports salmon from New Zealand, Chile and Norway, among others, and processes it in General Santos City, Mindanao, Philippines. The smoked salmon products from BGB are sold locally and abroad. In October 2015, the Parent Company accepted PFNZ’s BGB shares as partial payment for PFNZ’s payment obligations to the Parent Company. This resulted in BGB becoming a 100% subsidiary of the Company.

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 preferred shares arising from the increase in authorized capital stock of AMHI. AMHI’s application for increase in capital stock was approved by the Securities and Exchange Commission on December 23, 2015. ASFII now owns 98.89% of AMHI. AMHI’s registered address is at Purok Saydala, Barangay Tumbler, General Santos City.

On August 10, 2011, the Parent Company acquired 100% of the issued share capital of Spence, located in Brockton, Massachusetts, USA. Spence, which became a wholly owned subsidiary of the Parent Company, specializes in the production of smoked salmon and other seafood. On October 23, 2019, the Parent Company divested 100% of its equity investment Spence & Co. Ltd.

The Parent Company acquired an 80% stake in Akaroa in October 2012. With its principal office in Christchurch, New Zealand, Akaroa is engaged in the business of sea cage salmon farming and is among the pioneers of farmed salmon industry in New Zealand. Akaroa smokes and processes fresh 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).

In 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.

PRODUCTS

Tuna

The Group's Tuna Division, comprised of ASFII and PT IAFI, sells processed tuna. The market for tuna is comprised of the institutional and retail markets. The end users of the institutional cans include restaurants, hotels, and commissaries. The retail pack is sold to wholesalers, distributors, and food companies that have their own brands. The retail can is what consumers normally purchase in supermarkets and grocery stores.

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

Salmon

BGB processes various salmon species and manufactures them into smoked and raw products for retail and institutional consumers. These are frozen and vacuum packed, and sold in different forms and cuts. Products are sold in retail stores under Prime New Zealand, Gold Standard, and Superfish.

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 Gravlox Pastrami Salmon.

Akaroa serves king salmon both for its domestic and international clients. For international markets, Akaroa's products are air-flown and delivered to retailers, distributors or direct customers in Singapore, Japan, USA, Philippines and Hong Kong, among others.

Fishmeal

Fishmeal is the by-product of tuna and salmon processing operations. Fishmeal is 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, 2019, 2018 and 2017 are as follows:

Product	December 31, 2019	December 31, 2018	December 31, 2017
Tuna	70%	69%	58%
Fishmeal (Local)	4%	2%	2%
Salmon	26%	29%	40%
Total	100%	100%	100%

DISTRIBUTION METHODS, SALES AND MARKETING

Tuna

ASFII and PT IAFI are mainly private label manufacturers of canned tuna. 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. ASFII diversified its product line, and introduced new product offerings, adding pouched tuna options and frozen tuna loins to its product line to the export market. ASFII also introduced a premium canned tuna and salmon lines consisting of seven variants under the Bay of Gold brand for the local market. Bay of Gold is present in select supermarkets in the Philippines.

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

Salmon

BGB's products are sold to major supermarkets in the Asia-Pacific region. The Company is also expanding market reach in the Philippines in retail through local supermarkets and foodservice clients.

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

Akaroa's products are sold mostly to institutional clients and high-end distributors in the various export markets that it serves. Akaroa also has an online and supermarket presence in New Zealand.

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 size.

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

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

Salmon

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

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

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

FISH SOURCING

Tuna and Salmon

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

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

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

Key Fishing Areas - Tuna

A key resource or catching area for tuna is the Pacific Ocean. According to the Western and Central Pacific Fisheries Commission's WCPFC Tuna Fisheries Yearbook 2018, world tuna catch in 2018 from this fishing area accounted for almost 67% of global tuna catch. The Western Pacific Ocean accounted for 54% of the total while the Eastern Pacific Ocean accounted for another 13% of the global tuna catch. The Pacific Ocean is followed by the Indian Ocean and accounts for 23% of the catch with the Atlantic Pacific accounting for the balance 11%.

Key Sourcing Area – Salmon

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

CUSTOMERS

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

In 2019, the salmon products of BGB were sold both in international and local markets. Spence sells its products to major retailers in the U.S. Akaroa sells its products domestically and has been growing its export customers to complement the increase in harvest size and diversify its customer base.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

Alliance MHI Properties, Inc. (AMHI)

AMHI owns the land in General Santos, Philippines, where the Group's processed tuna and smoked salmon operating facilities are located and leases it to ASFII and BGB. The existing lease is until December 31, 2022.

ACCREDITATIONS, PATENTS & TRADEMARKS


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

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

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

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 from Mindanao Halal Authority (MINHA) recognized by the BFAR.

In addition, as of December 31, 2019, the Group also has registered trademarks: "Bay of Gold", "Quicklift", "Sea Harvest", "Big Glory Bay", "Gold Standard Salmon", "Prime New Zealand", "Wagyu of Salmon", "Superfish".

Bay of Gold	Registration No. 42017011484	
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Quicklift	Registration No. 42018011698	
Sea Harvest	Registration No. 42004008474	SEA HARVEST
Big Glory Bay	Registration No. 42011004121	BIG GLORY BAY
Gold Standard Salmon	Registration No. 42014502559	
Prime New Zealand	Registration No. 42017011482	
Wagyu of Salmon	Registration No. 42016505298	

Super Fish	Registration No. 42019504525	
Spence & Co. Ltd.	Registration No. 42014009875 (*Voluntarily Cancelled in October 2019)	

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

REGULATORY FRAMEWORK/GOVERNMENT APPROVAL

Industry-particular Governmental Laws and Approvals

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

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

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

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

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

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

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

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

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

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

In 2018, Greenpeace Southeast Asia's Tuna Cannery Report ranked both the Group's Philippine and Indonesian tuna facilities as no. 1 in the respective localities, following Sustainability, Sourcing, Traceability, Legality, Driving Change, Equity, and Transparency criteria. In 2019, ASFII received a green rating from Greenpeace.

BGB obtained an Environmental Compliance Certificate on February 12, 2010 which is still valid as of date. In addition to this, BGB also has a Waste Water Discharge Permit which is valid until August 13, 2024. A Permit to Operate (Diesel Engine Generator) was also issued in favor of BGB on May 17, 2017, valid until June 26, 2020. 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, 2019, the Group had a total of 2,610 employees and contractors, comprising from its head office in Pasig City, its tuna facilities and its smoked salmon facilities in General Santos City, Philippines, and its offices and/or plants in Indonesia and New Zealand.

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 good price 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 consumer's mind, it does play a role. Spence distinguishes itself from its competitors on the quality of products, strong customer relationships and innovation.

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

Risks relating to quality assurance

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

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

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

Risks relating to the leasing of land and facilities

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

Risks relating to contractual arrangements

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

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

Risks relating to the COVID-19 pandemic

Due to the global pandemic, ASFII's operations were affected by government guidelines on manpower reduction, social distancing, travel restrictions, etc. However, the Company was able to manage this risk by immediately deploying a Business Continuity Plan that covers all aspects of its operations in its plant and offices. This BCP covers a revised manpower plan; foot traffic management; alternative work schedule; and health, sanitation and safety procedures for all employees and essential visitors.

The BCP is in place and the plant continues to operate without any COVID-19-related disruption up to now.

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 ₱6 million for the first year of lease agreement with a 5% lease fee increase per annum. Lease period is for five (5) years starting from January 1, 2018.

The Parent Company also leases a warehouse from AMHI, also located at the AMHI compound. It pays monthly fees of ₱66,274.88 with a 5% lease fee increase per annum. Lease period for the warehouse is for five (5) years starting from January 1, 2018.

The Parent Company leases from Greenhills Properties, Inc. its office spaces located at Suite 3104 in the Philippine Stock Exchange Centre West Tower, Pasig City for a gross monthly rate of ₱223,200 for the first year. The term of the lease is a period of five (5) years, commencing on August 2018, renewable upon mutual agreement of the parties.

PT IAFI

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

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

PT IAFI sold its land and buildings to PT Multi Nabati Sulawesi on November 6, 2019.

BGB

BGB's facilities are also located in the same compound where ASFII's tuna processing plants are located in General Santos City, Mindanao, Philippines. BGB is leasing the land with an area of 985.88 sqm. from AMHI. The rental cost is P22,182 per month and the lease agreement is for five (5) years starting from January 1, 2018.

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."

**Divested in October 2019.*

AKAROA

Akaroa's factory is situated at 69 Treffers Road, Wigram, Christchurch. Annual rental payment is NZD 301,500.

AMHI

AMHI owns land with an area of 68,751sqm. situated at Purok Saydala, Barangay 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 as of December 31, 2019 are as follows:

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

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

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

Case was remanded back to Pasig RTC 159 for trial pursuant to the Order of the Supreme Court, directing RTC 159 to proceed with the hearing of the case.

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

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

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

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

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

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

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

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

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

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

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

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

The Court of Appeals rendered a Decision dated February 15, 2016 sustaining the position of the Company that Harvest All 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 Supreme Court to set aside the ruling of the Court of Appeals 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 Supreme Court questioning the ruling of the Court of Appeals 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 Supreme Court. On March 15, 2017, the Supreme Court rendered a Decision in favor of the petition of Harvest All et al., ruling that the intra-corporate controversies may involve a subject matter which is either capable or incapable of pecuniary estimation, and remanded the case back to the RTC to assess the correct filing fees, and upon payment, to proceed with the regular proceedings of the case. The Company, as well as the other Defendants filed their respective motions for reconsiderations.

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

Plaintiffs however, filed a Motion for Inhibition against Judge Lingan (RTC 159), which said Judge granted. Defendant SyCip filed a Petition for Certiorari and Mandamus with Application for the Issuance of TRO and/or Writ of Preliminary Injunction before the Court of Appeals against Judge Lingan for inhibiting from the case (CA-G.R. SP No. 158324).

Pursuant to the inhibition of Judge Lingan (RTC 159), the case was eventually re-raffled to RTC 265 on April 4, 2019.

The case was referred to mediation on October 18, 2019. The parties underwent mediation until January 2020, but parties failed to enter into a settlement. Pre-Trial Conference was set on March 4, 2020.

On the day of the Pre-Trial Conference, before hearing started, the parties received an Omnibus Order, dated February 20, 2020, issued by RTC 265 **dismissing the case** due to forum shopping and being moot and academic.

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

I. Annual Stockholders Meeting (for 2019)

a. Date: June 25, 2019

Time: 2:30 PM

Place: The Philippine Stock Exchange Auditorium, Ground Floor, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila 1605

b. Election of Officers:

Regular Directors:

- | | | |
|-----------------------------|---|---------------------------------|
| 1. Raymond K.H. See | – | 1,672,999,044- cumulative votes |
| 2. Marie Grace T. Vera Cruz | – | 1,672,988,670 cumulative votes |
| 3. Joseph Peter Y. Roxas | – | 1,672,961,439 cumulative votes |
| 4. Gabriel A. Dee | – | 1,672,971,813 cumulative votes |
| 5. Antonio C. Pacis | – | 1,672,961,439 cumulative votes |

Independent Directors:

- | | | |
|-----------------------|---|--------------------------------|
| 1. Erwin M. Elechicon | – | 1,672,971,813 cumulative votes |
| 2. Dobbin A. Tan | – | 1,672,964,033 cumulative votes |

c. Matters Voted Upon:

Item	Yes	No	Abstain	Objection
1. Reading and approval of the Minutes of the 2018 Annual General Meeting of Stockholders held on July 4, 2018	1,672,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979 (.53%)	

2. Approval of the Annual Report and the Audited Financial Statements for the Year ended December 31, 2018.	1,672,678,207 (66.91%)	331,364,352 (13.26%)	19,872,408(0.79%)	
3. Ratification and Approval of Acts of the Board of Directors and Executive Officers for the Corporate year 2017-2018	1,678,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979(.53%)	
4. Appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2019	1,672,678,207 (66.91%)	331,364,352 (13.26%)	13,162,979(0.53%)	

**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:

	2019		2018		2017	
	High	Low	High	Low	High	Low
Q1	1.02	0.95	0.66	0.63	0.82	0.80
Q2	0.86	0.72	0.62	0.55	0.86	0.84
Q3	0.78	0.68	0.59	0.57	0.79	0.77
Q4	0.68	0.51	1.10	1.04	0.62	0.61

On December 27, 2019, the last trading day for the year, the closing price for FOOD was ₱0.51 per share.

The number of shareholders of record as of December 31, 2019 owning at least one board lot is 202 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, 2019 is 31.86%.

Top 20 shareholders as of December 31, 2019 were:

Name	No. of shares	% ownership
1. PCD Nominee Corporation (Filipino)	2,021,609,224	80.86%
2. Harvest All Investment Limited	177,261,165	7.09%
3. Victory Fund Limited	138,474,015	5.54%
4. PCD Nominee Corporation (Foreign)	84,404,924	3.38%
5. Albert Hin Kay Hong	39,017,537	1.56%
6. Bondeast Private Limited	13,023,411	0.52%
7. Kawsek JR., Peter	4,538,646	0.18%
8. Martin Antonio G. Zamora	3,975,370	0.16%
9. Cordova, Michael V.	3,805,000	0.15%
10. S. Chandra Das	2,604,760	0.10%
11. Oriental Tin Can & Metal Sheet MFG	2,210,385	0.09%
12. FDGP Inc.	1,894,045	0.08%
13. Cheng, Berck Yao	1,200,000	0.05%
14. Tri-Marine International (Pte) Ltd.	1,170,472	0.05%
15. Damalerio Fishing Corp.	920,656	0.04%

16. DFC Tuna Venture Corporation	617,248	0.02%
17. Phil. Fisheries Development Authority	346,207	0.01%
18. Amadeo Fishing Corp.	294,874	0.01%
19. Alliance Tuna International Inc.	257,464	0.01%
20. GENPACCO, Inc.	172,973	0.01%

As of March 31, 2020, foreign ownership of the company's common stock equity stands at 18.20% or 454,944,159 - common shares. Locally owned common stock stands at 81.80% or 2,044,764,795 common shares. Currently, there is no foreign ownership limitation applicable to FOOD.

Item 6 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATION

The following discussion should be read in conjunction with the accompanying consolidated financial statements of Alliance Select Foods International, Inc., and its Subsidiaries (the “Group”) which comprise the consolidated statements of financial position as of December 31, 2019, 2018 and 2017 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 2019 COMPARED TO CY 2018

I. FINANCIAL HIGHLIGHTS

<i>Amount in US \$'000</i>	Years Ended December 31		
	2019	2018	% Change
Revenue	\$84,883	\$97,134	-13%
Gross profit	8,177	12,340	-34%
Gross margin	10%	13%	
Selling & Administrative Expenses	8,564	7,341	17%
Finance Cost	2,035	1,504	35%
Profit (loss) -for the year	(5,132)	2,603	- 297%
Non-controlling interest	(47)	79	-160%
Profit (loss)- attributable to equity holders of the parent	(5,085)	2,524	-301%
Net Profit - Margin	-6%	3%	
EBITDA	(360)	6,073	-106%
<i>EBITDA</i> margin	-0%	6%	
Return on equity (ROE)	-15%	7%	
Earnings - per share	-0.002	0.001	-301%
Book value per share	0.0134	0.0154	-13%

I. OPERATING PERFORMANCE

The Group's consolidated revenues of \$85 million in 2019 were 13% lower than the revenues of \$97 million in 2018. In 2019, about 74% of total revenues were contributed by tuna-related products and the remaining 26% were contributed by salmon-related products. There is a 10% and 19% decline in revenue for the tuna and salmon segments, respectively. Drop in tuna segment sales was due to the decline in tuna prices translating to lower average selling prices in 2019. The disposal of 100% equity investment in Spence around October 2019 impacted salmon segment sales during the year.

The Group's gross profits of \$8 million in 2019 is lower than gross profits of \$12 million in 2018. The gross profit margin is at 10% and 13% in 2019 and 2018, respectively. The labor shortage in ASFII during the first half of the year drove production inefficiency, with lower loining recovery resulting to increased material costs.

After years of suffering losses due to frequent shut downs of PT IAFI primarily due to Indonesian fishing regulations that have made foreign commercial fishing in Indonesian waters practically impossible, resulting in higher fish prices and insufficient supply for tuna canneries across Indonesia, management decided to change core business operations in Indonesia to export trading, and pursued a sale of IAFI's fixed assets in North Sulawesi.

The Group sold its 100% stake in Spence to ACME last October 2019.

Over the past three years, the Group has successfully implemented measures to reduce selling and administrative expenses and has consistently managed costs to partially cushion the impact of the inherent volatility in raw material prices.

As part of the Company's risk management process and in line with its Accounting Policies, when the net realizable value of the inventories are lower than cost, the Company provides for an allowance for the decline in inventory value. The reversal of any provision for inventory obsolescence, arising from any increase in net realizable value, is recognized as a reduction in the inventory amount in the period when the reversal occurs. When the inventory is sold, the carrying amount of the inventory is recognized as an expense in the period when the related revenue is recognized. Property, plant and equipment are likewise measured at cost less depreciation and provision for impairment losses. In CY 2019, the Group recognized the following provisions in its books:

- Inventory write down and allowance for inventory obsolescence for the Group totaling \$921,936. The provision also accounts for the passage of time and its adverse impact on the value of unsold inventory.
- Provision for trade and other receivables amounting to \$11,729. 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 \$2.0 million in 2019 were 35% higher than its finance costs of \$1.5 million in 2018. Increase in finance cost can be attributed to higher prevailing borrowing rates and the greater working capital requirement to support growing operation particularly in securing raw materials.

The Group ended the year with a net loss of \$ 5.1 million from \$ 2.6 million net income in 2018.

III. FINANCIAL CONDITION

Balance Sheet Highlight		Years Ended December 31	
<i>Amount in US\$'000</i>	2019	2018	% Change
Cash & cash equivalent	\$1,871	\$7,012	-73%
Receivables	12,114	11,849	2%
Inventories	12,659	13,946	-9%
Other current assets	10,141	8,155	24%
Total Current Assets	\$36,785	\$40,961	-10%
Property & Equipment	16,275	15,486	-5%
Total Assets	\$67,808	\$77,039	-12%
Trade and Other Payables	\$6,183	\$9,140	-32%
Bank Loans	22,344	30,917	-28%
Total Current Liabilities	28,709	40,244	-29%
Total Liabilities	36,508	40,748	-10%
Total Stockholders' Equity	31,300	36,291	-14%
Total Liabilities & SE	\$67,808	\$77,039	-12%

There was no impairment of goodwill recognized during the year.

Proceeds from the sales of Spence and disposal/retirement of property, plant and equipment in PT IAFI were mainly used to pay-off loans from local banks and trade payables.

Amounts as of December 31	2019	2018
Current Ratio	1.28	1.02
Debt-to-equity Ratio	1.17	1.12

IV.SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>Amount in US\$'000</i>	Years Ended December 31	
	2019	2018
Operating cash flows before working capital changes	\$1,039	\$5,192
Net cash flows from operating activities	(7,495)	222
Net cash flows from investing activities	9,597	(397)
Net cash flows from financing activities	(7,307)	2,798

Net cash used in investing activities included the following:

<i>Amount in US\$'000</i>	Years Ended December 31	
	2019	2018
Additions to property, plant and equipment	(\$2,854)	(\$421)
Proceeds from sale of property, plant and equipment	2,226	24
Proceeds from sale of investment in a subsidiary	10,225	—

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

<i>Amount in US\$'000</i>	Years Ended December 31	
	2019	2018
Proceeds from bank loans	\$60,743	\$48,426
Payment of bank loans	(67,769)	(41,806)
Payment of interest	(2,001)	(1,772)
Due to related parties	1,908	(2,051)

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, 2019, 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	
	2019	2018
Revenue growth rate	-13%	35%
Net profit margin	-6%	3%
Current ratio	1.28	1.02
Debt to equity ratio	1.17	1.12
Return on average stockholders' equity	-15%	7%

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 25, 2019, the stockholders ratified the re-appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor for 2019.

Audit Related Fees

The following table sets out the aggregate fee billed for professional services rendered by Reyes, Tacandong & Co. for CY 2019 and PYs 2018 and 2017.

Audit and Audit-Related Fees	2019	2018	2017
Regular Audit	₱1,370,000	₱1,345,000	₱1,280,000
Review of proposed equity restructuring	-	-	600,000
All Other Fees	238,100	134,500	128,000
Total Audit and Audit-Related Fees	₱ 1,608,100	₱ 1,479,500	₱ 2,008,000

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	79	2014
Gabriel A. Dee	Filipino	Vice Chairman	55	2018
Raymond K.H. See	Filipino	Director, President & CEO	52	2014
Marie Grace T. Vera Cruz	Filipino	Director	39	2014
Joseph Peter Y. Roxas	Filipino	Director	58	2016
Erwin M. Elechicon	Filipino	Independent Director	60	2016
Dobbin A. Tan	Filipino	Independent Director	56	2016

ANTONIO C. PACIS - 79, Filipino citizen; Chairman of the Board

Mr. Pacis obtained his law degree from the Ateneo Law School in 1965 and his masteral law degree from the Harvard Law School in 1967.

