

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month periods ended 30 June 2017 (Unaudited)

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These notes form an integral part of the financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language financial statements, and were approved and authorised for issue by the executive directors on 11 August 2017.

1 General information

Charoen Pokphand Foods Public Company Limited, the “Company”, is incorporated in Thailand on 17 January 1978 and has its registered head office at 313 C.P. Tower, Silom Road, Silom, Bangkok, Bangkok 10500, Thailand.

The Company was listed on the Stock Exchange of Thailand on 21 December 1987.

The principal activities of the Company and its subsidiaries (together referred to the “Group”) are operating in agro-industrial and integrated food businesses. The Group’s business operations are located throughout Thailand and overseas. The businesses are divided into 2 main segments as follows:

- 1) The livestock business comprises chicken, duck and pigs
- 2) The aquaculture business comprises shrimp and fish

The Group’s two main businesses are vertically integrated, starting from sourcing of raw materials for animal feed production, manufacturing animal feed, breeding animals, farming animals for commercial purposes, processing meat, producing ready-to-eat food products, and including operating food retail outlets and restaurants. The Group’s main products are divided into 3 main categories as follows:

- 1) Animal feed
- 2) Animal farm products such as animal breeder, live animal and meat, etc.
- 3) Processed foods and ready meals

Details of the Company’s subsidiaries as at 30 June 2017 and 31 December 2016 only those with changes during the six-month period ended 30 June 2017 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 June	31 December
			2017	2016
<i>Newly incorporated direct and indirect subsidiary</i>				
1) CPF Poland S.A. W Organizacji	Agro-industrial products and food	Poland	77.67	-
<i>Newly incorporated indirect subsidiaries</i>				
1) C.P. Food (Kaifeng) Co., Ltd. ⁽¹⁾	Production and sale of processed food	The People’s Republic of China (“China”)	50.43	-

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Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 June 2017	31 December 2016
2) Chia Tai Feed (Harbin) Co., Ltd. ⁽¹⁾	Production and sale of animal feed	China	50.43	-
3) Chia Tai Feed (Yiwu) Co., Ltd. ⁽¹⁾	Production and sale of animal feed	China	27.74	-
4) Nantong Chia Tai Feedmill Co., Ltd. ⁽¹⁾ (Formerly known as Nantong Chia Tai Feed Co., Ltd.)	Production and sale of animal feed	China	30.26	-
5) Rechnoe Limited Liability Company ⁽²⁾	Biological waste management services provider	Russia	75.82	-
Indirect subsidiaries from business acquisition				
1) Chia Tai Food (Suqian) Co., Ltd. ⁽¹⁾ (Formerly known as COFCO Meat (Suqian) Co., Ltd.)	Poultry farming, production and sale of chicken meat products	China	50.43	-
2) Food Trac Limited ⁽³⁾	Distribution of meat products	England	100.00	-
3) Westbridge Food Group Limited ⁽³⁾	Investment	England	100.00	-
4) Westbridge Foods (France) SARL ⁽³⁾	Distribution of meat products	France	100.00	-
5) Westbridge Foods (Haydock) Limited ⁽³⁾	Distribution of meat products	England	100.00	-
6) Westbridge Foods (Thailand) Limited ⁽³⁾	Provision and development for Asian food product	Thailand	99.99	-
7) Westbridge Foods Limited ⁽³⁾	Importer and distributor of meat and processed foods	England	100.00	-
8) Westbridge Group License Companies ⁽³⁾	Importer of poultry meat products	England	100.00	-
9) Westbridge Holding B.V. ⁽³⁾	Investment	Netherlands	100.00	-
10) Westbridge (Qingdao) Trading Co., Ltd. ⁽³⁾	Provision and development for Asian food product	China	100.00	-
11) Wignall Holdings Limited ⁽³⁾	Investment	England	100.00	-
Indirect subsidiary that change name				
1) C.P. Premix (Hangzhou) Co., Ltd. ⁽¹⁾ (Formerly known as Hangzhou Advance Feed Tech Co., Ltd.)	Production and sale of animal feed	China	50.43	50.43
Liquidated indirect subsidiary				
1) Zhumadian Huazheng Property Co., Ltd. ⁽⁴⁾	Real estate property	China	-	35.17

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- (