He is on the Board of Directors at OCLP Holdings Inc., BDO Unibank, Inc., Paluwagan NG Bayan Savings Bank, Armstrong Pacific Co., Inc., Legisforum, Inc., Technology Investment Co., Inc. and Central Colleges of The Philippines.

He is Chairman of the Board of Directors at Asian Silver Estate, Inc., International Social Service Philippines, Inc., Amigo Holdings, Inc., Asian Waterfront Holdings, Inc., Mantle Holdings, Inc., and Corporate Secretary for Armstrong Securities, Inc., EBC Strategic Holdings Corp., and Paluwagan NG Bayan Savings Bank.

Mr. Pacis has been practicing law since 1965 and continues to practice at Pacis and Reyes Law Office and was a professor of law at the Ateneo Law School.

GABRIEL A. DEE - 55, Filipino citizen; Vice-Chairman

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

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

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

RAYMOND K. H. SEE - 52, 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 - 39, 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 - 58, 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 - 60, Filipino citizen; Independent Director

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

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

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

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

DOBBIN A. TAN - 56, 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	52	2014
Lisa Angela Y. Dejadina	Filipino	SVP – Operational Excellence and Business Development	37	2014
Barbara Anne C. Migallos	Filipino	Corporate Secretary	65	2015
Ma. Kristina P. Ambrocio	Filipino	Asst. Corporate Secretary and Compliance Officer	41	2015

EXECUTIVE OFFICERS

RAYMOND K.H. SEE – 52, 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 – 37, 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 – 65, 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 - 41, Filipino citizen; Assistant Corporate Secretary and Compliance Officer

Ms. Ambrocio graduated from the Ateneo de Manila University in 2001 with a major in Philosophy, and minor in Humanities. She obtained her law degree in 2005 from the University of the Philippines. Ms. Ambrocio also completed an Advanced Intellectual Property Law course at the Institute of European Studies of Macau in 2006.

Prior to joining the Company, Ms. Ambrocio was Corporate Counsel and Assistant Corporate Secretary of Chevron Philippines, Inc.

Significant Employees

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

Involvement in Certain Legal Proceedings

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

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

The pending and material legal proceedings involving the Company's Directors and Officers, as of December 31, 2019 are as follows:

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

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

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

Case was remanded back to Pasig RTC 159 for trial pursuant to the Order of the Supreme Court, directing RTC 159 to proceed with the hearing of the case.

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

On May 12, 2014, Ms. Hedy S.C. Yap-Chua and Mr. Albert Hong Hin Kay filed a Petition for the Declaration of Nullity of Board Resolutions and Inspection of the Corporate Books and Records, with Prayer for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the Regional Trial Court of Pasig City ("Pasig RTC") against the Company's former directors, Mr. George E. SyCip, Messrs. Jonathan Y. Dee, Alvin Y. Dee and Ibarra A. Malonzo, and then Corporate Secretary, Mr. Avelino M. Sebastian. Ms. Yap-Chua and Mr. Hong sought to nullify, among others, the resolution of the Board dated May 5, 2014 approving the private placement of Strongoak, Inc. of P563,679,956 into the Company, and the issuance of 430,286,226 of the Company's common shares to Strongoak, Inc. pursuant thereto.

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

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

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

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

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

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

On February 24, 2015, Ms. Hedy S.C. Yap-Chua filed a Complaint-Affidavit with the Department of Justice ("DOJ") against incumbent Directors Marie Grace T. Vera Cruz, Raymond K.H. See and Antonio C. Pacis, and former directors Mr. Jonathan Y. Dee and George E. SyCip ("Respondents") 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, which includes the signing of Ms. Yap-Chua's representatives to sign non-disclosure agreements, 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 Respondents, resolved to direct the lawyers of the Company and of Ms. Yap-Chua to meet face-to-face to resolve their differences regarding said procedure. Ms. Yap-Chua alleged in her Complaint-Affidavit that the procedure proposed by the Company, and the referral of the matter to the lawyers, was tantamount to a denial of her right to inspect company records.

In a Review Resolution dated March 20, 2018, the DOJ resolved the complaint finding probable cause against the Respondents ruling that the procedure prevented the inspection of the books. Respondents Vera Cruz, Pacis, See and SyCip filed their Motions for Reconsideration. While Respondent Dee filed a Petition for Review before the Secretary of Justice of the DOJ.

Acting on the Motions for Reconsiderations filed before the DOJ, the DOJ issued Resolution dated April 12, 2019 granting the motions for reconsiderations of Respondents See and Pacis dismissing the complaint against them. This eventually led to the dismissal of the cases against Respondents See and Pacis before MTC Pasig in a Consolidated Order dated June 25, 2019.

In March 2020, the MTC issued an Order dismissing the case against Respondents Jonathan Dee, George SyCip and Grace Vera Cruz on the ground of lack of jurisdiction resulting to the amendments introduced by the Revised Corporation Code of the Philippines which became effective in February 2019.

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, Raymund K.H. See, Mary Grace T. Vera-Cruz, Antonio C. Pacis, Erwin M. Elechicon and Barbara Anne C. Migallos, Commercial Cas No. 15-234*

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

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

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

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

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

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

The Court of Appeals rendered a Decision dated February 15, 2016 sustaining the position of the Company that Harvest All 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 Supreme Court to set aside the ruling of the Court of Appeals 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 Supreme Court questioning the ruling of the Court of Appeals 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 Supreme Court. On March 15, 2017, the Supreme Court rendered a Decision in favor of the petition of Harvest All et al., ruling that the intra-corporate controversies may involve a subject matter which is either capable or incapable of pecuniary estimation, and remanded the case back to the RTC to assess the correct filing fees, and upon payment, to proceed with the regular proceedings of the case. The Company, as well as the other Defendants filed their respective motions for reconsiderations.

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

Plaintiffs however, filed a Motion for Inhibition against Judge Lingan (RTC 159), which said Judge granted. Defendant SyCip filed a Petition for Certiorari and Mandamus with Application for the Issuance of TRO and/or Writ of Preliminary Injunction before the Court of Appeals against Judge Lingan for inhibiting from the case (CA-G.R. SP No. 158324).

Pursuant to the inhibition of Judge Lingan (RTC 159), the case was eventually re-raffled to RTC 265 on April 4, 2019.

The case was referred to mediation on October 18, 2019. The parties underwent mediation until January 2020, but parties failed to enter into a settlement. Pre-Trial Conference was set on March 4, 2020.

On the day of the Pre-Trial Conference, before hearing started, the parties received an Omnibus Order, dated February 20, 2020, issued by RTC 265 dismissing the case due to forum shopping and being moot and academic.

5. *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, Harvest All Investment Limited, Victory Fund Limited, Bondeast Private Limited, and Hedy S.C. Yap Chua ("Complainants") are minority shareholders of Alliance Select Foods International, Inc. ("Company") who allege that the respondents, then Directors and Officers Jonathan Y. Dee, Alvin Y. Dee, Joanna Y. Dee-Laurel, George E. SyCip, Teresita S. Ladanga, Grace S. Dogillo, Arak Ratborihan, and current Directors Raymond K.H. See, Marie Grace T. Vera Cruz, and Antonio C. Pacis, improperly used the Complainants' investments 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 the Company. The Complainants further asserted that their proportionate rights as shareholders were diminished, such as their entitlement to representation in the Board of Directors of the Company.

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

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

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

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

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

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

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

Complainants Hedy et al. filed a Petition for Certiorari before the Court of Appeals alleging that there is grave abuse of discretion on the part of the DOJ in finding probable cause only to a lower charge of simple estafa instead of syndicated estafa and/or dismissing the charge against Raymond See, Grace Vera Cruz and Antonio Pacis, pending before the Court of Appeals (CA-G.R. SP No. 156008). After the parties have filed their Answers, and Replies and other subsequent pleadings, the Court of Appeals has issued a Resolution dated September 24, 2019 submitting the petition for decision.

Meanwhile, informations were filed with the Regional Trial Court of Makati for simple estafa, against former Directors and Officers Jonathan Dee, Alvin Dee, Joanna Dee-Laurel, George SyCip, Teresita Ladanga, Grace Dogillo, Arak Rathorihan, and John and Jane Does, which is pending trial.

Item 11 – EXECUTIVE COMPENSATION

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

	Year	Salaries Amounts in P'000	Bonuses/Other Income Amounts in P'000
CEO and the four most highly compensated officers named above	2015	P 12,998	P 268
	2016	P 14,885	P 235
	2017	P 14,865	P 215
	2018	P 15,051	P 2,407
	2019	P 16,482	P 1,669
	2020 (est)	P 17,612	P 263
Aggregate compensation paid to all officers and directors as a group unnamed	2015	P 19,624	P 393
	2016	P 23,360	P 578
	2017	P 19,417	P 679
	2018	P 21,953	P 3,951
	2019	P 23,181	P 2,476
	2020 (est)	P 23,017	P 1,025

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

Raymond K.H. See	President and CEO
Ma. Kristina P. Ambrocio	General Counsel, Asst. Corporate Secretary and Compliance Officer
Lisa Angela Y. Dejadina	Senior Vice President for Operations
Ma Berniefel B. Sarmiento	Supply Chain Optimization Manager
Karen Anne G. Ramirez	Group Finance Advisor

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, 2019:

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	2,021,609,224	80.87%
Common	Harvest All Investment Ltd. 4304-43F China Resources Bldg., 26 Harbour Road, Wanchai, Hong Kong	Harvest All Investment Ltd.	Chinese / Hong Kong	177,261,165	7.09%
	Total			2,198,870,389	87.96%

Security ownership of Directors, Officers and Management as of December 31, 2019:

Security Ownership of Directors

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

Security Ownership of Management

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

Voting Trust or Similar Agreements

There are no existing voting trust or similar agreements.

Changes in Control

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

Item 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

Part IV – CORPORATE GOVERNANCE

Item 14 – CORPORATE GOVERNANCE

In compliance with SEC Regulations, the Company filed its 2018 Integrated Annual Corporate Governance Report (IACGR) with SEC on May 30, 2019. The Company likewise posted the report on its website on even date. Previously, the Company filed its IACGR on March 30, 2018 and posted the same on the Company's website on even date.

The Company stays faithful to the recommended 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.

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 2019 was as follows:

	12 Feb	5 Apr	7 May	25 June	7 Aug	18 Oct	23 Oct	8 Nov	Attendance
Antonio C. Pacis	P	A	A	P	P	P	P	P	90
Raymond K.H. See	P	P	P	P	P	P	P	P	100
Marie Grace T. Vera Cruz	P	P	P	P	P	P	P	P	100
Dobbin A. Tan	P	P	P	P	P	P	P	P	100
Erwin M. Elechicon	P	P	P	P	P	P	P	P	100

	12 Feb	5 Apr	7 May	25 June	7 Aug	18 Oct	23 Oct	8 Nov	Attendance
Joseph Peter Y. Roxas	P	P	P	P	P	P	P	P	100
Gabriel A. Dee	A	P	P	P	P	P	P	P	100

P = Present

A = Absent

N = Not a Director

** There were 8 meetings held during the year 2019.*

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

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

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

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

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

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

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

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

Corporate Governance Committee – The committee's primary responsibility is to pre-screen and short-list all candidates nominated to become a member of the Board of Directors. It should also define, or re-define, as the

case may be, the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

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

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

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

Part V – EXHIBITS AND SCHEDULES

Part V – EXHIBITS AND SCHEDULES

Item 15 – EXHIBITS AND REPORTS

(a) Exhibits

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

(b) Reports on SEC Form 17-C

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

Date Reported	Subject
April 5, 2019	Approval of FOOD's 2018 Performance and Audited Financial Statements.
April 15, 2019	Press Release: Alliance Select Continues to Soar
April 22, 2019	Clarification on the News Report: "Court orders arrest of SyCip Scion for Estafa."
May 7, 2019	Board Meeting discussed the Financial Highlights for the three months ended March 31, 2019.
May 7, 2019	Setting of the Date of the Annual Stockholders' Meeting
May 10, 2019	Notice of Annual Stockholders' Meeting: Disclosure was amended to include Agenda
May 15, 2019	Press Release: Alliance Select posts \$19.6 M Net Revenue; Gears up for Growth in Q1 2019

Date Reported	Subject
May 17, 2019	Notice of Annual Stockholders' Meeting: Disclosure was amended to announce deadline for submission of nomination of directors.
June 25, 2019	Results of 2019 Annual Stockholders' Meeting of FOOD
June 25, 2019	Results of the 2019 Organizational Meeting of the Board of Directors
June 25, 2019	Press Release: Following A Banner Year, Alliance Select re-elects Directors at 2019 Stockholders' Meeting
August 7, 2019	Board Meeting discussed the Financial Highlights for the six months ended June 30, 2019.
August 15, 2019	Press Release: Alliance Select Sets Path for Long Term Growth
October 4, 2019	Change of contact details
October 18, 2019	Board Meeting taking up change of PT International Alliance Food Indonesia's core business operations to export trading, and sale of its fixed assets in North Sulawesi.
October 23, 2019	Board Meeting taking up divestment of 100% equity investment held by FOOD in wholly owned subsidiary Spence & Co. Ltd., in order to re-focus operations to the Asia-Pacific.
October 23, 2019	Press Release: Alliance Select focuses on Philippine and New Zealand operations with sale of US subsidiary and Indonesian assets
October 28, 2019	Reply to Exchange's Query per correspondence dated October 25, 2019: Response to the Philippine Stock Exchange's request for additional information regarding PT International Alliance Food Indonesia's ("PT IAFI"), change in core business from processing to export trading, as well as the sale of PT IAFI's fixed assets to PT Multi Nabati Sulawesi.
November 9, 2019	Board Meeting discussed the Financial Highlights for the nine months ended September 30, 2019.
November 9, 2019	Appointment of Ms. Maria Cristina C. Villaruz as the Company's Assistant Treasurer and Data Protection Officer.
November 14, 2019	Alliance Select sustains long term strategy for growth.

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.

By:


RAYMOND K.H. SEE
President and CEO
LISA ANGELAY DEJADINA
Senior Vice President of Group Operations
MA. KRISTINA P. AMBROCIO
VP Legal and Compliance Officer

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

SUBSCRIBED AND SWORN to before me, in Pasig City, on June 10, 2020, the affiants exhibiting to me their government issued identifications as follows:

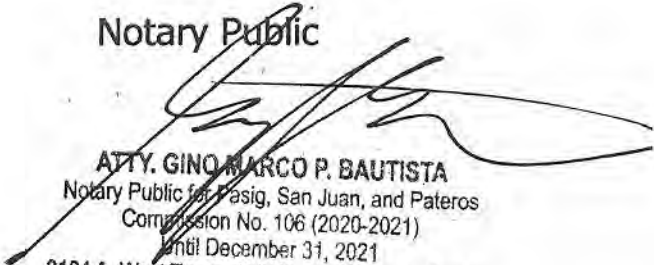
NAME	Government issued ID	
Raymond K.H. See	Passport No. P2678380B	Valid until July 29, 2029
Lisa Angela Y. Dejadina	Passport No. P1427002A	Valid until December 29, 2021
Ma. Kristina P. Ambrocio	Integrated Bar of the Philippines	Roll of Attorneys No. 52615

WITNESS MY HAND AND SEAL, this June 10, 2020, at Pasig City.

Doc No. : 452
Page No.: 92
Book No.: I
Series of 2020.



Notary Public


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

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 3 1 9 1 3 8

COMPANY NAME

A L L I A N C E S E L E C T F O O D S I N T E R N A T I O N A L ,
I N C . A N D S U B S I D I A R I E S (A S u b s i d i a r y
o f S T R O N G O A K I N C .)

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

S u i t e 3 1 0 4 A , W e s t T o w e r , P h i l i p p i n e
S t o c k E x c h a n g e C e n t r e , E x c h a n g e R o a d
, O r t i g a s A v e n u e , P a s i g C i t y

Form Type

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) 7-747-3798

Mobile Number

—

No. of Stockholders

238

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) 7-747-3798

Mobile Number

—

CONTACT PERSON'S ADDRESS

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

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

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



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of 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 \$12.66 million represent 19% of the total consolidated assets as at December 31, 2019. Our audit procedures included an assessment of the Group's measurement of the inventories' NRV and identification of damaged and obsolete items. We also focused on the adequacy of the Group's disclosures in accordance with PAS 2, *Inventories*. The Group's disclosures are included in Notes 2, 3 and 7 to the consolidated financial statements.



Accounting for Disposal and Deconsolidation of a Subsidiary

As disclosed in Note 4 to the consolidated financial statements, the Group has disposed its wholly owned subsidiary, Spence & Co. Ltd. (Spence) for a total consideration of \$10.22 million. The accounting for disposal and deconsolidation of Spence is significant to our audit because the disposal resulted in a loss of \$2.42 million representing 47% of the total consolidated net loss and a decrease of 78% on goodwill. Our audit procedures included, among others, the review of significant terms and agreements, review of management's computation of loss on disposal, and understanding of the Group's consolidation process for determining the balances for deconsolidation at the time of disposal of a subsidiary. We also focused on the adequacy of the Group's disclosures in accordance with PFRS 10, *Consolidated Financial Statements*. The Group's disclosures are included in Notes 2, 3, 4 and 19 to the consolidated financial statements.

Emphasis of Matter – Events after the Reporting Period

We draw attention to Note 29 to the consolidated financial statements which describes the uncertainty related to the impact of the novel coronavirus ("COVID-19") pandemic to the Group's financial position and results of operations as at and for the year ending December 31, 2020. Notwithstanding the situation, management believes that the Group can continue as a going concern given the essential nature of its business and its ability to obtain short-term and long-term funding. Our opinion is not modified in respect of this matter.

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, 2019, 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, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

REYES TACANDONG & CO.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila



ALLIANCE SELECT FOODS
INTERNATIONAL, INC.

A PUBLICLY-LISTED COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

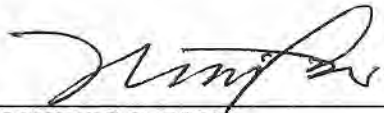
The Management of **ALLIANCE SELECT FOODS INTERNATIONAL, INC. and SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

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.

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, has expressed its opinion on the fairness of presentation upon completion of such audit.




ANTONIO C. PACIS

Chairman of the Board



RAYMOND K.H. SEE

President and Chief Executive Officer



MA. CRISTINA C. VILLARUZ

Group Controller

Signed this 10th day of June 2020

Head Office: 3104 West Tower PSEC, Ortigas Center, San Antonio Pasig City, Metro Manila, Philippines 1605

Plant: Purok Saydala, Tambler, General Santos City, Philippines 9500

www.allianceselectfoods.com

REPUBLIC OF THE PHILIPPINES
PASIG CITY

)
)S.S.

SUBSCRIBED AND SWORN to before me, in Pasig City, on June 10, 2020, the affiants exhibiting to me their government issued identifications as follows:

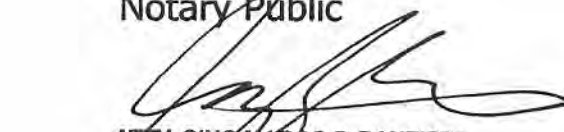
NAME	Government issued ID	
Antonio C. Pacis	Passport No. P4501467B	Valid until January 22, 2030
Raymond K.H. See	Passport No. P2678380B	Valid until July 29, 2029
Ma. Cristina C. Villaruz	Passport No. P3443139A	Valid until June 20, 2022

WITNESS MY HAND AND SEAL, this June 10, 2020, at Pasig City.

Doc No. : 451
Page No.: 92
Book No.: I
Series of 2020.



Notary Public


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-0025035; 4-29-2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$1,871,461	\$7,012,332
Trade and other receivables	6	12,113,532	11,848,595
Inventories	7	12,659,074	13,945,762
Other current assets	8	10,141,102	8,154,691
Total Current Assets		36,785,169	40,961,380
Noncurrent Assets			
Property, plant and equipment	9	16,275,207	15,486,050
Right-of-use (ROU) assets	22	4,023,998	—
Goodwill	4	2,050,639	9,502,585
Deferred tax assets	24	7,888,015	9,433,423
Other noncurrent assets	10	784,984	1,655,214
Total Noncurrent Assets		31,022,843	36,077,272
		\$67,808,012	\$77,038,652
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$6,182,702	\$9,139,758
Loans payable	12	22,343,674	30,917,296
Current portion of lease liabilities	22	159,766	—
Income tax payable	24	23,170	186,662
Total Current Liabilities		28,709,312	40,243,716
Noncurrent Liabilities			
Due to related parties	13	2,000,000	91,530
Loans payable - net of current portion	12	1,594,343	46,989
Lease liabilities - net of current portion	22	3,899,914	—
Net retirement benefits obligation	14	287,475	223,134
Deferred tax liabilities	24	17,208	142,544
Total Noncurrent Liabilities		7,798,940	504,197
Total Liabilities		36,508,252	40,747,913
Equity			
Capital stock	15	26,823,389	26,823,389
Additional paid-in capital (APIC)		1,486,546	1,486,546
Retained earnings		4,202,949	9,291,312
Other comprehensive income		1,028,315	960,207
		33,541,199	38,561,454
Treasury shares	15	(5,774)	(5,774)
Equity attributable to equity holders of the Parent			
Company		33,535,425	38,555,680
Non-controlling interests		(2,235,665)	(2,264,941)
Total Equity		31,299,760	36,290,739
		\$67,808,012	\$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

		Years Ended December 31		
	Note	2019	2018	2017
NET REVENUE	16	\$84,882,803	\$97,133,736	\$72,191,578
COST OF GOODS SOLD	17	(76,705,419)	(84,793,734)	(62,742,916)
GROSS PROFIT		8,177,384	12,340,002	9,448,662
SELLING AND ADMINISTRATIVE EXPENSES	18	(8,563,943)	(7,341,396)	(8,117,124)
INTEREST EXPENSE	12, 13, 22	(2,035,297)	(1,504,254)	(787,547)
OTHER INCOME (CHARGES) - Net	19	(1,132,215)	(546)	18,527
INCOME (LOSS) BEFORE INCOME TAX		(3,554,071)	3,493,806	562,518
INCOME TAX EXPENSE (BENEFIT)	24	1,577,802	890,657	(1,000,534)
NET INCOME (LOSS)		(5,131,873)	2,603,149	1,563,052
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		68,108	(5,028)	(15,850)
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gain on retirement benefits, net of tax	14	—	32,086	—
		68,108	27,058	(15,850)
TOTAL COMPREHENSIVE INCOME (LOSS)		(\$5,063,765)	\$2,630,207	\$1,547,202
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		(\$5,084,520)	\$2,524,265	\$1,437,271
Non-controlling interests		(47,353)	78,884	125,781
		(\$5,131,873)	\$2,603,149	\$1,563,052
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		(\$5,093,041)	\$2,579,289	\$1,392,332
Non-controlling interests		29,276	50,918	154,870
		(\$5,063,765)	\$2,630,207	\$1,547,202
INCOME (LOSS) PER SHARE				
Basic and diluted income (loss) per share	21	(\$0.0020)	\$0.0010	\$0.0006

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

		Years Ended December 31		
	Note	2019	2018	2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock	15			
Balance at beginning of year		\$26,823,389	\$53,646,778	\$53,646,778
Effect of equity restructuring		—	(26,823,389)	—
Balance at end of year		26,823,389	26,823,389	53,646,778
APIC				
Balance at beginning of year		1,486,546	6,662,001	6,662,001
Effect of equity restructuring	15	—	26,823,389	—
Application of APIC against deficit	15	—	(31,998,844)	—
Balance at end of year		1,486,546	1,486,546	6,662,001
Retained Earnings (Deficit)				
Balance at beginning of year		9,291,312	(25,231,797)	(26,669,068)
Effect of adoption of PFRS 16, net of tax effect	2	(3,843)	—	—
Balance at beginning of year, as restated		9,287,469	(25,231,797)	(26,669,068)
Net income (loss)		(5,084,520)	2,524,265	1,437,271
Application of APIC against deficit	15	—	31,998,844	—
Balance at end of year		4,202,949	9,291,312	(25,231,797)
Other Comprehensive Income				
<i>Item that will not be reclassified subsequently to profit or loss</i>	14			
<i>Cumulative Remeasurement Gains on Retirement Benefits Obligation</i>				
Balance at beginning of year		87,276	55,190	55,190
Remeasurement gain on retirement		—	32,086	—
Balance at end of year		87,276	87,276	55,190
<i>Revaluation Reserves</i>				
Balance at beginning and end of year		275	275	275
<i>Item that will be reclassified subsequently to profit or loss</i>				
<i>Cumulative Translation Adjustment</i>				
Balance at beginning of year		872,656	877,684	893,534
Exchange differences on foreign currency translation		68,108	(5,028)	(15,850)
Balance at end of year		940,764	872,656	877,684
Total balance at end of year of other comprehensive income		1,028,315	960,207	933,149
Treasury Shares	15	(5,774)	(5,774)	(5,774)
NON-CONTROLLING INTERESTS				
Balance at beginning of year		(2,264,941)	(2,315,859)	(2,470,729)
Total comprehensive income attributable to non-controlling interests		29,276	50,918	154,870
Balance at end of year		(2,235,665)	(2,264,941)	(2,315,859)
		\$31,299,760	\$36,290,739	\$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

		Years Ended December 31		
	Note	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(\$3,554,071)	\$3,493,806	\$562,518
Adjustments for:				
Loss on disposal of a subsidiary	4	2,422,707	—	—
Interest expense	12, 13, 22	2,035,297	1,504,254	787,547
Depreciation and amortization	9	1,158,583	1,074,993	1,150,597
Gain on disposal/retirement of property, plant and equipment	9	(1,072,550)	(1,338)	(58,618)
Provision for impairment losses	18	949,078	289,488	1,390,754
Reversal of allowance for impairment losses	7	(652,754)	(804,482)	(1,416,172)
Unrealized foreign exchange loss - net		(269,603)	(348,675)	(46,264)
Retirement benefits expense	14	93,001	52,595	50,302
Interest income	5, 6	(75,099)	(65,426)	(70,965)
Equity in net income of an associate	10	4,853	(3,461)	(26,081)
Operating income before working capital changes		1,039,442	5,191,754	2,323,618
Decrease (increase) in:				
Trade and other receivables		(5,866,119)	(2,514,362)	(2,758,899)
Inventories		339,582	804,103	(5,015,714)
Other current assets		(2,040,006)	(2,542,467)	(4,143,844)
Other noncurrent assets		699,529	(75,100)	(25,425)
Increase (decrease) in trade and other payables		(1,447,288)	(358,824)	3,329,733
Net cash generated from (used for) operations		(7,274,860)	505,104	(6,290,531)
Income tax paid		(295,374)	(349,013)	(507,877)
Interest received		75,099	65,426	70,965
Net cash flows from operating activities		(7,495,135)	221,517	(6,727,443)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of:				
Investment in a subsidiary	4	10,224,940	—	—
Property, plant and equipment		2,226,080	24,387	88,116
Additions to property, plant and equipment	9	(2,853,672)	(421,342)	(1,334,114)
Net cash flows from investing activities		\$9,597,348	(\$396,955)	(\$1,245,998)

(Forward)

Years Ended December 31				
	Note	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans payable	28	(\$67,769,210)	(\$41,805,631)	(\$25,684,118)
Interest	28	(2,000,843)	(1,771,551)	(442,314)
Lease liabilities	22	(188,704)	—	—
Due to related parties	28	(91,530)	(2,050,980)	—
Proceeds from availment of loans	28	60,742,942	48,426,236	29,164,744
Advances from related parties	28	2,000,000	—	2,006,398
Net cash flows from financing activities		(7,307,345)	2,798,074	5,044,710
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		64,261	(37,782)	(40,134)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,140,871)	2,584,854	(2,968,865)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,012,332	4,427,478	7,396,343
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	\$1,871,461	\$7,012,332	\$4,427,478
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	5			
Cash on hand		\$14,484	\$6,706	\$4,029
Cash in banks		1,856,977	7,000,668	4,415,573
Cash equivalents		—	4,958	7,876
		\$1,871,461	\$7,012,332	\$4,427,478
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Recognition of:	22			
ROU assets		\$4,157,391	\$—	\$—
Lease liabilities		4,148,900	—	—
Application of APIC against deficit as a result of equity restructuring	15	—	31,998,844	—

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 December 31, 2019 and 2018:

Name of Subsidiary	% of Ownership		Nature of Business	Principal Place of Business
	2019	2018		
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
ASFII Thailand**	—	100	Sales office	Thailand
Spence & Company Ltd. (Spence)***	—	100	Salmon and other seafoods processing	United States of America (USA)

*In 2019, PT IAFI changed its nature of business from canned fish processing

**Closed in 2019

***Divested in 2019 (see Note 4)

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

Approval of Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on June 10, 2020.

2. Summary of Significant Accounting and Reporting Policies

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

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared on a going concern basis and in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes all applicable PFRS, Philippine Accounting Standards (PAS), and 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.

Bases of Measurement

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

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses observable market data to the extent possible when measuring the fair value of an asset or a liability.

Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

Adoption of New and Amended PFRS

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

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17 *Leases*, Philippine Interpretation on 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 and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognize the interest on the lease liability and to amortize the ROU 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 ROU asset.

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

The Group has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated.

The Group recognized ROU assets and lease liabilities for property leases on its office and plant. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The incremental borrowing rates applied to the lease liabilities range from 3.00% to 9.54% depending on the lease term.

The Group also elected to apply the recognition exemption on the Group's leases of vehicles, forklifts, container van and warehouse which are either categorized as low-value assets or short-term leases. The related lease expenses on these lease agreements are recognized in the profit or loss on a straight-line basis.

The Group's operating lease commitments as at December 31, 2018 are reconciled to the recognized lease liabilities as at January 1, 2019 as follows:

Operating lease commitments at as December 31, 2018	\$471,167
Effect of discounting using incremental borrowing rate	(73,821)
<u>Lease liabilities as at January 1, 2019</u>	<u>\$397,346</u>

The following table summarizes the ROU assets and lease liabilities recognized as at January 1, 2019:

Plant	\$218,478
Office	187,359
<u>Total ROU assets</u>	<u>\$405,837</u>
Current portion of lease liabilities, net of prepaid rent of \$13,979	\$83,869
Noncurrent portion of lease liabilities	313,477
<u>Total lease liabilities</u>	<u>\$397,346</u>

Deferred tax asset and adjustment to opening retained earnings recognized as at January 1, 2019 amounted to \$1,645 and \$3,843, respectively.

- Philippine Interpretation on IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS, except for PFRS 16, did not have material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

Basis of Consolidation

Subsidiaries. Subsidiaries are entities in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group 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.

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 acquisition of Akaroa and Spence (\$9.50 million) in 2012, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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

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

Financial Assets and Liabilities

Recognition and Measurement

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

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

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

Classification

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

As at December 31, 2019 and 2018, the Group does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Group's cash and cash equivalents, trade and other receivables and other noncurrent receivables presented under "Other noncurrent assets" are classified under this category.

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

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

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

As at December 31, 2019 and 2018, the Group's trade and other payables (excluding statutory payable and customers' deposits), loans payable, lease liabilities and due to related parties are classified under this category.

Reclassification

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

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

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

Impairment of Financial Assets at Amortized Cost

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

For trade and other receivables (excluding receivable from Prime Foods NZ Limited [PFNZ]), the Group has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Derecognition

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

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

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

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

Offsetting

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

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and NRV. Cost incurred in bringing each product to its present location and condition is accounted as follows:

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

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.

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

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

Other Assets

Other assets that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are measured at face amount less any impairment in value. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred.

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

Under the equity method, the investments in an associate or a joint venture are initially recognized at cost. The carrying amount of the investments 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 investments and is neither amortized nor individually tested for impairment.

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

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

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

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

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

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:

Asset Type	Number of Years
Building	15 - 25
Leasehold improvements	5 (or lease term, whichever is shorter)
Machinery and equipment	15
Transportation equipment	5
Office and plant furniture, fixtures and equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

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

Intangible Assets

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

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

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

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

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

- there has 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.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or

loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

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

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

Customers' Deposits

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

Equity

Capital Stock and APIC. Capital stock is measured at par value for all shares issued. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related APIC or retained earnings. Excess of proceeds or fair value of consideration received over par value is recognized as APIC.

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of the Group's results of operations. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provision.

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

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

Revenue Recognition

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

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

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

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

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

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

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

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at December 31, 2019 and 2018, the Group does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group considers its customers' deposits as contract liabilities (see Note 11).

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the

future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at December 31, 2019 and 2018, the Group does not have contract fulfillment assets.

Cost and Expense Recognition

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

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

Selling and Administrative Expenses. Selling expenses constitute costs incurred to sell and market the goods and services. Administrative expenses constitute costs of administering the business. These are charged to profit or loss in the period when these are incurred.

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

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

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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:

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- iv. 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 (i), (ii) or (iv) and at the date of renewal or extension period for scenario (iii).

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.

b. Accounting policies beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Group also assesses whether a contract contains a lease for each potential separate lease component.

At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from four to 28 years.

Lease Liabilities. At commencement date, the Group measures a lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liabilities comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and

- iv. the exercise price under a purchase option that the Group is reasonably certain to exercise; lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

For income tax reporting purposes, payments and receipts under lease agreements are treated as deductible expense and taxable income in accordance with the terms of the lease agreements.

Retirement Benefits

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

The Group recognizes service costs comprising of current service costs and net interest expense on the retirement benefits liability in profit or loss.

The Group determines the net interest expense on retirement benefits liability by applying the discount rate to the net retirement benefits 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 benefits liability, which consist of actuarial gains and losses and the return on plan asset (excluding amount charged in net interest) are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

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

The net retirement benefits 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 benefits 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 liabilities for the current and prior years are measured at the amounts expected to be paid to the taxation authority. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

Foreign Currency-denominated Transactions and Translation

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in U.S. Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates at the dates of the transactions are used. Exchange differences, if any, are recognized 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 derecognized, but they are not reclassified to profit or loss.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Related Party Relationships and Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Group's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by the BOD in accordance with the Group's related party transactions policies.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties, 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 Period

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

3. Significant 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.

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:

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

Determining Control Over Subsidiaries. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Management has determined that by virtue of its majority ownership of voting rights or by the power to cast the majority of votes through its representatives in the BOD of its subsidiaries as at December 31, 2019 and 2018, the Parent Company has the ability to exercise control over these investees.

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

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

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

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

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

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

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

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

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

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

The Group's provision for ECL on trade and other receivables is disclosed in Note 6.

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

Management has assessed that the Group has security and valid claims over PFNZ's assets for the full recovery of the receivable. Accordingly, no ECL was recognized on receivable from PFNZ in 2019, 2018 and 2017.

The carrying amounts of the Group's cash and cash equivalents, trade and other receivables, and other noncurrent receivables are disclosed in Notes 5, 6 and 10.

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has an operating lease agreement for its office and manufacturing space. The Group has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

Rent expense is disclosed in Note 22.

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements for its office space and manufacturing area. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for the short-term leases with terms of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 22.

Assessing Extension Options of Lease Commitments. The Group's property leases on office and plant contain extension options exercisable by the Group prior to the end of the contract period to maximize operational flexibility in terms of managing contracts. Extension options are not reflected in measuring lease liabilities in cases when these options are not reasonably certain to be exercised or when the terms and conditions of the renewed contract are uncertain and subject to change considering the economic circumstances under which the Group operates. A reassessment will be made when there is a significant event or significant change in circumstances within its control. In 2019, there were no reassessments made.

For abovementioned property leases, the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease liabilities are shown below.

Not later than one year	\$-
More than one year but less than five years	91,534
More than five years	222,214
Undiscounted potential future rental payments	313,748
Effect of discounting using incremental borrowing rate	150,865
Lease liabilities not recognized	\$162,883

Estimating ROU Assets and Lease Liabilities. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings, and the term of each lease commitment. The Group determined that the implicit rate in the lease agreement is not readily available and that the interest rate on its borrowings presents the appropriate financing cost in leasing the underlying assets. The incremental borrowing rate used in the lease is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 22.

Estimating NRV of Inventories. The NRV of inventories represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale. The Group determines the estimated selling based on the recent sale transaction of similar goods with adjustments to reflect any changes in economic conditions since the date when the transactions occurred. The Group records provisions for the excess of cost over the net realizable value of inventories. While the Group believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

The carrying amount of inventories carried at lower of cost and NRV is disclosed in Note 7.

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group estimates the useful lives of property, plant and equipment and 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 these 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 intangible assets as at December 31, 2019 and 2018.

The carrying amounts of property, plant and equipment (except land) and intangible assets, net of accumulated depreciation, amortization and impairment losses are disclosed in Notes 9 and 10.

Assessing Impairment of Nonfinancial Assets and Goodwill. The Group assesses impairment on its nonfinancial assets (excluding goodwill and macrocystic consent) whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

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

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

The carrying amounts of these nonfinancial assets are disclosed in Notes 8, 9 and 10.

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

Information in retirement benefits obligation are disclosed in Note 14.

Recognizing Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognize deferred tax assets amounting to \$1.99 million and \$1.16 million as at December 31, 2019 and 2018, respectively, since the Group believes that it is not probable that sufficient taxable profit will be available to allow all or part of the MCIT and NOLCO to be utilized within the period allowed by the tax regulations.

The information on deferred tax assets is disclosed in Note 24.

Evaluation of Provisions and Contingencies. The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of reporting period, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

Provisions recognized are disclosed in Note 18. Pursuant to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, information expected to seriously prejudice the position of an entity, subject of the provision need not be disclosed.

4. **Goodwill and Disposal of an Investment**

Goodwill

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

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

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

The acquisition of Akaroa and Spence resulted in goodwill aggregating \$9.50 million. The carrying amount of goodwill amounted to \$2.05 million and \$9.50 million as at December 31, 2019 and 2018, respectively.

Based on the Group's annual impairment test using a discounted cash flow model covering a five-year period, the Group has assessed that goodwill is not impaired as at December 31, 2019 and 2018. The principal assumptions made in determining the recoverable amount (value in use) are discount rate of 7.66% and growth rate of 5.00% in 2019 and 2018.

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.

Disposal of an Investment

On October 23, 2019, the Parent Company approved the disposal of its 100% equity investment in Spence to a third party resulting to a loss (see Note 19).

The carrying amounts of the assets and liabilities of Spence as at October 23, 2019, which have been excluded in the 2019 consolidated financial statements, are as follows:

	Carrying Amount
Total assets	\$6,669,328
Total liabilities	(1,473,627)
Net assets sold	\$5,195,701

The revenue and net income of Spence included in the consolidated statements of comprehensive income amounted to \$14.55 million and \$60,683, respectively, for the period ended October 30, 2019, revenue and net loss of \$19.65 million and \$135,465, respectively, in 2018, and revenue and net income of \$20.27 million and \$235,576, respectively, in 2017.

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	\$14,484	\$6,706
Cash in banks	1,856,977	7,000,668
Cash equivalents	—	4,958
	\$1,871,461	\$7,012,332

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income from cash in banks and cash equivalents amounted to \$75,099, \$24,160 and \$19,079 in 2019, 2018 and 2017, respectively (see Note 19).

6. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade receivable from:			
Third parties		\$10,378,379	\$11,786,540
Related parties	13	234,185	245,236
Receivable from PFNZ		1,063,665	176,395
Claims receivables		997,517	1,027,177
Advances to officers and employees		14,840	3,610
Others		1,463,198	656,587
		14,151,784	13,895,545
Less allowance for impairment losses		2,038,252	2,046,950
		\$12,113,532	\$11,848,595

Trade receivables are generated from the sale of inventories which are noninterest-bearing, unsecured and are generally collectible within 30 to 60 days.

Details of the receivable from PFNZ are as follows:

	Note	2019	2018
Outstanding balance		\$1,063,665	\$1,063,665
Less current portion		1,063,665	176,395
Noncurrent portion	10	\$-	\$887,270

No collection was received in 2019. Cash receipts amounted to \$71,296 and \$110,557 in 2018 and 2017, respectively.

In 2015, BGB entered into a debt restructuring agreement with PFNZ, a former subsidiary, which provides among others:

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

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

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	2019	2018
Balance at beginning of year		\$2,046,950	\$2,011,950
Reversal		(20,427)	(45,000)
Provisions	18	11,729	80,000
Balance at end of year		\$2,038,252	\$2,046,950

Trade receivables amounting to \$6.5 million and \$5.2 million are used to secure short-term loans from local banks as at December 31 2019 and 2018, respectively (see Note 12).

7. Inventories

This account consists of:

	Note	2019	2018
At cost:			
Finished goods	17	\$5,878,003	\$5,955,771
Raw materials		3,680,096	6,493,043
Packaging supplies		231,535	325,299
Work-in-process		–	240,694
		9,789,634	13,014,807
At NRV:			
Finished goods		2,869,440	476,839
Raw and packaging supplies		–	454,116
		2,869,440	930,955
		\$12,659,074	\$13,945,762

The costs of inventories measured at NRV are as follows:

	Note	2019	2018
Finished goods	17	\$3,818,304	\$1,094,044
Raw and packaging materials		79,466	596,059
		\$3,897,770	\$1,690,103

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

	Note	2019	2018
Balance at beginning of year		\$759,148	\$1,354,142
Provision	18	921,936	209,488
Reversal		(652,754)	(804,482)
Balance at end of year		\$1,028,330	\$759,148

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

Inventories charged to cost of goods sold amounted to \$60.03 million, \$68.67 million and \$49.39 million in 2019, 2018 and 2017, respectively (see Note 17).

Inventories amounting to \$9.6 million and \$11.8 million are used to secure short-term loans from local banks as at December 31 2019 and 2018, respectively (see Note 12).

8. Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	\$9,094,833	\$7,068,066
Input VAT	667,357	611,827
Prepayments:		
Insurance	27,903	51,928
Rent	3,124	44,351
Others	437,258	452,479
	10,230,475	8,228,651
Less allowance for impairment losses	(89,373)	(73,960)
	\$10,141,102	\$8,154,691

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

Others pertain to payment for subscription and other fees.

Movements of allowance for impairment losses are as follows:

	Note	2019	2018
Balance at beginning of year		\$73,960	\$73,960
Provision	18	15,413	-
Balance at end of year		\$89,373	\$73,960

9. Property, Plant and Equipment

Movements in this account are as follows:

	December 31, 2019					
Cost	Land	Building and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and Equipment
Balances at beginning of year	\$9,467,256	\$4,708,686	\$9,297,596	\$502,571	\$488,094	\$340,736
Additions	-	140,549	1,393,571	31,686	59,165	88,536
Disposals/retirement	(1,113,589)	(2,061,982)	(1,050,069)	(145,776)	(179,802)	(249,380)
Reclassification	-	57,316	-	-	-	-
Translation adjustment	56,486	4,693	10,990	587	283	1,550
Balances at end of year	8,410,153	2,849,262	9,652,088	389,068	367,740	181,442
Accumulated Depreciation and Amortization						
Balances at beginning of year	-	1,916,924	5,508,208	343,176	332,970	325,840
Depreciation and amortization	-	174,836	774,176	34,488	31,940	5,081
Disposals/retirement	-	(716,027)	(1,032,681)	(109,423)	(125,648)	(243,357)
Translation adjustment	-	6,009	(50,619)	9,278	254	131
Balances at end of year	-	1,381,742	5,199,084	277,519	239,516	87,695
Allowance for Impairment Losses						
Balances at beginning of year	-	1,418,389	274,942	-	5,133	-
Disposals/retirement	-	(1,418,389)	(1,543)	-	-	-
Carrying Amount	\$8,410,153	\$1,467,520	\$4,179,605	\$111,549	\$123,091	\$93,747
Carrying Amount	\$8,410,153	\$1,467,520	\$4,179,605	\$111,549	\$123,091	\$93,747
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Carrying Amount	\$8,410,153	\$1,467,520	\$4,179,605	\$111,549	\$123,091	\$93,747

The Group's transportation equipment with net carrying value of \$17,411 and \$90,154 as at December 31, 2019 and 2018, respectively, are used as collateral to secure a chattel mortgage (see Note 12).

The depreciation and amortization charged to operations are as follows:

	Note	2019	2018	2017
Property, plant and equipment		\$1,020,521	\$1,070,159	\$1,145,634
ROU assets	22	133,393	—	—
Other intangible assets	10	4,669	4,834	4,963
		\$1,158,583	\$1,074,993	\$1,150,597
Charged to:				
Cost of goods sold	17	\$817,814	\$928,685	\$1,029,724
Selling and administrative expenses	18	340,769	146,308	120,873
		\$1,158,583	\$1,074,993	\$1,150,597

The Group recognized a gain on disposal/retirement of property, plant and equipment amounting to \$1.07 million, \$1,338 and \$58,618 in 2019, 2018 and 2017, respectively (see Note 19).

The cost of fully depreciated property, plant and equipment still used in Group's operations amounted to \$1.01 million and \$0.73 million as at December 31, 2019 and 2018, respectively.

10. Other Noncurrent Assets

This account consists of:

	Note	2019	2018
Receivable from Wild Catch Fisheries, Inc. (WCFI)		\$2,183,281	\$2,182,863
Biological assets		583,435	528,158
Investments in joint ventures		553,480	553,480
Idle assets		314,320	314,320
Investment in an associate		116,941	121,794
Receivable from PFNZ - net of current portion	6	—	887,270
Other intangible assets		158,756	163,305
Others		39,713	68,966
		3,949,926	4,820,156
Less allowance for impairment losses		3,164,942	3,164,942
		\$784,984	\$1,655,214

Receivable from WCFI

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

Investments in Joint Ventures

Details of investments in joint ventures as at December 31, 2019 and 2018 are as follows:

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

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

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

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Company's operations.

As at December 31, 2019 and 2018, idle assets were fully provided with an allowance. Total allowance for impairment losses for fishing vessels, including allowance for impairment losses previously recognized before reclassification to idle assets, amounted to \$13.9 million.

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:

	Note	2019	2018
Acquisition cost		\$27,319	\$27,319
Accumulated equity in profits:			
Balance at beginning of year		94,475	91,014
Equity in net income (loss)	19	(4,853)	3,461
Balance at end of year		89,622	94,475
		\$116,941	\$121,794

The results of operations (net income) of SSNZ amounted to \$555,959, \$36,526 and \$130,406 for the years ended December 31, 2019, 2018 and 2017, respectively.

Other Intangible Assets

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

	Note	2019	2018
Cost		\$269,066	\$269,066
Accumulated Amortization			
Balance at beginning of year		105,761	97,849
Amortization	9	4,669	4,834
Translation adjustment		(120)	3,078
Balance at end of year		110,310	105,761
		158,756	163,305
Less allowance for impairment losses		(114,279)	(114,279)
		\$44,477	\$49,026

The carrying amount of intangible asset with indefinite useful life, which pertains to macrocystic consent, amounted to \$20,220 and \$19,937 at December 31, 2019 and 2018, respectively.

The total carrying amount of intangible assets with definite useful lives, which pertain to salmon farming consent and fishing license, amounted to \$24,257 and \$29,089 as at December 31, 2019 and 2018, respectively.

11. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade payables:			
Third parties		\$3,907,168	\$6,289,286
Related parties	13	603,655	534,259
Accrued expenses:			
Professional fees		861,495	494,710
Interest		109,758	168,531
Salaries, wages and other benefits		56,117	373,057
Freight		54,526	49,139
Others		323,124	778,958
Statutory payable		123,567	125,063
Customers' deposits		120,549	266,689
Others		22,743	60,066
		\$6,182,702	\$9,139,758

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.

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

12. Loans Payable

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

Short-term Loans

	Currency	Nominal interest rate	2019	2018
Local banks	USD	3.25% - 5.80%	\$22,317,370	\$26,539,033
Investment banks	PHP	5.00% - 8.00%	–	2,149,106
	USD	4.50% - 6.50%	–	2,200,000
			22,317,370	30,888,139
Add current portion of long-term loans			26,304	29,157
			\$22,343,674	\$30,917,296

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

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

	Note	2019	2018
Trade receivables	6	\$6,476,411	\$5,218,576
Inventories	7	9,579,281	11,763,776
		\$16,055,692	\$16,982,352

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

Long-term Loans

	2019	2018
Local banks	\$1,533,607	\$37,604
Foreign financing corporation	87,040	38,542
	1,620,647	76,146
Less current portion	26,304	29,157
	\$1,594,343	\$46,989

Loans from local banks, which are denominated in Peso, bear annual interest rates ranging from 6.50% to 9.59%. Loans from foreign financing corporation, which are denominated in New Zealand Dollars, bear an annual interest of 7.15%.

Loan Security. The long-term loans are secured by transportation equipment with carrying amount of \$17,411 and \$90,154 as at December 31, 2019 and 2018, respectively (see Note 9).

A foreign financing corporation has facility agreement with Akaroa, being the Parent Company and a stockholder as guarantors. It has a registered security over the assets of Akaroa.

Schedule of Principal Payments. Principal payments to be paid within the next financial year and within two to five years amounted to \$9,535 and \$16,769, respectively.

Interest Expense

Interest expense from loans payable amounted to \$1.94 million, \$1.40 million and \$751,487 in 2019, 2018 and 2017, respectively.

13. Related Party Transactions

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

Related Party	Note	Amount of Transaction		Outstanding Balance	
		2019	2018	2019	2018
Trade and other receivables	6				
Joint Venture		(\$480)	(\$30,600)	\$234,185	\$234,665
Associate		(10,571)	(546)	–	10,571
				\$234,185	\$245,236
Other noncurrent assets	10				
Joint Venture		\$418	\$–	\$2,183,281	\$2,182,863
Allowance for impairment		–	–	(2,182,863)	(2,182,863)
				\$418	\$–
Trade and other payables	11				
Joint Venture		(\$10,466)	\$181,477	\$433,855	\$444,321
Immediate Parent		79,862	(20,216)	169,800	89,938
Associate		–	320,078	–	–
				\$603,655	\$534,259
Due to related parties					
Immediate Parent		\$2,000,000	(\$2,002,804)	\$2,000,000	\$–
Subsidiary's Stockholder		(91,530)	(48,176)	–	91,530
				\$2,000,000	\$91,530

Nature and Terms of Payment

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

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

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

Due to Related Parties. Payable to Immediate Parent pertains to borrowed funds amounting to \$2.0 million, which bears 6.31% annual interest and payable on a lump sum basis in cash on 2022. In 2018, the Company fully paid the cash advances bearing 6.31% annual interest availed in 2017 for working capital requirements. Due to a subsidiary's stockholder, which bears 7.15% annual interest, pertains to working capital advances and are payable on demand.

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

Intercompany transactions eliminated in consolidation pertain to due to/from related parties and rental. Total due to/from related parties eliminated as at December 31, 2019 and 2018 amounted to \$16.12 million and \$16.87 million, respectively. Total rental receivable and payable eliminated as at December 31, 2019 and 2018 amounted to \$134,791 and \$18,309, respectively.

Total interest expense aggregated \$39,092, \$86,733 and \$36,060 in 2019, 2018 and 2017, respectively.

The remuneration of the key management personnel of the Group is composed of short-term and post-employment benefits. Short-term employee benefits amounted to \$496,178, \$492,042 and \$398,487 in 2019, 2018 and 2017, respectively. Post-employment benefits amounted to \$36,744, \$35,356 and \$35,934 in 2019, 2018 and 2017, respectively.

14. Retirement Benefits Obligation

The Group values its defined benefit obligation using the projected unit credit method. The benefit shall be payable to retirees who are at least 60 years old and with at least five years of credited service to the Group.

The Group has executed a Trust Agreement with a reputable local bank to establish the Group's retirement plan. The last actuarial valuation report was at December 31, 2018.

Retirement benefits costs are as follows (see Note 20):

	2019	2018	2017
Current service cost	\$82,822	\$43,326	\$42,325
Net interest expense	10,179	9,269	7,977
	\$93,001	\$52,595	\$50,302

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

	2019	2018
Present value of defined benefit obligation	\$327,657	\$262,808
Fair value of plan assets	(40,182)	(39,674)
	\$287,475	\$223,134

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

	2019	2018
Balance at beginning of year	\$262,808	\$276,817
Current service cost	82,822	43,326
Interest cost	12,182	11,735
Unrealized foreign exchange gain - translation adjustment	(30,155)	(10,731)
Remeasurement gains:		
Changes in financial assumptions	—	(47,442)
Experience adjustments	—	(10,897)
	\$327,657	\$262,808

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

	2019	2018
Balance at beginning of year	\$39,674	\$42,190
Interest income	2,003	2,106
Translation adjustment	(1,495)	(2,088)
Remeasurement loss	—	(2,534)
	\$40,182	\$39,674

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

	2019	2018
Cash and cash equivalents	\$152	\$150
Other assets	40,030	56
Debt instruments	57	39,524
Fees payables	(4)	(4)
Withholding taxes payable	(53)	(52)
	\$40,182	\$39,674

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

	2019	2018
Discount rate	4.64%	7.43%
Expected rate of salary increases	6.00%	6.00%

The sensitivity analyses on the retirement benefits obligation (RBO) as at December 31, 2019 and 2018 below have been determined based on possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2019		2018	
	Change in Assumption	Increase (Decrease) on RBO	Change in Assumption	Increase (Decrease) on RBO
Expected salary growth rate	1.00%	\$20,025	1.00%	\$16,062
Discount rate	1.00%	(16,745)	1.00%	(13,431)
Improvement in employee turnover	10.00%	2,411	10.00%	1,934

The average duration of the benefit obligation on December 31, 2019 and 2018 is 19 years.

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

	2019	2018	2017
Balance at beginning of year	\$87,276	\$55,190	\$55,190
Remeasurement gain	—	32,086	—
Balance at end of year	\$87,276	\$87,276	\$55,190

Deferred tax liability related to the cumulative remeasurement gain or loss amounted to \$26,183 as at December 31, 2018.

15. Equity

Capital Stock

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

	2019		2018	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at ₱0.50 par value a share				
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)
	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)
	2,500,000,000	26,823,389	2,500,000,000	26,823,389
Treasury shares at cost	(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

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

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

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

The total number of shareholders of the Parent Company as at December 31, 2019 and 2018 is 238 and 237, respectively.

The Group's non-controlling interests represent 0.02%, 20% and 1.11% ownership of PT IAFI & PT VDZ, Akaroa and AMHI, respectively. Non-controlling interests amounted to \$2.24 million and \$2.26 million as at December 31, 2019 and 2018, respectively.

The summarized financial information of subsidiary with significant non-controlling interest as at and for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Total assets	\$7,266,881	\$2,779,457	\$2,679,662
Total liabilities	5,589,477	977,042	1,235,864
Equity	1,677,404	1,802,415	1,443,798
Net income (loss)	(218,546)	447,956	703,204

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, 2019 and 2018, follows:

	2019	2018
Debt	\$36,508,252	\$40,747,913
Equity	31,299,760	36,290,739
Debt-to-Equity Ratio	\$1.17:1	\$1.12:1

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 about 32% as at December 31, 2019 and 2018.

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.

16. Net Revenue

Revenue is disaggregated to the following major product lines:

	2019	2018	2017
Net sales of:			
Canned tuna	\$59,902,745	\$60,980,633	\$40,068,268
Smoked salmon	22,637,987	27,946,771	28,798,802
Others	2,342,071	8,206,332	3,260,973
	84,882,803	97,133,736	72,128,043
Rent	—	—	63,535
	\$84,882,803	\$97,133,736	\$72,191,578

Others pertain mainly to sale of whole fish and by-products.

Revenue generated by the foreign subsidiaries comprises 24%, 27% and 39% of the total revenue of the Group in 2019, 2018 and 2017, respectively.

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

17. Cost of Goods Sold

This account consists of:

	Note	2019	2018	2017
Raw materials used		\$62,679,025	\$70,306,206	\$49,313,797
Direct labor	20	8,717,521	8,197,621	6,657,414
Manufacturing overhead:				
Warehousing		1,928,449	1,921,466	954,299
Fuel, light and water		1,416,267	1,303,706	1,460,274
Labor	20	920,427	967,342	646,116
Depreciation and amortization	9	817,814	928,685	1,029,724
Rent	22	334,613	359,147	440,557
Others		2,537,795	2,445,842	2,166,402
Total manufacturing costs		79,351,911	86,430,015	62,668,583
Finished goods, beginning	7	7,049,815	5,413,534	5,487,867
Total cost of goods manufactured		86,401,726	91,843,549	68,156,450
Finished goods, ending	7	(9,696,307)	(7,049,815)	(5,413,534)
		\$76,705,419	\$84,793,734	\$62,742,916

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	2019	2018	2017
Salaries, wages and other benefits	20	\$2,598,831	\$2,750,012	\$2,614,078
Provisions for impairment losses		949,078	289,488	1,390,754
Outside services		936,660	850,285	880,684
Freight and transportation		927,000	1,282,641	1,214,118
Advertising, marketing and commission		766,931	694,634	517,707
Taxes and licenses		559,981	461,812	682,079
Rent and utilities		350,196	170,029	162,449
Buyer's claim		347,717	12,384	16,504
Depreciation and amortization	9	340,769	146,308	120,873
Insurance		254,708	193,097	145,711
Materials and supplies		89,814	115,620	95,718
Others		442,258	375,086	276,449
		\$8,563,943	\$7,341,396	\$8,117,124

Provision for impairment losses pertains to trade and other receivables, inventories, other current assets and property, plant and equipment, respectively (see Notes 6, 7, 8 and 9).

Others include provision amounting to \$22,647, nil and \$215,898 in 2019, 2018 and 2017, respectively.

19. Other Income (Charges) - Net

This account consists of:

	Note	2019	2018	2017
Loss on disposal of a subsidiary	4	(\$2,422,707)	\$-	\$-
Gain on disposal/retirement of property, plant and equipment	9	1,072,550	1,338	58,618
Foreign exchange gain		323,919	320,202	13,198
Bank charges		(304,925)	(235,567)	(154,146)
Interest income		75,099	65,426	70,965
Equity in net income (loss) of an associate	10	(4,853)	3,461	26,081
Others		128,702	(155,406)	3,811
		(\$1,132,215)	(\$546)	\$18,527

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

20. Employee Benefits

This account consists of:

	Note	2019	2018	2017
Short-term employee benefits		\$12,143,778	\$11,862,380	\$9,867,306
Post-employment benefits	14	93,001	52,595	50,302
		\$12,236,779	\$11,914,975	\$9,917,608
Charged to:				
Cost of goods sold	17	\$9,637,948	\$9,164,963	\$7,303,530
Selling and administrative expenses	18	2,598,831	2,750,012	2,614,078
		\$12,236,779	\$11,914,975	\$9,917,608

21. Income (Loss) Per Share

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

	2019	2018	2017
Net income (loss) attributable to Parent Company	(\$5,084,520)	\$2,524,265	\$1,437,271
Weighted average number of ordinary shares outstanding	2,499,712,463	2,499,712,463	2,499,712,463
	(\$0.0020)	\$0.0010	\$0.0006

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, 2019, 2018 and 2017, the Parent Company has no dilutive potential share.

22. Significant Agreements

Short-term Leases

The Group entered into operating leases with third parties for its forklifts, container van, warehouse and vehicles. The contracts have a term ranging from six months to one year with varying monthly rent. The leases are renewable upon mutual agreement between parties.

Rent expense is distributed as follows:

	Note	2019	2018	2017
Cost of goods sold	17	\$334,613	\$359,147	\$440,557
Selling and administrative expenses		129,689	79,524	61,136
		\$464,302	\$438,671	\$501,693

Long-term Leases

On August 13, 2018, the Parent Company reported its change of office address. ASFII entered into a new lease agreement for its head office space with a new third party lessor on July 16, 2018, effective until July 15, 2023 and renewable upon mutual agreement of the parties. The monthly rental for the first two (2) years shall be \$4,171, subject to an annual escalation of 5%.

On October 14, 2019, Akaroa entered into a lease agreement with a third party for certain premises located at 69 Treffers Road, Wigram, Christchurch, New Zealand with an annual rental payment of \$301,500 for 20 years with the rights of renewal for two of four years each.

The balance of movements in ROU assets follow:

	Note	Total
Balance at beginning of year	2	\$405,837
Additions		3,751,554
Amortization	9	(133,393)
		\$4,023,998

The balance of and movements in lease liabilities follow:

	Note	Total
Balance at beginning of year	2	\$397,346
Additions		3,751,554
Rental payments		(188,704)
Interest		93,227
Effect of foreign exchange loss		6,257
Balance at end of year		4,059,680
Less current portion		159,766
Noncurrent portion		\$3,899,914

The incremental borrowing rate applied to the lease liabilities ranges from 3.00% to 9.54%. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The difference between the lease liabilities and ROU assets at initial recognition was adjusted to the opening retained earnings.

The amounts recognized in profit or loss are as follows:

	Note	2019	2018
Rental		\$2,106,621	\$438,671
Amortization	9	133,393	—
Interest		93,227	—
		\$2,333,241	\$438,671

The future minimum lease payments and present value as at December 31, 2019 are as follows:

	Minimum Lease Payments	Present Value
Not later than one year	\$418,373	\$388,708
Later than one year but not more than five years	8,299,240	3,545,440
	\$8,717,613	\$3,934,148

23. Corporate Social Responsibility

The Parent Company has implemented a corporate social responsibility program to focus on the local workers' community welfare, as well as to promote a clean and healthy environment together with energy conservation. In 2019, the Parent Company partnered with Mindanao State University (General Santos City campus) to launch the Bay of Gold scholarship, which aims to provide financial assistance to Marine Biology students of this campus.

24. Income Taxes

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

	2019	2018	2017
Current	\$156,085	\$350,987	\$600,994
Deferred	1,421,717	539,670	(1,601,528)
	\$1,577,802	\$890,657	(\$1,000,534)

Deferred Tax

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

	2019	2018
Deferred tax assets:		
Allowance for impairment losses on:		
Trade and other receivables and other noncurrent assets	\$7,159,431	\$7,164,870
Inventories	308,499	91,819
Property, plant and equipment	30,422	30,422
MCIT	257,778	258,198
Retirement benefits obligation	87,548	65,006
Unrealized foreign exchange loss	39,035	7,173
Excess of depreciation and interest over rental payments	5,302	–
NOLCO	–	1,463,693
Accrued expenses	–	352,242
	\$7,888,015	\$9,433,423
Deferred tax liabilities:		
Remeasurement gain on retirement benefits obligation	\$12,919	\$12,919
Accrued rent	4,289	5,493
Accelerated depreciation	–	94,000
Unrealized foreign exchange gain	–	30,132
	\$17,208	\$142,544

Details of other deductible temporary differences for which no deferred tax assets were recognized are as follows:

	2019	2018
Allowance on impairment on:		
Trade and other receivables and other noncurrent assets	\$1,496,608	\$–
Property, plant and equipment	–	479,117
Inventories	–	135,925
NOLCO	327,172	526,278
MCIT	154,246	13,751
Excess of depreciation and interest over rental payments	8,950	–
Retirement benefits obligation	–	1,934
	\$1,986,976	\$1,157,005

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

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2019	\$301,800	\$–	\$–	\$301,800	2022
2018	485,396	–	–	485,396	2021
2017	303,379	–	–	303,379	2020
2016	5,844,461	752,331	5,092,130	–	2019
	\$6,935,036	\$752,331	\$5,092,130	\$1,090,575	

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

Inception Year	Amount	Expired	Balance	Expiry Year
2019	\$142,636	\$—	\$142,636	2022
2018	166,110	—	166,110	2021
2017	100,687	—	100,687	2020
2016	5,152	5,152	—	2019
	\$414,585	\$5,152	\$409,433	

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

	2019	2018	2017
Provision for (benefit from) income tax computed at statutory tax rate	(\$1,066,221)	\$1,048,142	\$168,755
Tax effects of:			
Expired NOLCO	1,527,639	385,599	609,481
Expenses exempt from taxation	4,080	6,232	78,866
Income exempt from taxation	(1,794)	(1,622)	(5,724)
Interest expense	681	591	2,100
Changes in unrecognized deferred tax assets	829,971	(1,097,035)	(421,446)
Effect of tax rate differences	278,294	493,302	484,735
Expired MCIT	5,152	55,448	83,767
	\$1,577,802	\$890,657	\$1,000,534

The Parent Company and BGB were subjected to MCIT aggregating \$144,109, \$172,109 and \$100,743 in 2019, 2018 and 2017, respectively.

25. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at December 31, 2019 and 2018.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	\$1,871,461	\$1,871,461	\$7,012,332	\$7,012,332
Trade and other receivables	12,113,532	12,113,532	11,848,595	11,848,595
Receivable from PFNZ*	—	—	887,270	887,270
	\$13,984,993	\$13,984,993	\$19,748,197	\$19,748,197

*Under other noncurrent assets

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Trade and other payables**	\$5,938,586	\$5,938,586	\$8,748,006	\$8,748,006
Loans payable	23,938,017	23,938,017	30,964,285	30,964,285
Lease liabilities	4,059,680	4,059,680	—	—
Due to related parties	2,000,000	2,000,000	91,530	91,530
	\$35,936,283	\$35,936,283	\$39,803,821	\$39,803,821

**Excluding customers' deposits and statutory payable

The following methods and assumptions are used to estimate the fair value of the Group's financial assets and liabilities:

Cash and Cash Equivalents, Trade and Other Receivables (excluding Receivable from PFNZ), Trade and Other Payables (excluding Statutory Payable and Customers' Deposits) and Due to Related Parties. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments. These financial assets and liabilities are classified under Level 3 of the fair value hierarchy groups of the consolidated financial statements.

Receivable from PFNZ, Lease Liabilities and Loans Payable. The fair values of these financial instruments are determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. The fair values of these financial instruments are estimated using significant and unobservable inputs (Level 3 hierarchy).

Generally, an increase or decrease in the incremental after-tax cash flows will result in an increase or decrease in the fair value of these financial asset and liabilities. An increase or decrease in discount rate will result in a decrease or increase in the fair value of these financial asset and liabilities.

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 2019 and 2018.

26. Financial Risk Management Objectives and Policies

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

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

Credit Risk

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

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

	2019	2018
Cash and cash equivalents	\$1,871,461	\$7,012,332
Trade and other receivables	14,151,784	13,895,545
Receivable from PFNZ*	–	887,270
	\$16,023,245	\$21,795,147

*Under other noncurrent assets

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

As at December 31, 2019 and 2018, the amount of cash and cash equivalents is neither past due nor impaired and has classified as “*High Grade*”, while trade and other receivables and receivable from PFNZ under noncurrent assets were classified as “*Standard Grade*”. The credit quality of the financial assets is managed by the Group using the internal credit quality ratings as follows:

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

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

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

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

For receivable from PFNZ and other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

As at December 31, 2019 and 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	\$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

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 noncurrent assets

Market Risk

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

The sensitivity analyses in the following sections relate to the position as at December 31, 2019 and 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 December 31, 2019 and 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 December 31, 2019 for the effects of the assumed changes of the underlying risk.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities

(when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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

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

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

	2019		2018	
	Philippine Peso	U.S. Dollar Equivalent	Philippine Peso	U.S. Dollar Equivalent
Cash and cash equivalents	₱24,033,809	\$473,414	₱522,172	\$9,904
Trade and other receivables	8,445,243	166,353	965,329	18,309
Trade and other payables	108,429,630	2,135,829	16,587,507	314,610
Lease liabilities	7,694,856	151,572	—	—
Loans payable	852,577	16,838	114,766,629	2,182,705

	2019		2018	
	New Zealand Dollar	U.S. Dollar Equivalent	New Zealand Dollar	U.S. Dollar Equivalent
Cash and cash equivalents	\$80,954	\$54,563	\$461,113	\$309,361
Trade and other receivables	1,096,560	739,081	769,230	516,076
Trade and other payables	1,124,317	757,790	727,485	488,070
Loans payable	1,024,145	690,274	57,448	38,542
Lease liabilities	5,798,380	3,908,108	—	—
Due to a related party	346,150	233,305	482,579	323,762

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 2019 and 2018, respectively, in foreign currency rates.

Foreign Currency Sensitivity Analysis. The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in net profit when the U.S. Dollar strengthens against the relevant currency. For a 6% weakening of the U.S. Dollar against the relevant currency, there would be an equal and opposite impact on the net profit and the balances on the following table would be negative.

The following table details the Group's sensitivity to a 4% and 6% change in the U.S. Dollar, with all the variables held constant, in 2019 and 2018, respectively:

	Effect on Income for the Year	
	2019	2018
Cash and cash equivalents	\$21,119	\$19,156
Trade and other receivables	36,217	30,302
Trade and other payables	(115,745)	(48,161)
Loans payable	(28,284)	(2,313)
Lease liabilities	(162,387)	—
Due to a related party	(9,332)	(19,426)
	(\$258,412)	(\$20,442)

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

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

Management believes that any variation in the interest will not have a material impact on the net profit of the Group. Bank and mortgage loans amounting to \$23.94 million and \$30.96 million as at December 31, 2019 and 2018, respectively, agreed at interest rates ranging from approximately 3.25% to 5.40% for bank loans and 6.50% 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:

- To ensure that adequate funding is available at all times;
- To meet commitments as they arise without recurring unnecessary costs; and
- 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.

2019				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	—	\$5,938,586	\$—	\$5,938,586
Loans payable	4.50% - 9.59%	22,343,674	1,594,343	23,938,017
Lease liabilities	3.00% - 9.54%	159,766	3,899,914	4,059,680
Due to related parties	6.50% - 7.15%	—	2,000,000	2,000,000
Future interest	4.50% - 9.59%	274,796	4,732,838	5,007,634
		\$28,716,822	\$12,227,095	\$40,943,917

*Excluding statutory payable and customers' deposits

2018				
	Weighted Average Effective Interest Rate	Within One Year	More than One Year	Total
Trade and other payables*	—	\$8,748,006	\$—	\$8,748,006
Loans payable	4.50% - 9.59%	30,917,296	46,989	30,964,285
Due to related parties	6.50% - 7.15%	91,530	—	91,530
Future interest	4.50% - 9.59%	2,919	2,266	5,185
		\$39,759,751	\$49,255	\$39,809,006

*Excluding statutory payable and customers' deposit

27. Operating Segment Information

The primary segment reporting format is presented based on the business segments in which the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The Group is organized into three major operating business segments (tuna, salmon and rental) in 2019, 2018 and 2017 which is consistent with how the Group's management internally monitors and analyzes financial information.

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

Financial information about reportable segments are as follows:

	December 31, 2019			
	Tuna	Salmon	Rental	Total
Segment revenue	\$62,240,501	\$22,733,372	\$134,791	\$85,108,664
Inter-segment revenue	—	(91,070)	(134,791)	(225,861)
Net revenue	\$62,240,501	\$22,642,302	\$—	\$84,882,803
Segment results				
Loss before income tax	(\$3,003,765)	(\$469,804)	(\$80,502)	(\$3,554,071)
Provision for income tax	1,421,243	155,424	1,135	1,577,802
Net loss	(\$4,425,008)	(\$625,228)	(\$81,637)	(\$5,131,873)
Total assets	\$52,603,463	\$12,160,789	\$3,043,760	\$67,808,012
Total liabilities	(\$22,738,855)	(\$11,294,319)	(\$2,475,078)	(\$36,508,252)
Net cash flows from:				
Operating activities	(\$6,272,095)	(\$1,060,291)	(\$162,746)	(\$7,495,132)
Investing activities	9,623,248	(25,903)	—	9,597,345
Financing activities	(8,558,629)	1,090,409	160,875	(7,307,345)
Other information:				
Depreciation and amortization	\$671,075	\$487,508	\$—	\$1,158,583
Other noncash income - net	(264,884)	(42,935)	—	(307,819)
	December 31, 2018			
	Tuna	Salmon	Rental	Total
Segment revenue	\$69,184,544	\$28,006,825	\$155,484	\$97,346,853
Inter-segment revenue	—	(57,633)	(155,484)	(213,117)
Net revenue	\$69,184,544	\$27,949,192	\$—	\$97,133,736
Segment results				
Income (loss) before income tax	\$3,396,857	\$73,376	\$23,573	\$3,493,806
Provision for income tax	807,621	71,025	12,011	890,657
Net income (loss)	\$2,589,236	\$2,351	\$11,562	\$2,603,149
Total assets	\$53,058,387	\$15,533,972	\$8,446,293	\$77,038,652
Total liabilities	\$39,397,909	\$1,009,246	\$340,758	\$40,747,913
Net cash flows from:				
Operating activities	(\$3,210,399)	\$3,529,923	(\$98,007)	\$221,517
Investing activities	1,047,349	(1,444,304)	—	(396,955)
Financing activities	1,858,800	833,365	105,909	2,798,074
Other information:				
Depreciation and amortization	\$544,088	\$530,905	\$—	\$1,074,993
Other noncash income - net	(92,568)	110,008	—	17,440

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

Geographical information about reportable segments follows:

	December 31, 2019				
	Philippines	Indonesia	USA	New Zealand	Total
Segment sales	\$64,970,403	\$313,364	\$14,550,192	\$5,274,705	\$85,108,664
Inter-segment revenue	(134,791)	–	–	(91,070)	(225,861)
Total net sales	\$64,835,612	\$313,364	\$14,550,192	\$5,183,635	\$84,882,803
Segment noncurrent assets*	\$10,688,751	\$–	\$273,719	\$2,481,379	\$13,443,849
Inter-segment noncurrent assets	3,613,148	–	–	–	3,613,148
Total noncurrent assets	\$14,301,899	\$–	\$273,719	\$2,481,379	\$17,056,997

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

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

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

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

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

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

28. Reconciliation of Liabilities Arising From Financing Activities

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

	Financing Cash Flows					
	2018	Availments	Expense	Payments	Application of Prepaid Rent	Foreign exchange gain
Loans payable	\$30,964,285	\$60,742,942	\$—	(\$67,769,210)	\$—	\$—
Due to related parties	91,530	2,000,000	—	(91,530)	—	—
Lease liabilities	—	4,162,879	93,227	(188,704)	(13,979)	6,257
Interest payable	168,531	—	1,942,070	(2,000,843)	—	—
	\$31,224,346	\$66,905,821	\$2,035,297	(\$70,050,287)	(\$13,789)	\$6,257

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

29. Events after the Reporting Period

In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization causing the government to declare the country in a state of public health emergency followed by the implementation of mandated lockdown all over the country resulting in a slowdown in the Philippine economy.

Management has determined that such event has no impact on the Group's consolidated financial statements as at and for the year ended December 31, 2019. Although, the Group anticipates that the COVID-19 will have a material impact on its business operations, financial condition, results of operations, and cash flows in 2020, the impact cannot be reasonably estimated as at June 10, 2020. The Group continues to monitor the situation closely and may implement further measures to provide additional financial flexibility and improve the Group's cash position and liquidity.

Notwithstanding the situation, the Group strongly believes that it can remain a going concern given the essential nature of its business and its access to short-term and long-term funding.



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

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

We have audited the accompanying consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 10, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that Alliance Select Foods International, Inc. has two hundred twenty-three (223) and two hundred twenty-two (222) stockholders owning one hundred (100) or more shares each as at December 31, 2019 and 2018, respectively.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila



INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 10, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and no material exceptions were noted.

REYES TACANDONG & CO.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

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Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila

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

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Below is a schedule showing financial soundness indicators of the Group as at December 31, 2019, 2018 and 2017 and for the years ended December 31, 2019, 2018 and 2017.

Ratio	Formula	2019	2018	2017
Current ratio				
	Current assets	\$36,785,169	\$40,961,380	\$33,608,806
	Divide by: Current liabilities	28,709,312	40,243,716	36,358,322
	Current Ratio	1.28	1.02	0.92
Acid test ratio				
	Current assets	\$36,785,169	\$40,961,380	\$33,608,806
	Less: Inventories	12,659,074	13,945,762	14,154,871
	Other current assets	10,141,102	8,154,691	5,612,224
	Quick assets	13,984,993	18,860,927	13,841,711
	Divide by: Current liabilities	28,709,312	40,243,716	36,358,322
	Acid Test Ratio	0.49	0.47	0.38
Solvency ratio				
	Income (loss) before tax	(\$3,554,071)	\$3,493,806	\$562,518
	Add: Depreciation and amortization	1,158,583	1,074,993	1,150,597
	Net income before depreciation and amortization	(2,395,488)	4,568,799	1,713,115
	Divide by: Total liabilities	36,508,252	40,747,913	36,830,072
	Solvency Ratio	(0.07)	0.11	0.05
Debt-to-equity ratio				
	Total liabilities	\$36,508,252	\$40,747,913	\$36,830,072
	Divide by: Total equity	31,299,760	36,290,739	33,688,498
	Debt-to-Equity Ratio	1.17	1.12	1.09
Asset-to-equity ratio				
	Total assets	\$67,808,012	\$77,038,652	\$70,518,570
	Divide by: Total equity	31,299,760	36,290,739	33,688,498
	Asset-to-Equity Ratio	2.17	2.12	2.09
Interest rate coverage ratio				
	Income (loss) before tax	(\$3,554,071)	\$3,493,806	\$562,518
	Add: interest expense	2,035,297	1,504,254	787,547
	Pretax income (loss) before interest	(1,518,774)	4,998,060	1,350,065
	Divide by: Interest expense	2,035,297	1,504,254	787,547
	Interest Rate Coverage Ratio	(0.75)	3.32	1.71

Ratio	Formula	2019	2018	2017
Return on equity	Net income (loss) attributable to equity holders of the Parent Company	(\$5,084,520)	\$2,524,265	\$1,437,271
	Equity:			
	Beginning of year	36,290,739	33,688,498	32,112,207
	End of year	31,299,760	36,290,739	33,688,498
	Divide by			
	Average equity	33,795,250	34,989,619	32,900,353
	Return on Equity	(0.15)	0.07	0.04
Return on assets	Net income (loss)	(\$5,131,873)	\$2,603,149	\$1,563,052
	Total assets:			
	Beginning of year	77,038,652	70,518,570	59,861,287
	End of year	67,808,012	77,038,652	70,518,570
	Divide by			
	Average assets	72,423,332	73,778,611	65,189,929
	Return on Assets	(0.07)	0.04	0.02
Net profit margin	Net income (loss)	(\$5,131,873)	\$2,603,149	\$1,563,052
	Revenue	84,882,803	97,133,736	72,191,578
	Net Profit Margin	(0.06)	0.03	0.02



REPORT OF INDEPENDENT AUDITORS' ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 10, 2020.

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

- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68 as at December 31, 2019
- Conglomerate Map as at December 31, 2019

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES**(A Subsidiary of Strongoak Inc.)****SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS****OF PARENT COMPANY****DECEMBER 31, 2019**

Retained earnings available for dividend declaration at beginning of year, as adjusted		(\$37,274,227)
Less net loss actually realized during the year:		
Net loss during the year closed to retained earnings	(\$1,424,314)	
Provision for income tax - deferred	1,007,593	(416,721)
Retained earnings at end of year available for dividend declaration		(\$37,690,948)

Reconciliation:

Retained earnings at end of year		\$2,069,605
Less:		
Net deferred tax assets at end of year	(\$31,998,844)	
Effect of equity restructuring	(7,794,872)	
Effect of adoption of PFRS 16	33,163	(39,760,553)
Total retained earnings available for dividend declaration at end of year		(\$37,690,948)

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, 2019

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ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

FINANCIAL ASSETS

DECEMBER 31, 2019

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	\$-	\$1,856,977	\$75,099
Trade receivables	-	9,352,484	-
Receivable from PFNZ	-	1,063,666	-
Due from related parties	-	234,185	-
Other nontrade receivables	-	1,463,198	-
	\$-	\$13,970,510	\$75,099

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

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

DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Advances to employees	\$3,610	\$86,337	\$75,107	\$-	\$14,840	\$-	\$14,840

SCHEDULE C

ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES

(A Subsidiary of Strongoak Inc.)

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Other changes Additions (Deductions)	Current	Not current	Balance at end of year
Due from related parties:								
Parent	\$13,191,872	\$2,988,253	\$3,745,830	\$-	\$18,128	\$12,452,423	\$-	\$12,452,423
Subsidiaries	3,674,590	33,474	23,120	-	-	3,684,944	-	3,684,944
	\$16,866,462	\$3,021,727	\$3,768,950	\$-	\$18,128	\$16,137,367	\$-	\$16,137,367

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

INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2019

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	\$48,674	\$-	\$4,600	\$-	\$120	\$44,194
Development expenditure	352	-	69	-	-	283
	\$49,026	\$-	\$4,669	\$-	\$120	\$44,477

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

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

LONG-TERM DEBT
DECEMBER 31, 2019

Title of Issue and Type of Obligation	Amount Shown as Current	Amount Shown as Long-Term	Total
Bank loans – secured	\$26,304	\$1,594,343	\$1,620,647

Note: The terms, interest rate, collaterals and other relevant information are shown in Note 12 of the Consolidated Financial Statements.

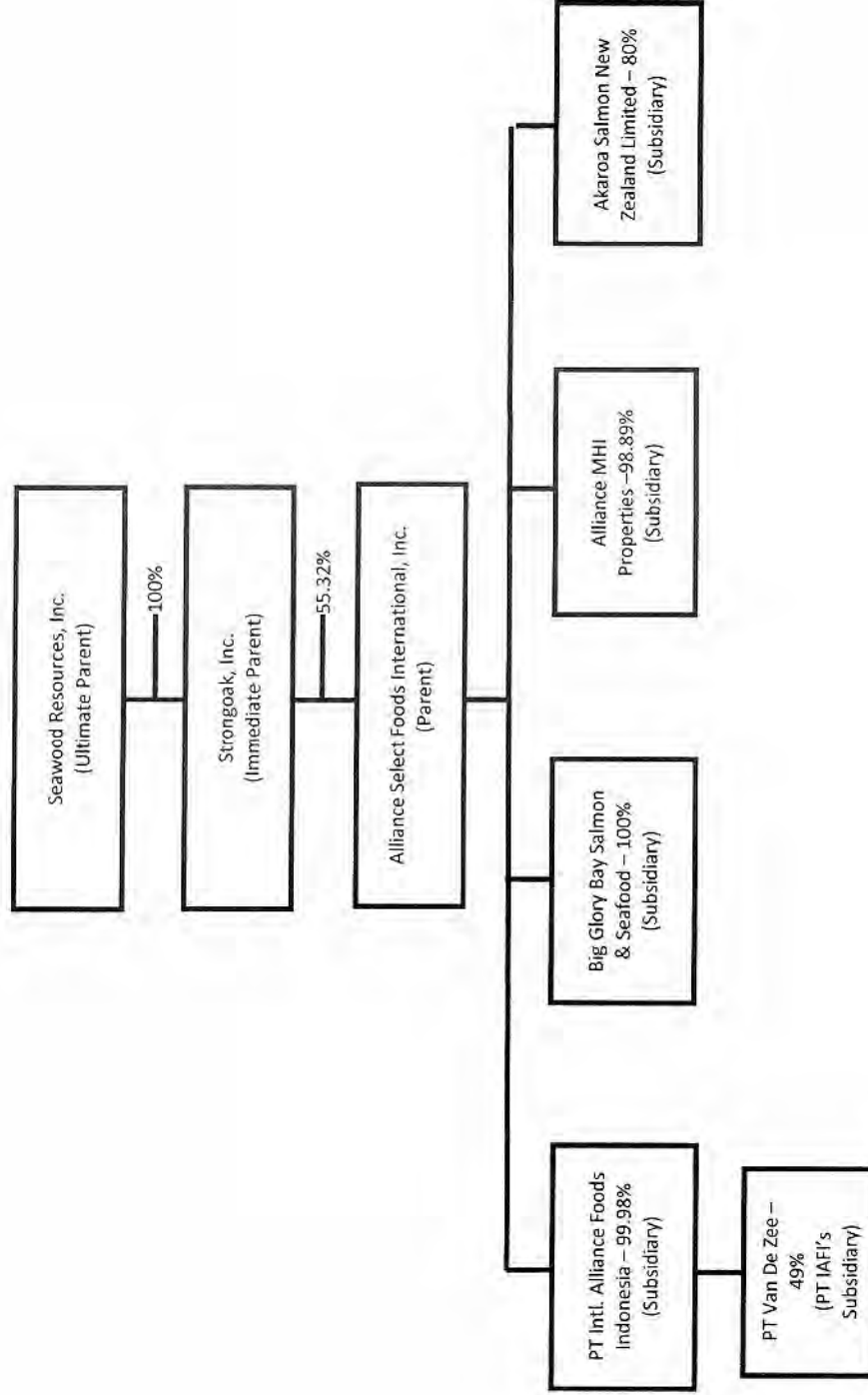
ALLIANCE SELECT FOODS INTERNATIONAL, INC. AND SUBSIDIARIES
(A Subsidiary of Strongoak Inc.)

CAPITAL STOCK
DECEMBER 31, 2019

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

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

CORPORATE STRUCTURE
DECEMBER 31, 2019



for
AUDITED FINANCIAL STATEMENTS

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C	R	M	D
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N	/	A
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COMPANY INFORMATION		
Company's Email Address	Company's Telephone Number/s	Mobile Number
info@allianceselectfoods.com	(02) 7-747-3798	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
238	June 15	December 31

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> 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	(02) 7-747-3798	—

CONTACT PERSON'S ADDRESS	
Suite 3104A, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Avenue, Pasig City	

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.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company"), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2019, 2018 and 2017 and the notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 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.

Emphasis of Matter – Events after the Reporting Period

We draw attention to Note 28 to the separate financial statements which describes the uncertainty related to the impact of the novel coronavirus ("COVID-19") pandemic to the Company's financial position and results of operations as at and for the year ending December 31, 2020. Notwithstanding the situation, management believes that the Company can continue as a going concern given the essential nature of its business and its ability to obtain short-term and long-term funding. Our opinion is not modified in respect of this matter.

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.



- 3 -

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila



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.** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

ANTONIO C. PACIS

Chairman of the Board

RAYMOND K.H. SEE

President and Chief Executive Officer

MA. CRISTINA C. VILLARUZ

Group Controller

Signed this 10th day of June 2020

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)S.S.

SUBSCRIBED AND SWORN to before me, in Pasig City, on June 10, 2020, the affiants exhibiting to me their government issued identifications as follows:

NAME	Government issued ID	
Antonio C. Pacis	Passport No. P4501467B	Valid until January 22, 2030
Raymond K.H. See	Passport No. P2678380B	Valid until July 29, 2029
Ma. Cristina C. Villaruz	Passport No. P3443139A	Valid until June 20, 2022

WITNESS MY HAND AND SEAL, this June 10, 2020, at Pasig City.

Doc No. : 449;
Page No.: 91;
Book No.: I;
Series of 2020.



Notary Public

[Signature]
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

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
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Cc: See, Raymond <rkhsee@allianceselectfoods.com>
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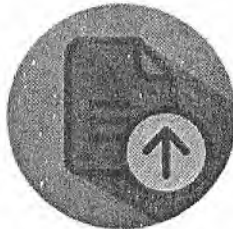
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ALLIANCE SELECT FOODS INTERNATIONAL, INC.
(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2019	2018
ASSETS			
Current Assets			
Cash	4	\$1,263,394	\$2,042,243
Trade and other receivables	5	9,787,419	9,468,730
Inventories	6	11,519,275	12,301,744
Due from related parties	13	5,803,109	6,524,430
Other current assets	7	9,387,524	7,567,802
Total Current Assets		37,760,721	37,904,949
Noncurrent Assets			
Investments in subsidiaries	8	8,798,598	18,039,544
Property, plant and equipment	9	5,339,401	3,247,162
Deferred tax assets - net	24	7,794,872	8,792,516
Other noncurrent assets	10	1,651,498	1,598,782
Total Noncurrent Assets		23,584,369	31,678,004
		\$61,345,090	\$69,582,953
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	\$4,780,073	\$6,485,169
Current portion of lease liabilities	22	151,346	—
Loans payable	12	21,740,440	30,901,646
Income tax payable		20,467	58,011
Total Current Liabilities		26,692,326	37,444,826
Noncurrent Liabilities			
Net of current portions:			
Lease liabilities	22	396,258	—
Loans payable	12	1,507,303	24,097
Due to Parent Company	13	2,000,000	—
Net retirement benefit obligation	14	271,730	189,029
Total Noncurrent Liabilities		4,175,291	213,126
Total Liabilities		30,867,617	37,657,952
Equity			
Capital stock	15	26,823,389	26,823,389
Additional paid-in capital (APIC)	15	1,486,546	1,486,546
Retained earnings		2,069,605	3,517,133
Other comprehensive income	14	103,707	103,707
		30,483,247	31,930,775
Treasury shares	15	(5,774)	(5,774)
Total Equity		30,477,473	31,925,001
		\$61,345,090	\$69,582,953

See accompanying Notes to Separate Financial Statements.

ALLIANCE SELECT FOODS INTERNATIONAL, INC.

(A Subsidiary of Strongoak Inc.)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2019	2018	2017
NET SALES	16	\$62,232,185	\$68,153,033	\$41,320,195
COST OF GOODS SOLD	17	(57,332,771)	(60,177,697)	(36,967,178)
GROSS PROFIT		4,899,414	7,975,336	4,353,017
SELLING AND ADMINISTRATIVE EXPENSES	18	(4,796,877)	(3,416,303)	(3,267,039)
INTEREST EXPENSE	12	(1,938,307)	(1,478,821)	(769,302)
OTHER INCOME (CHARGES) - Net	19	1,554,993	746,393	(10,929,749)
INCOME (LOSS) BEFORE INCOME TAX		(280,777)	3,826,605	(10,613,073)
PROVISION FOR (BENEFIT FROM)				
INCOME TAX	24			
Current		135,944	162,817	94,961
Deferred		1,007,593	644,804	(1,735,825)
		1,143,537	807,621	(1,640,864)
NET INCOME (LOSS)		(1,424,314)	3,018,984	(8,972,209)
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Remeasurement gain on retirement benefits cost (net of tax effect)	14	—	30,144	—
TOTAL COMPREHENSIVE INCOME (LOSS)		(\$1,424,314)	\$3,049,128	(\$8,972,209)
INCOME (LOSS) PER SHARE				
Basic and diluted income (loss) per share	21	(\$0.00057)	\$0.00121	(\$0.00359)

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		
		2019	2018	2017
CAPITAL STOCK	15			
Balance at beginning of year		\$26,823,389	\$53,646,778	\$53,646,778
Effect of equity restructuring		—	(26,823,389)	—
Balance at end of year		26,823,389	26,823,389	53,646,778
APIC	15			
Balance at beginning of year		1,486,546	6,662,001	6,662,001
Effect of equity restructuring		—	26,823,389	—
Application of APIC against deficit		—	(31,998,844)	—
Balance at end of year		1,486,546	1,486,546	6,662,001
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		3,517,133	(31,500,695)	(22,528,486)
Effect of adoption of PFRS 16, net of tax effect	2	(23,214)	—	—
Balance at beginning of year, as restated		3,493,919	(31,500,695)	(22,528,486)
Application of APIC against deficit	15	—	31,998,844	—
Net income (loss)		(1,424,314)	3,018,984	(8,972,209)
Balance at end of year		2,069,605	3,517,133	(31,500,695)
OTHER COMPREHENSIVE INCOME	14			
Balance at beginning of year		103,707	73,563	73,563
Remeasurement gain on retirement benefit obligation		—	30,144	—
Balance at end of year		103,707	103,707	73,563
TREASURY SHARES				
Balance at beginning and end of year	15	(5,774)	(5,774)	(5,774)
		\$30,477,473	\$31,925,001	\$28,875,873

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	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(\$280,777)	\$3,826,605	(\$10,613,073)
Adjustments for:				
Interest expense	12	1,979,226	1,478,821	769,302
Gain on disposal of investment in a subsidiary	8	(983,994)	—	—
Provision for impairment losses	18,19	874,601	182,024	11,954,497
Depreciation and amortization	9	584,738	427,002	378,691
Interest income	4,13,22	(138,094)	(150,137)	(263,613)
Unrealized foreign exchange loss (gain)		128,697	(100,440)	18,366
Retirement benefits cost	14	89,825	48,743	46,423
Gain on reversal of allowance	13	(18,128)	—	—
Loss (gain) on disposal of equipment	19	(3,110)	294	(627)
Operating income before working capital changes		2,232,984	5,712,912	2,289,966
Decrease (increase) in:				
Trade and other receivables		(318,689)	(3,009,423)	(2,635,866)
Inventories		(92,132)	(995,671)	(6,192,629)
Other current assets		(1,833,701)	(2,234,309)	(4,316,253)
Other noncurrent assets		(77,405)	75,611	(64,688)
Increase (decrease) in trade and other payables		(1,748,161)	(324,884)	3,627,819
Net cash used for operations		(1,837,104)	(775,764)	(7,291,651)
Income taxes paid		(173,488)	(290,439)	(1,484)
Interest received		138,094	150,137	32,815
Net cash flows from operating activities		(1,872,498)	(916,066)	(7,260,320)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of:				
Investment in a subsidiary	8	10,224,940	—	—
Property, plant and equipment	9	11,896	—	627
Additions to property, plant and equipment	9	(2,052,555)	(345,221)	(888,050)
Cash collected from related parties	13	604,939	1,308,426	—
Cash advances to related parties		—	—	(1,006,166)
Net cash flows from investing activities		8,789,220	963,205	(1,893,589)

(Forward)

		Years Ended December 31		
	Note	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Availment of loans	27	\$60,647,571	\$48,406,144	\$29,122,545
Issuance of promissory notes	13	3,000,000	—	2,450,000
Advances from Parent Company	13	2,000,000	—	2,002,804
Payments of:				
Bank loans	27	(68,325,571)	(41,777,955)	(25,608,602)
Promissory notes	13	(3,000,000)	(3,450,000)	—
Interest		(1,968,462)	(1,397,088)	(786,161)
Lease liabilities	22	(49,109)	—	—
Advances from Parent Company	13	—	(2,002,804)	—
Net cash flows from financing activities		(7,695,571)	(221,703)	7,180,586
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH				
		—	(8,324)	11,536
NET DECREASE IN CASH		(778,849)	(182,888)	(1,961,787)
CASH AT BEGINNING OF YEAR		2,042,243	2,225,131	4,186,918
CASH AT END OF YEAR		\$1,263,394	\$2,042,243	\$2,225,131
COMPONENTS OF CASH				
	4			
Cash on hand		\$1,988	\$1,382	\$1,602
Cash in banks		1,261,406	2,040,861	2,223,529
		\$1,263,394	\$2,042,243	\$2,225,131
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Recognition of:				
Lease liabilities	2	\$652,392	\$—	\$—
Right-of-use (ROU) assets		633,208	—	—
Rental payable offset against due from related parties	13	134,510	—	584,348
Application of APIC against deficit as a result of the equity restructuring	15	—	31,998,844	—

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

General Information

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

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

In August 2018, the 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 Company has a plant located in General Santos City, Philippines.

Investments in Subsidiaries

The Company has investments in the following subsidiaries as at December 31, 2019 and 2018:

Name of Subsidiary	% of Ownership		Nature of Business	Principal Place of Business
	2019	2018		
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
ASFI Thailand**	—	100	Sales office	Thailand
Spence & Company Ltd. (Spence)***	—	100	Salmon and other seafoods processing	United States of America (USA)

*In 2019, PT IAFI changed its nature of business from canned fish processing

**Closed in 2019

***Divested in 2019 (see Note 8)

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.

Approval of Separate Financial Statements

The separate financial statements of the Company were approved and authorized for issuance by the Board of Directors (BOD) on June 10, 2020.

2. Summary of Significant Accounting and Reporting Policies

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

Basis of Preparation and Statement of Compliance

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

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

Bases of Measurement

The separate financial statements of the Company are presented in United States (U.S.) Dollar, the Company's functional currency. All amounts are rounded to the nearest U.S. Dollar, except when otherwise indicated.

The separate financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses observable market data to the extent possible when measuring the fair value of an asset or a liability.

Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

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

Adoption of New and Amended PFRS

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

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, Philippine Interpretation on 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 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – 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, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to amortize the ROU asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Company has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated.

The Company recognized ROU assets and lease liabilities for property leases on its office and plant. The lease liabilities were measured at the present value of the remaining lease payments while ROU assets were measured at the assets' carrying value as if PFRS 16 had been applied since the commencement date of the lease.

ROU assets and lease liabilities were discounted using the Company's incremental borrowing rate at the date of initial application. The incremental borrowing rate applied as at January 1, 2019 is 9.54%.

The Company elected to apply the recognition exemption on the Company's leases of forklifts, container van and warehouse, which are either categorized as low-value assets or short-term leases. The related lease expenses on these lease agreements are recognized in profit or loss on a straight-line basis.

The Company's operating lease commitments as at December 31, 2018 are reconciled to the recognized lease liabilities as at January 1, 2019, as follows:

Operating lease commitments as at December 31, 2018	\$788,728
Effect of discounting using incremental borrowing rate	(136,336)
Lease liabilities as at January 1, 2019	<u>\$652,392</u>

The following table summarizes the ROU assets presented under "Property, plant and equipment" and lease liabilities recognized as at January 1, 2019:

Plant	\$445,849
Office	187,359
Total ROU assets	<u>\$633,208</u>
Current portion of lease liabilities, net of prepaid rent of \$13,979	\$104,788
Noncurrent portion of lease liabilities	547,604
Total lease liabilities	<u>\$652,392</u>

Deferred tax asset and adjustment to opening retaining earnings recognized as at January 1, 2019 amounted to \$9,949 and \$23,214, respectively.

- Philippine Interpretation on IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* – The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss model under PFRS 9 shall be applied to these long-term interests.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS, except for PFRS 16, did not have any material effect on the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

Financial Assets and Liabilities

Recognition and Measurement

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

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

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

Classification

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

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Company's cash, trade and other receivables, due from related parties and other noncurrent assets (excluding idle assets and investments in joint ventures) are classified under this category.

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

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

As at December 31, 2019 and 2018, the Company's trade and other payables (excluding customers' deposits and statutory payable), lease liabilities, loans payable and due to Parent Company are classified under this category.

Reclassification

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

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

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

Impairment of Financial Assets at Amortized Cost

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

For trade and other receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, the Company has applied the general approach and ECL computation is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on

the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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

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

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

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

Offsetting

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

Inventories

Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method.

Raw and Packaging Materials and Parts and Supplies. Costs include all costs directly attributable to the acquisition. NRV is the current replacement cost.

Finished Goods. Costs of finished goods include direct materials and when applicable, direct labor and manufacturing overhead 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.

At each reporting date, inventories are assessed for impairment. 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 year when the related revenue is recognized and the related allowance for impairment is reversed.

Other 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.

Value-Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except for receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from the taxation authority is presented as "Input VAT".

In accordance with the Revenue Regulation No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost exceeding ₱1.0 million (exclusive of VAT) in each of the calendar month is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT on capital goods is classified as current asset if it is expected to be claimed against output VAT no more than 12 months after the reporting date. Otherwise, it is classified as noncurrent asset.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are measured at face amount less any impairment in value. 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.

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

Investments in Subsidiaries and Joint Ventures

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

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

Control is generally accompanied by a shareholding of more than one-half of voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Company controls an entity. The Company 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.

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 of. 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 (excluding ROU assets) 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:

Asset Type	Number of Years
Building	15 to 25
Machinery and equipment	15
Leasehold improvements	5 or lease term, whichever is shorter
Transportation equipment	5
Office and plant furniture, fixtures and equipment	5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

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

Impairment of Nonfinancial Assets

The carrying amounts of 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 under "Trade and other payables" account in the separate 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 APIC. Capital stock is measured at par value for all shares issued. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related APIC or retained earnings. Proceeds or fair value of the consideration received in excess of par value are recognized as APIC.

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of the Company's results of operations. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provision.

Other Comprehensive Income. Other comprehensive income pertains to remeasurement gain or loss on retirement benefit obligation.

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

Income Recognition

Revenue

The Company generates revenue primarily from sale of goods.

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

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

Revenue from sale of goods is recognized, net of returns and discounts, when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery to and acceptance of the goods by the customers.

Other Income

The Company's other sources of income are recognized as income when earned. Interest income is recognized, net of final tax, in a time proportion basis using the effective interest method.

Contract Balances

Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at December 31, 2019 and 2018, the Company does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The Company considers its customers' deposits as contract liabilities (see Note 11).

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at December 31, 2019 and 2018, the Company does not have contract fulfillment assets.

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 which can be measured reliably.

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

Selling and Administrative Expenses. Selling expenses constitute costs incurred to sell and market the goods and services. Administrative expenses constitute costs of administering the business. These are recognized in profit or loss in the period when these are incurred.

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

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

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangements and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- iv. 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 (i), (ii) or (iv) and at the date of renewal or extension period for scenario (ii).

Leases where the lessor transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases, otherwise, operating leases.

For operating leases, lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

b. Accounting policies beginning January 1, 2019

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Company also assesses whether a contract contains a lease for each potential separate lease component.

At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for short-term leases and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At the commencement date, the Company measures ROU assets at the assets' carrying value as if PFRS 16 had been applied since the commencement date of the lease. The cost comprises:

- i. any lease payments made at or before the commencement date less any lease incentives received;
- ii. any initial direct costs; and
- iii. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

After the commencement date, ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets which is five years.

Lease Liabilities. At commencement date, the Company measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortized cost. Interest on the lease liabilities and any variable lease payments not included in the measurement of lease liabilities are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liabilities are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, lease liabilities are remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. Lease liabilities are also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

For income tax reporting purposes, payments and receipts under lease agreements are treated as deductible expense and taxable income in accordance with the terms of the lease agreements.

Retirement Benefits

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

The Company recognizes current service costs and interest expense on the retirement benefit obligation in profit or loss.

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

Remeasurements of the net retirement benefit obligation, which consist of remeasurement gains and losses and the return on plan asset (excluding amount charged in net interest) are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent year.

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

The net retirement benefit obligation recognized by the Company is the present value of the defined benefit obligation reduced by the fair value of plan asset. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit obligation.

Actuarial valuation is made with sufficient regularity by a qualified actuary so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current tax. Current tax liabilities for the current and prior years are measured at the amounts expected to be paid to the taxation authority. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at financial reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused net operating loss carryover (NOLCO) and excess 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 unused NOLCO and excess 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

Foreign Currency-denominated Transactions and Translation

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. All differences are taken to the separate statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Related Party Relationships and Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Company's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Company's total assets. Details of transactions entered into by the Company with related parties are reviewed by the BOD in accordance with the Company's related party transactions policies.

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Provisions

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

Contingencies

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

Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period 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 period is reflected in the separate financial statements. Non-adjusting subsequent events are disclosed in the notes to separate financial statement, when material.

Income (Loss) per Share

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's separate financial statements requires management to exercise judgments, make estimates and use assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. The judgments and estimates used in the separate financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

While the Company 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 Company'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, deferred tax assets valuation, actuarial gains and losses on retirement benefit obligation and discount rate assumptions.

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

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

Determining the Functional Currency. Management has determined that the functional currency of the Company is the U.S. Dollar, which is the currency of the primary economic environment in which the Company operates and it is also the currency that mainly influences the operations of the Company.

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

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

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

Classifying Lease Commitments prior to January 1, 2019 - Company as a Lessee. The Company entered into various operating lease agreements for its forklifts, container vans, warehouse, plant and office. The Company assessed that it does not have the risks and rewards of ownership of the leased properties. Accordingly, the lease arrangement is considered as an operating lease.

Information on the Company's rental expense is disclosed in Note 22.

Classifying Lease Commitments beginning January 1, 2019 – Company as a Lessee. The Company has entered into leases for its forklifts, container vans, warehouse, plant and office. For short-term leases, lease payments are recognized as expense on a straight-line basis over the lease term (see Note 22). For long term leases, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate.

Information on the Company's ROU assets presented under "Property, plant and equipment" and lease liabilities are disclosed in Notes 9 and 22, respectively.

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, *Joint Arrangements*. Management has determined that by virtue of its majority ownership of voting rights in PTVDZ as at December 31, 2019 and 2018, the Company has the ability to exercise control over these investees.

Estimating the Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 25 for further disclosures.

Assessing the ECL on Trade and Other Receivables. The Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, these receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are initially based on the Company's historical default rates. These historical default rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product (GDP) of the locations in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Information about the ECL on the Company's trade and other receivables is disclosed in Note 26.

The carrying amount of trade and other receivables and provision for and allowance for credit losses on trade and other receivables are disclosed in Note 5.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach. The Company calculates ECL for its other financial assets at amortized cost at initial recognition by considering the occurrences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and,
- actual or expected significant adverse changes in the operating results of the counterparty.

No provision for credit losses on other financial assets at amortized cost was recognized in 2019, 2018, and 2017.

The carrying amounts of the Company's cash, due from related parties and other noncurrent assets (excluding idle assets and investment in joint ventures) are disclosed in Notes 4, 10 and 13.

Estimating the 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 and parts and supplies. The Company determines the estimated selling price for inventories based on the recent sale transaction of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Company records provisions for the excess of cost over NRV of inventories. While the Company believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

The carrying amounts of inventories carried at lower of cost and NRV are disclosed in Note 6.

Estimating the 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 2019, 2018 and 2017.

The carrying amount of property, plant and equipment is disclosed in Note 9.

Estimating ROU Assets and Lease Liabilities. The Company's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Company considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Company determined that the implicit rate in the lease agreement is not readily available and that the interest rate on its borrowings presents the appropriate financing cost in leasing the underlying assets. The incremental borrowing rate used in the lease is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets presented under "Property, plant and equipment" and lease liabilities are disclosed in Notes 9 and 22, respectively.

Assessing Extension Options of Lease Commitments. The Company's property leases on office and plant contain extension options exercisable by the Company prior to the end of the contract period to maximize operational flexibility in terms of managing contracts. Extension options are not reflected in measuring lease liabilities in cases when these options are not reasonably certain to be exercised or when the terms and conditions of the renewed contract are uncertain and subject to change considering the economic circumstances under which the Company operates. A reassessment will be made when there is a significant event or significant change in circumstances within its control. In 2019, there were no reassessments made.

For abovementioned property leases, the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease liabilities follow:

Not later than one year	\$-
More than one year but less than five years	433,594
More than five years	802,619
Undiscounted potential future rental payments	1,236,213
Effect of discounting using incremental borrowing rate	(574,014)
Lease liabilities not recognized	\$662,199

Assessing the 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 property, plant and equipment in 2019, 2018 and 2017. The carrying amounts of other current assets and property, plant and equipment are disclosed in Notes 7 and 9.

Provision for impairment loss was recognized on investment in PT IAFI in 2017 and carrying amounts of investments in subsidiaries is disclosed in Note 8.

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.

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 unused 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 \$135,944 and \$145,000 as at December 31, 2019 and 2018, respectively, since the Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the MCIT and NOLCO to be utilized within the period allowed by the tax regulations.

The Company's deferred tax assets are disclosed in Note 24.

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.

4. Cash

This account consists of:

	2019	2018
Cash on hand	\$1,988	\$1,382
Cash in banks	1,261,406	2,040,861
	\$1,263,394	\$2,042,243

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned on bank deposits amounted to \$5,501, \$4,775 and \$16,964 in 2019, 2018 and 2017, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade receivable from:			
Third parties		\$9,141,370	\$9,482,215
Related party	13	234,185	234,185
Others		1,065,011	405,477
		10,440,566	10,121,877
Allowance for impairment losses		(653,147)	(653,147)
		\$9,787,419	\$9,468,730

Trade receivables are noninterest-bearing, unsecured and are generally collected within 90 days.

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

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

	Note	2019	2018
Balance at beginning of year		\$653,147	\$675,147
Reversal		—	(45,000)
Provision	18	—	23,000
Balance at end of year		\$653,147	\$653,147

Trade receivables amounting to \$6.48 million and \$5.22 million are used to secure short-term loans from local banks as at December 31, 2019 and 2018, respectively (see Note 12).

6. Inventories

This account consists of:

	2019	2018
At cost:		
Raw and packaging materials	\$3,181,893	\$6,118,977
Finished goods	5,249,945	4,938,401
Parts and supplies	217,997	251,775
At NRV -		
Finished goods	2,869,440	992,591
	\$11,519,275	\$12,301,744

The costs of inventories stated at NRV are as follows:

	2019	2018
Finished goods	\$3,770,969	\$1,169,591
Raw and packaging materials	8,272	18,043
	\$3,779,241	\$1,187,634

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

	Note	2019	2018
Balance at beginning of year		\$195,043	\$722,823
Provision	18	874,601	159,024
Reversal		(159,843)	(686,804)
Balance at end of year		\$909,801	\$195,043

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

Inventories amounting to \$9.58 million and \$11.76 million are used to secure short-term loans from local banks as at December 31, 2019 and 2018, respectively (see Note 12).

Inventories charged to cost of goods sold amounted to \$47.00 million, \$52.06 million, and \$30.96 million in 2019, 2018 and 2017, respectively (see Note 17).

7. Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	\$8,660,526	\$6,839,971
Input VAT	438,029	385,566
Prepayments:		
Subscriptions	24,728	8,597
Insurance	24,617	46,152
Rental	839	42,731
Others	238,785	244,785
	\$9,387,524	\$7,567,802

8. Investments in Subsidiaries

Details of investments are as follows:

Name of Subsidiaries	Note	2019	2018
BGB		\$6,177,761	\$6,177,761
PT IAFI		4,999,000	4,999,000
Akaroa		2,326,800	2,326,800
AMHI		294,037	294,037
Spence		—	9,240,946
		13,797,598	23,038,544
Allowance for impairment loss	19	(4,999,000)	(4,999,000)
		\$8,798,598	\$18,039,544

In 2019, the Company sold its investment in Spence for a total consideration of \$10.22 million and recognized a gain on sale amounting to \$983,994, net of \$488,819 related expenses (see Note 19).

Financial Information

The summarized financial information of subsidiary with significant non-controlling interest as at and for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Total assets	\$7,266,881	\$2,779,457	\$2,679,662
Total liabilities	5,589,477	977,042	1,235,864
Equity	1,677,404	1,802,415	1,443,798
Net income (loss)	(218,546)	447,956	703,204

9. Property, Plant and Equipment

The composition of and movements in this account are as follows:

	2019								
	Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	CIP	ROU Assets	Total
Cost									
Balance at beginning of year	\$1,373,344	\$3,148,505	\$238,575	\$302,116	\$422,990	\$53,533	\$555,269	\$-	\$6,094,332
Additions	4,442	853,415	-	31,687	16,281	6,565	1,140,165	633,208	2,685,763
Disposals	-	-	-	(25,103)	-	-	-	-	(25,103)
Reclassification	57,316	-	-	-	-	-	(57,316)	-	-
Balance at end of year	1,435,102	4,001,920	238,575	308,700	439,271	60,098	1,638,118	633,208	8,754,992
Accumulated Depreciation and Amortization									
Balance at beginning of year	620,863	1,605,682	32,900	181,375	256,656	48,288	-	-	2,745,764
Depreciation and amortization	81,659	276,238	19,963	26,552	25,214	2,014	-	153,098	584,738
Disposals	-	-	-	(16,317)	-	-	-	-	(16,317)
Balance at end of year	702,522	1,881,920	52,863	191,610	281,870	50,302	-	153,098	3,314,185
Allowance for Impairment Losses									
Balance at beginning and end of year	-	101,406	-	-	-	-	-	-	101,406
Carrying Amount	\$732,580	\$2,018,594	\$185,712	\$117,090	\$157,401	\$9,796	\$1,638,118	\$480,110	\$5,339,401

	2018								
	Building	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Plant Furniture, Fixtures and equipment	CIP		Total
Cost									
Balance at beginning of year	\$1,373,344	\$2,806,459	\$141,213	\$287,810	\$409,470	\$45,931	\$690,377		\$5,754,604
Additions	-	206,938	97,362	14,306	18,539	8,076	-		345,221
Disposals	-	-	-	-	(5,019)	(474)	-		(5,493)
Reclassification	-	135,108	-	-	-	-	(135,108)		-
Balance at end of year	1,373,344	3,148,505	238,575	302,116	422,990	53,533	555,269		6,094,332
Accumulated Depreciation and Amortization									
Balance at beginning of year	466,562	1,397,442	25,873	152,758	235,395	45,931	-		2,323,961
Depreciation and amortization	154,301	208,240	7,027	28,617	26,013	2,804	-		427,002
Disposals	-	-	-	-	(4,752)	(447)	-		(5,199)
Balance at end of year	620,863	1,605,682	32,900	181,375	256,656	48,288	-		2,745,764
Allowance for Impairment Losses									
Balance at beginning and end of year	-	101,406	-	-	-	-	-		101,406
Carrying Amount	\$752,481	\$1,441,417	\$205,675	\$120,741	\$166,334	\$5,245	\$555,269		\$3,247,162

The cost of fully depreciated property, plant and equipment still used in Company's operations amounted to \$705,795 and \$690,594 as at December 31, 2019 and 2018, respectively.

Transportation equipment with carrying amounts of \$17,980 and \$41,605 as at December 31, 2019 and 2018, respectively, are held as security to long-term loans (see Note 12).

Depreciation and amortization charged to operations are as follows:

	Note	2019	2018	2017
Cost of goods sold	17	\$485,259	\$303,160	\$306,910
Selling and administrative expenses	18	99,479	123,842	71,781
		\$584,738	\$427,002	\$378,691

The Company recognized a gain on disposal of transportation equipment amounting to \$3,110 and \$627 in 2019 and 2017, respectively, and a loss on disposal of office furniture, fixtures and equipment amounting to \$294 in 2018 (see Note 19).

10. Other Noncurrent Assets

This account consists of:

	Note	2019	2018
Receivable from WCFI	13	\$2,183,281	\$2,183,281
Refundable lease deposits	22	1,651,080	1,598,364
Idle assets		314,320	314,320
Investments in joint ventures		280,243	280,243
		4,428,924	4,376,208
Allowance for impairment losses		(2,777,426)	(2,777,426)
		\$1,651,498	\$1,598,782

Receivable from WCFI

Receivable from WCFI pertains to the proceeds from the sale of a fishing vessel and advances for fish deposit. WCFI ceased operations since 2014. This was fully provided with allowance for impairment loss.

Refundable Lease Deposits

Refundable lease deposits pertain to lease deposits for plant and office (see Note 22).

Idle Assets

Idle assets pertain to fishing vessels that are no longer used in the Company's operations.

As at December 31, 2019 and 2018, idle assets were fully provided with an allowance. Total allowance for impairment losses on fishing vessels, including allowance for impairment losses previously recognized before reclassification to idle assets, amounted to \$13.93 million.

Investments in Joint Ventures

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

WCFI. WCFI is an entity primarily engaged in commercial fishing within and outside Philippine waters and in the high seas. The Company has 40% ownership interest in WCFI. WCFI ceased operations in 2014.

The Company's investments in joint ventures are fully provided with allowance for impairment losses.

11. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade payables to:			
Third parties		\$3,083,611	\$4,581,865
Related parties	13	433,855	599,241
Accrued expenses		1,091,185	952,234
Customers' deposits		118,057	266,689
Statutory payable		53,365	85,140
		\$4,780,073	\$6,485,169

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

Details of accrued expenses are as follows:

	Note	2019	2018
Outside services		\$344,211	\$246,527
Professional fees		177,842	113,076
Consultancy fees	13	163,300	89,938
Warehousing		148,774	154,920
Interest		109,758	155,469
Salaries and wages		66,011	50,579
Freight		46,598	92,488
Others		34,691	49,237
		\$1,091,185	\$952,234

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

12. Loans Payable

Short-term Loans

	Currency	Nominal interest rate	2019	2018
Local banks	USD	5.0-5.6%	\$21,730,905	\$26,539,033
Investment banks	PHP	5.0-8.0%	—	2,149,106
	USD	4.5-6.5%	—	2,200,000
			21,730,905	30,888,139
Add current portion of long-term loans			9,535	13,507
			\$21,740,440	\$30,901,646

The loans from local banks, with terms ranging from three to six months, pertain to working capital loans and availments of revolving facilities in the form of export packing credit, export bills purchase, import letters of credit and trust receipts.

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

	Note	2019	2018
Trade receivables	5	\$6,476,411	\$5,218,576
Inventories	6	9,579,281	11,763,776
		\$16,055,692	\$16,982,352

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

Long-term Loans

	2019	2018
Local banks	\$1,516,838	\$37,604
Less current portion	9,535	13,507
	\$1,507,303	\$24,097

Loans from local banks, which are denominated in Peso, bear annual interest rates ranging from 6.50% to 9.59%.

Loan Security. The long-term loans are secured by transportation equipment with carrying amounts of \$17,980 and \$41,605 as at December 31, 2019 and 2018, respectively (see Note 9).

Interest Expense

Interest expense is recognized from the following:

	Note	2019	2018	2017
Short-term loans		\$1,794,279	\$1,391,715	\$742,485
Due to Parent Company	13	63,927	73,879	8,597
Notes payable	13	62,110	9,315	13,544
Lease liabilities	22	56,475	—	—
Long-term loans		2,435	3,912	4,676
		\$1,979,226	\$1,478,821	\$769,302

Interest expense on lease liabilities amounting to \$40,919 in 2019 is presented as part of "Others" under "Cost of goods sold" in the separate statements of comprehensive income (see Note 17).

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	
		2019	2018	2019	2018
Trade and Other Receivables					
Joint ventures	5	\$—	(\$31,080)	\$234,185	\$234,185
Due from Related Parties					
Subsidiaries		(\$739,449)	(\$1,308,426)	\$12,452,423	\$13,191,872
Allowance for impairment loss	19	18,128	—	(6,649,314)	(6,667,442)
				\$5,803,109	\$6,524,430
Other Noncurrent Assets	10				
Joint venture		\$—	\$418	\$2,183,281	\$2,183,281
Subsidiary		52,169	(76,029)	1,635,813	1,583,644
Allowance for impairment loss		—	—	(2,182,863)	(2,182,863)
				\$1,636,231	\$1,584,062
Trade and Other Payables	11				
Joint venture		(\$10,466)	\$181,477	\$433,855	\$444,321
Parent Company		73,362	(20,216)	163,300	89,938
Subsidiaries		(154,920)	140,043	—	154,920
				\$597,155	\$689,179
Notes Payable					
Subsidiary		\$—	(\$3,450,000)	\$—	\$—
Due to Parent Company		\$2,000,000	(\$2,002,804)	\$2,000,000	\$—

Trade and Other Receivables. The receivable from FDCP pertains to return of purchased tin cans which had damages. FDCP ceased manufacturing operations in September 2015.

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 are payable on demand. The Company recognized a gain on reversal of allowance amounting to \$18,128 in 2019 and a provision for impairment loss on advances to PT IAFI amounting to \$6.67 million in 2017 because of significant losses incurred by PT IAFI (see Note 19).

Interest income recognized on these advances follows (see Note 4):

Due from:	Interest Rate	2019	2018	2017
BGB	3.00%	\$97,985	\$107,121	\$115,060
Akaroa	7.00%	21,128	16,412	15,851
AMHI	7.50%	13,480	13,390	47,986
PT IAFI		—	8,439	—
		\$132,593	\$145,362	\$178,897

The Company has a management agreement with Spence. Management fees amounted to \$343,264, \$418,020 and \$400,000 in 2019, 2018 and 2017, respectively (see Note 19). The outstanding balance is noninterest-bearing and is payable on demand.

Other Noncurrent Assets. Refundable lease deposit to AMHI resulted from a long-term lease contract (see Note 22).

Trade and Other Payables. The Company purchased some of its tin can requirements from FDCP. Trade payable to AMHI pertains to unpaid rentals. Payable to Parent Company pertains to various operating expenses. Payable to Spence pertains to interest payable. The outstanding balances are unsecured, noninterest-bearing and have no repayment terms. These are settled in cash, except for rental payable amounting to \$134,510 which was offset against due from AMHI in 2019.

Notes Payable. In 2019, the Company issued a long-term promissory note to Spence amounting to \$3.0 million. Proceeds from disposal of Spence was used to settle the liability in full.

Interest expense amounted to \$62,110, \$9,315 and \$13,544 in 2019, 2018 and 2017, respectively (see Note 12).

Due to Parent Company. The Company's payable to Strongoak, its Parent Company, in 2018 pertains to cash advances for its working capital requirement, which bears 6.5% annual interest and payable within four months from drawdown date.

In 2019, the Company borrowed additional funds from its Parent Company amounting to \$2.0 million which bears 6.31% annual interest and payable on a lump sum basis in cash in 2022.

Interest expense amounted to \$63,927, \$73,879 and \$8,597 in 2019, 2018 and 2017, respectively (see Note 12).

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

The remuneration of the key management personnel of the Company is composed of short-term and post-employment benefits. Short-term employee benefits amounted to \$496,178, \$492,042, and \$398,487 in 2019, 2018 and 2017, respectively. Post-employment benefits amounted to \$36,744, \$35,356 and \$35,934 in 2019, 2018 and 2017, respectively.

14. Retirement Benefit Obligation

The Company values its defined benefit obligation using the projected unit credit method. The benefit shall be payable to employees who retire from service who are at least 60 years old and with at least five years of continuous service.

The most recent actuarial valuation was carried out as at December 31, 2018 performed by an independent actuary.

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

	2019	2018	2017
Service cost:			
Current service cost	\$80,279	\$39,114	\$38,802
Net interest expense	9,546	9,629	7,621
	\$89,825	\$48,743	\$46,423

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:

	2019	2018
Present value of defined benefit obligation	\$311,912	\$228,703
Fair value of plan assets	(40,182)	(39,674)
	\$271,730	\$189,029

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

	2019	2018
Balance at beginning of year	\$228,703	\$233,863
Current service cost	80,279	39,114
Interest cost	11,549	11,735
Unrealized foreign exchange gain	(8,619)	(10,413)
Remeasurement gains:		
Arising from experience adjustments	–	(34,699)
Arising from changes in financial assumptions	–	(10,897)
Balance at end of year	\$311,912	\$228,703

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

	2019	2018
Balance at beginning of year	\$39,674	\$42,190
Interest income	2,003	2,106
Unrealized foreign exchange loss	(1,495)	(2,089)
Loss on plan assets	–	(2,533)
Balance at end of year	\$40,182	\$39,674

The analysis of the fair value of plan assets as at December 31, 2019 and 2018 is as follows:

	2019	2018
Cash	\$152	\$150
Debt instruments	40,030	39,524
Other assets	57	56
Fees payables	(4)	(4)
Withholding taxes payable	(53)	(52)
	\$40,182	\$39,674

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

	2019	2018	2017
Discount rate	5.05%	7.43%	5.25%
Expected rate of salary increases	6.00%	6.00%	4.00%

The sensitivity analysis on the defined benefits obligations as at December 31, 2019 is as follows:

	Basis Points	2019	2018
Discount rate	+1.00%	(\$34,832)	(\$25,540)
	-1.00%	39,603	29,038
Salary increase rate	+1.00%	39,855	29,223
	-1.00%	(34,595)	(25,366)
Employee turnover	+1.00%	4,472	3,279
	-1.00%	(4,472)	(3,279)

The cumulative remeasurement gain on retirement benefit obligation recognized in other comprehensive income follows:

	Accumulated Remeasurement Gain	Deferred Tax	Net
Balance as at January 1 and December 31, 2019	\$148,153	(\$44,446)	\$103,707
Balance as at January 1, 2018	\$105,090	(\$31,527)	\$73,563
Remeasurement gain	43,063	(12,919)	30,144
Balance as at December 31, 2018	\$148,153	(\$44,446)	\$103,707
Balance as at January 1 and December 31, 2017	\$105,090	(\$31,527)	\$73,563

The average duration of the benefit obligation is 19 years as at December 31, 2019 and 2018.

15. Equity

Details of the Company's capital stock are as follows:

	2019		2018	
	Shares	Amount	Shares	Amount
Authorized				
Ordinary shares at ₱0.50 par value per share				
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)
	2,500,000,000	26,823,389	2,500,000,000	26,823,389
Treasury shares at cost	(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

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

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

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

As at December 31, 2019 and 2018, APIC amounted to \$1.49 million.

The Company has 238 and 237 shareholders as at December 31, 2019 and 2018, respectively.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Company maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. Moreover, in 2017, the Company undertook an equity restructuring which resulted in the elimination of capital deficit of \$32.00 million. No changes were made in the objectives, policies or processes during the year.

The Company considers the equity presented in the separate statements of financial position as its core capital.

For the purpose of the Company's capital management, capital includes issued capital, APIC and all other equity reserves. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratio as at December 31, 2019 and 2018 follows:

	2019	2018
Debt	\$30,867,617	\$37,657,952
Equity	30,477,473	31,925,001
Debt-to-Equity Ratio	1.01:1	1.18:1

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, 2019 and 2018.

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

16. Net Sales

This account consists of:

	2019	2018	2017
Canned tuna	\$59,589,381	\$60,005,125	\$38,141,005
By-products	2,342,071	1,925,100	1,629,005
Wholefish	300,733	6,222,808	1,550,185
	\$62,232,185	\$68,153,033	\$41,320,195

Revenue from sale of goods is recognized at a point in time, which is upon delivery.

17. Cost of Goods Sold

This account consists of:

	Note	2019	2018	2017
Raw materials used		\$49,914,051	\$54,505,641	\$30,795,714
Direct labor		4,568,102	3,667,251	2,460,057
Manufacturing overhead:				
Warehousing		1,926,508	1,389,814	925,600
Indirect labor		1,315,670	1,058,993	716,442
Fuel		644,972	456,276	617,711
Light and water		585,328	542,540	386,492
Depreciation and amortization	9	485,259	303,160	306,910
Rental	22	6,908	165,381	117,196
Others		798,895	537,763	481,646
Total manufacturing costs		60,245,693	62,626,819	36,807,768
Finished goods, beginning	6	6,107,992	3,658,870	3,818,280
Total cost of goods manufactured		66,353,685	66,285,689	40,626,048
Finished goods, ending	6	(9,020,914)	(6,107,992)	(3,658,870)
		\$57,332,771	\$60,177,697	\$36,967,178

Other manufacturing overhead consists of interest from lease liabilities, repairs and maintenance, outside services, and insurance, among others.

18. Selling and Administrative Expenses

This account consists of:

	Note	2019	2018	2017
Salaries, wages and other benefits		\$1,161,195	\$966,745	\$959,548
Impairment losses on:				
Inventories	6	874,601	159,024	230,780
Trade and other receivables	5	—	23,000	57,275
Outside services		556,632	628,007	713,560
Taxes and licenses		503,993	438,782	447,433
Buyer's claims		405,938	12,384	16,504
Representation and entertainment		239,368	202,089	210,904
Commission		232,013	210,080	79,637
Transportation and travel		149,949	172,191	133,208
Rental	22	124,261	78,488	53,532
Depreciation and amortization	9	99,479	123,842	71,781
Insurance		92,621	75,582	32,446
Retirement benefit costs	14	89,825	48,743	46,423
Utilities and communication		55,501	49,752	48,896
Materials and supplies		27,207	34,002	26,860
Fuel and oil		22,255	25,660	22,192
Others		162,039	167,932	116,060
		\$4,796,877	\$3,416,303	\$3,267,039

19. Other Income (Charges) - Net

This account consists of:

	Note	2019	2018	2017
Gain on disposal of investment in a subsidiary	8	\$983,994	\$—	\$—
Realized foreign exchange gain (loss)		416,725	255,540	(16,337)
Management fee	13	343,264	418,020	400,000
Bank charges		(270,469)	(210,844)	(128,841)
Interest income	4,13,22	138,094	150,137	263,613
Unrealized foreign exchange gain (loss)		(137,470)	100,440	(18,366)
Gain on reversal of allowance (impairment losses) on:				
Due from PT IAFI	13	18,128	—	(6,667,442)
Investment in PT IAFI	8	—	—	(4,999,000)
Gain (loss) on disposal of property and equipment	9	3,110	(294)	627
Others		59,617	33,394	235,997
		\$1,554,993	\$746,393	(\$10,929,749)

20. Employee Benefits

This account consists of:

	Note	2019	2018	2017
Short-term employee benefits		\$5,729,297	\$4,366,996	\$3,188,231
Post-employee benefits	14	89,825	48,743	46,423
		\$5,819,122	\$4,415,739	\$3,234,654

21. Income (Loss) Per Share

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

	2019	2018	2017
Net income (loss) for the year	(\$1,424,314)	\$3,018,984	(\$8,972,209)
Weighted average number of common shares issued and outstanding	2,499,712,463	2,499,712,463	2,499,712,463
	(\$0.00057)	\$0.00121	(\$0.00359)

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

In 2019, 2018 and 2017, the Company has no dilutive potential share.

22. Lease Agreements

Short-term Leases

The Company entered into operating leases with third parties for its forklifts, container van, and warehouse. The contracts have a term ranging from six months to one year with varying monthly rental. The leases are renewable upon mutual agreement between parties.

Rental is distributed as follows:

	Note	2019	2018	2017
Cost of goods sold	17	\$6,908	\$165,381	\$117,196
Operating expenses	18	124,261	78,488	53,532
		\$131,169	\$243,869	\$170,728

Long-term Leases

Plant. On January 25, 2013, a long-term lease contract was executed by and between the Company and AMHL. 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.

On January 1, 2018, the lease contract was amended. Based on the amended contract, the lease term is five years and 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, starting on the third year of the contract.

Office. The Company leases its head office from a third party lessor with a monthly rental of \$3,688 for a period of three years from August 16, 2016 to August 15, 2018.

On August 13, 2018, the Company reported a change of its office address. The Company entered into a new lease agreement for its head office space with a new third party lessor on July 16, 2018, effective until July 15, 2023 and renewable upon mutual agreement of the parties. The monthly rental for the first two (2) years shall be \$4,171, subject to an annual escalation of 5%.

Refundable lease deposits for plant and office amounted to \$1.65 million and \$1.60 million as at December 31, 2019 and 2018, respectively (see Note 10). This is to be returned upon expiration of the lease term. Interest income on accretion of refundable lease deposit for plant amounted to \$67,752 in 2017.

The balance of and movements in lease liabilities follow:

	Note	Amount
Balance at beginning of year	2	\$652,392
Interest	12	56,475
Offsetting with due from a related party	13	(134,510)
Rental payments		(49,109)
Effect of foreign exchange loss		22,356
Balance at end of year		547,604
Less current portion		151,346
Noncurrent portion		\$396,258

Lease liabilities were measured by discounting the remaining lease payments using the incremental borrowing rate of 9.54%. ROU assets were measured as if PFRS 16 has always been applied. The difference between the lease liabilities and ROU assets at initial recognition were adjusted to the opening retained earnings.

The amounts recognized in profit or loss is as follows:

	Note	2019	2018	2017
Amortization	9	\$153,098	\$—	\$—
Rental		131,169	243,869	170,728
Interest	12	56,475	—	—
		\$340,742	\$243,869	\$170,728

The future minimum lease payments and present value as at December 31, 2019 are as follows:

	Minimum Lease Payments	Present Value
Not later than one year	\$195,558	\$151,346
Later than one year but not more than five years	435,435	396,258
	630,993	547,604
Finance charges	(83,389)	—
	\$547,604	\$547,604

23. Corporate Social Responsibility

The Company has implemented a corporate social responsibility program to focus on the local workers' community welfare, as well as to promote a clean and healthy environment together with energy conservation. In 2019, the Company partnered with Mindanao State University (General Santos City campus) to launch the Bay of Gold scholarship, which aims to provide financial assistance to Marine Biology students of this campus.

24. Income Taxes

Current Tax

The Company's current income tax expense represents minimum corporate income tax amounting to \$135,944, \$162,817 and \$94,961 in 2019, 2018 and 2017, respectively.

Deferred Tax

The components of the Company's net deferred tax assets as at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred Tax Assets		
Allowance for impairment losses on:		
Other noncurrent assets	\$4,917,474	\$4,917,474
Due from PT IAFI	1,994,794	2,000,233
Inventories	272,940	58,513
Receivables	195,944	195,944
Property, plant and equipment	30,422	30,422
MCIT	257,778	258,198
Retirement benefit obligation	81,519	56,709
Unrealized foreign exchange loss	43,378	—
Excess of depreciation and interest over rental payments	13,542	—
NOLCO	—	1,318,074
	7,807,791	8,835,567
Deferred Tax Liabilities		
Remeasurement gain on retirement benefit obligation	12,919	12,919
Unrealized foreign exchange gain	—	30,132
	12,919	43,051
	\$7,794,872	\$8,792,516

In 2019, the Company's NOLCO amounting to \$752,331 was applied against taxable income and expired portion of NOLCO amounted to \$4.12 million.

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

Year Incurred	Amount	Expired	Balance	Expiry Year
2019	\$135,944	\$-	\$135,944	2022
2018	162,817	-	162,817	2021
2017	94,961	-	94,961	2020
2016	420	(420)	-	2019
	\$394,142	(\$420)	\$393,722	

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:

	2019	2018
Excess MCIT over RCIT	\$135,944	\$-
NOLCO	-	145,000
	\$135,944	\$145,000

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

	2019	2018	2017
Provision for (benefit from) income tax computed at statutory tax rate	(\$84,233)	\$1,147,982	(\$3,183,922)
Tax effects of:			
Expired NOLCO	1,237,375	213,051	202,803
Interest income already subjected to final tax	(1,650)	(1,433)	(5,089)
Nondeductible interest expense	681	591	2,099
Nontaxable income	-	671	57,761
Effect of foreign exchange gain	-	15,416	-
Impairment loss on investment in PT IAFI	-	-	1,499,700
Interest income from accretion of refundable lease deposit	-	-	(20,326)
Change in unrecognized deferred tax assets	(9,056)	(603,878)	(263,150)
Expired MCIT	420	35,221	69,260
Provision for (benefit from) income tax computed at effective tax rate	\$1,143,537	\$807,621	(\$1,640,864)

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, 2019 and 2018.

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash	\$1,263,394	\$1,263,394	\$2,042,243	\$2,042,243
Trade and other receivables	9,787,419	9,787,419	9,468,730	9,468,730
Due from related parties	5,803,109	5,803,109	6,524,430	6,524,430
Refundable lease deposits	1,651,080	1,651,080	1,598,364	1,598,364
	\$18,505,002	\$18,505,002	\$19,633,767	\$19,633,767
Financial Liabilities				
At amortized cost:				
Trade and other payables*	\$4,608,651	\$4,608,651	\$6,133,340	\$6,133,340
Loans payable	23,247,743	23,247,743	30,925,743	30,925,743
Lease liabilities	547,604	547,604	–	–
Due to Parent Company	2,000,000	2,000,000	–	–
	\$30,403,998	\$30,403,998	\$37,059,083	\$37,059,083

* Excluding customers' deposits and statutory payable

The following methods and assumptions are used to estimate the fair value of the Company's financial assets and liabilities:

Cash, Trade and Other Receivables, Due from Related Parties, Trade and Other Payables (excluding Customers' Deposits and Statutory Payable), Due to Parent Company and Refundable Lease Deposits. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments. These financial assets and liabilities are classified under Level 3 of the fair value hierarchy groups of the separate financial statements.

Lease Liabilities and Loans Payable. The fair values of these financial instruments are determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. These financial assets and liabilities are classified under Level 3 of the fair value hierarchy groups of the separate financial statements.

Generally, an increase or decrease in the incremental after-tax cash flows will result in an increase or decrease in the fair value of lease liabilities and loans payable. An increase or decrease in discount rate will result in a decrease or increase in the fair value of these financial liabilities.

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 2019, 2018 and 2017.

26. Financial Risk Management Objectives and Policies

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

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

Market Risk

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

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

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

- The sensitivity of the relevant items in the separate statements of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2019 and 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 December 31, 2019 for the effects of the assumed changes of the underlying risk.

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

The Company has transactional currency exposures arising from purchase and construction contract transactions denominated in currencies other than the reporting currency. The Company does not enter into forward contracts to hedge currency exposures. To mitigate the Company's exposure to foreign currency risk, foreign currency cash flows and fluctuations in the foreign exchange rates are monitored.

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

	2019		2018	
	Philippine Peso	U.S. Dollar Equivalent	Philippine Peso	U.S. Dollar Equivalent
Cash	₱12,830,706	\$253,396	₱24,747,513	\$470,664
Trade and other receivables	13,417,465	264,984	12,070,002	229,555
Due from related parties	124,953,652	2,467,733	131,942,359	2,509,364
Refundable lease deposits	83,602,436	1,651,080	84,041,979	1,598,364
Trade and other payables*	98,239,242	1,940,145	163,960,845	3,118,312
Lease liabilities	27,727,929	547,604	—	—
Loans payable	852,577	16,838	114,766,629	2,182,705
Due to Parent Company	101,270,000	2,000,000	—	—

* Excluding customers' deposits and statutory payable

Foreign Currency Sensitivity Analysis. The sensitivity analysis includes all of the Company's foreign currency-denominated monetary assets and liabilities. A positive number indicates an increase in income before tax when the U.S. Dollar strengthens against the relevant currency. For the weakening of the U.S. Dollar against the Philippine Peso, there would be an equal and opposite impact on the income before tax.

The following table demonstrates the sensitivity to a 4% and 6% change in USD exchange rates, with all other variables held constant, in 2019 and 2018, respectively:

	Effect on Income Before Tax	
	2019	2018
Cash	\$10,896	\$28,240
Trade and other receivables	11,394	13,773
Due from related parties	106,113	150,562
Refundable lease deposits	70,996	95,902
Trade and other payables	(83,426)	(187,099)
Lease liabilities	(23,547)	—
Loans payable	(724)	(130,962)
Due to Parent Company	(86,000)	—
	\$5,702	(\$29,584)

Interest Rate Risk. Interest rate risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate.

The source of the Company's interest rate risk relates to due to related parties as disclosed in Note 13. The balance is both short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the net income or loss of the Company.

Credit Risk

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

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

	2019	2018
Cash	\$1,263,394	\$2,042,243
Trade and other receivables	10,440,566	10,121,877
Due from related parties	12,452,423	13,191,872
Refundable lease deposits	1,651,080	1,598,364
	\$25,807,463	\$26,954,356

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

Sales to customers are required to be settled in cash, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

2019					
	Neither Past Due nor Impaired		Past due but		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash	\$1,263,394	\$—	\$—	\$—	\$1,263,394
Trade and other receivables	—	5,915,307	3,872,112	653,147	10,440,566
Due from related parties	—	5,803,109	—	6,649,314	12,452,423
Refundable lease deposits	1,651,080	—	—	—	1,651,080
	\$2,914,474	\$11,718,416	\$3,872,112	\$7,302,461	\$25,807,463

2018					
	Neither Past Due nor Impaired		Past due but		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash	\$2,042,243	\$—	\$—	\$—	\$2,042,243
Trade and other receivables	—	5,338,554	4,130,176	653,147	10,121,877
Due from related parties	—	6,524,430	—	6,667,442	13,191,872
Refundable lease deposits	1,598,364	—	—	—	1,598,364
	\$3,640,607	\$11,862,984	\$4,130,176	\$7,320,589	\$26,954,356

As at December 31, 2019 and 2018, the amount of cash and refundable lease deposits are neither past due nor impaired and were classified as “*High Grade*”, while trade and other receivables and due from related parties were classified as “*Standard Grade*”.

The credit quality of such loans and receivables is managed by the Company using the internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high-grade financial assets are included in this category.
- *Substandard Grade.* Substandard grade financial assets are those which are considered worthless. These are accounts which have the probability of impairment based on historical trend.

Impairment. For trade and other receivables, the Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are initially based on the Company's historical default rates. These historical default rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of the locations in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

For other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company's provision for impairment loss is disclosed in Notes 5 and 13.

Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019				
Contractual Cash Flows				
	Weighted Average Effective Interest Rate	Less than 1 Year	1 to 5 Years	Total
Trade and other payables*	—	\$4,608,651	\$—	\$4,608,651
Loans payable	5.00% - 9.59%	21,740,440	1,507,303	23,247,743
Lease liabilities	9.54%	151,346	396,258	547,604
Due to Parent Company	6.31%	—	2,000,000	2,000,000
Future interest	5.00% - 9.59%	94,718	425,311	520,029
		\$26,595,155	\$4,328,872	\$30,924,027

* Excluding customers' deposits and statutory payable

December 31, 2018				
Contractual Cash Flows				
	Weighted Average Effective Interest Rate	Less than 1 Year	1 to 5 Years	Total
Trade and other payables*	—	\$6,133,340	\$—	\$6,133,340
Loans payable	4.50% - 9.59%	30,901,646	24,097	30,925,743
Future interest	4.50% - 9.59%	2,919	2,266	5,185
		\$37,037,905	\$26,363	\$37,064,268

* Excluding customers' deposits and statutory payable

27. Reconciliation of Liabilities Arising from Financing Activities

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

Financing Cash Flows							
	2018	Availments	Payments	Recognition	Interest Expense	Foreign Exchange Gain	Offsetting
Loans payable	\$30,925,743	\$60,647,571	(\$68,325,571)	\$—	\$—	\$—	\$—
Due to Parent Company	—	2,000,000	—	—	—	—	—
Lease liabilities	—	—	(49,109)	652,392	56,475	22,356	(134,510)
Interest payable	155,469	—	(1,968,462)	—	1,922,751	—	—
Note payable	—	3,000,000	(3,000,000)	—	—	—	—
	\$31,081,212	\$65,647,571	(\$73,343,142)	\$652,392	\$1,979,226	\$22,356	(\$134,510)
							\$25,905,105

Financing Cash Flows							
	2017	Availments	Payments	Interest Expense	Foreign Exchange Gain		2018
Loans payable	\$24,301,950	\$48,406,144	(\$41,777,955)	\$—	(\$4,396)		\$30,925,743
Interest payable	73,736	—	(1,397,088)	1,478,821	—		155,469
Notes payable	3,450,000	—	(3,450,000)	—	—		—
Due to Parent Company	2,002,804	—	(2,002,804)	—	—		—
	\$29,828,490	\$48,406,144	(\$48,627,847)	\$1,478,821	(\$4,396)		\$31,081,212

28. Events after the Reporting Period

In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization causing the government to declare the country in a state of public health emergency followed by the implementation of mandated lockdown all over the country resulting in a slowdown in the Philippine economy.

Management has determined that such event has no impact on the Company's separate financial statements as at and for the year ended December 31, 2019. Although, the Company anticipates that the COVID-19 will have a material impact on its business operations, financial condition, results of operations, and cash flows in 2020, the impact cannot be reasonably estimated as at June 10, 2020. The Company continues to monitor the situation closely and may implement further measures to provide additional financial flexibility and improve the Company's cash position and liquidity.

Notwithstanding the situation, the Company strongly believes that it can remain a going concern given the essential nature of its business and its access to short-term and long-term funding.



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

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

We have audited the accompanying separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 10, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has two hundred twenty-three (223) and two hundred twenty-two (222) stockholders owning one hundred (100) or more shares each as at December 31, 2019 and 2018, respectively.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing the separate financial statements of Alliance Select Foods International, Inc. (a subsidiary of Strongoak Inc.) (the "Company") as at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 10, 2020. Our audits were made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. The accompanying Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019 is the responsibility of the Company's management. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic separate financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audits of the basic separate financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & Co.

EMMANUEL V. CLARINO

Partner

CPA Certificate No. 27455

Tax Identification No. 102-084-004-000

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

SEC Accreditation No. 27455-SEC Group A

Valid until January 27, 2025

BIR Accreditation No. 08-005144-005-2019

Valid until October 16, 2022

PTR No. 8116470

Issued January 6, 2020, Makati City

June 10, 2020

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, 2019**

Retained earnings available for dividend declaration at beginning of year, as adjusted			(\$37,274,227)
Less net loss actually realized during the year:			
Net loss during the year closed to retained earnings		(\$1,424,314)	
Provision for income tax - deferred		1,007,593	(416,721)
Retained earnings available for dividend declaration at end of year			(\$37,690,948)
<hr/>			
Reconciliation:			
Retained earnings at end of year			\$2,069,605
Less:			
Effect of equity restructuring		(\$31,998,844)	
Net deferred tax assets at end of year		(7,794,872)	
Effect of adoption of PFRS 16		33,163	(39,760,553)
Total retained earnings available for dividend declaration at end of year			(\$37,690,948)
<hr/>			



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JRS BUSINESS CORPORATION
Operating Under Rep. Act. 3260
VAT REG. TIN 000-056-694-000
#19 Brixton St., Kapitolyo, Pasig City
Tel. No. 8631-7351 to 56
Fax No. 8631-7357
E-mail: jrsmain@jrs-express.com
Website: www.jrs-express.com



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TRACKING NUMBER

BC

SHIPPER INFORMATION

Date: 08/07/2020 Origin: Head Office
Client Type: Cash Services: Express Service
Package Type: Express Box Small
Weight: 6 Kilo
Description / Content: Documents
Destination: Pasay City, Metro Manila
Shipper's Name: GINO MARCO PANTOJA BAUTISTA
Shipper's Address: 35 D SCOUT TORILLO ST., SACRED HEART, QUE
ZON CITY
Contact Number: 639178799258

WAIVER OF RIGHTS

After being informed of my right to declare the amount of the shipment and having opted not to do so, I hereby waive my right to claim its actual value in the event of loss or damage of my cargo.

I hereby declare that the content of my shipment conforms with the restrictions being implemented by JRS BUSINESS CORPORATION in accordance with the laws of the Republic of the Philippines.

CONFORME

Shipper's Signature Over Printed Name

RECEIVED FOR JRS

Cashier/Collector Name

Catherine Ramirez

CONSIGNEE

Name: ELECTRONIC RECORDS MANAGEMENT DIVISION ICTD
SECURITY & EXCHANGE COMMISSION SECRETARIAT BLDG. PICC
Address: X ROXAS BLVD. PASAY CITY, Pasay City, Metro Manila

Contact #: _____
Special Instructions: ALLIANCE SELECT FOODS INTERNATIONAL, INC.

RECEIVED IN GOOD ORDER AND CONDITION

PAYMENT

Received by: _____	Freight Charge: 528.00
Signature: _____	Valuation: 0.00
Date Received: _____	Insurance: 0.00
Time: _____	Pick-up Fee: 0.00
Relationship to Addressee: _____	JRS Box: 0.00
_____	Others: 528.00
Delivered by: _____	Total Amount: _____
Delivery Branch: _____	

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Looseleaf Permit No.: LLAR-043-0819-000136 Date: August 06, 2019

Printer's Accreditation No. 024MP20180000000015
Date of Issuance: Dec. 13, 2018 Date of Expiration: Dec. 13, 2023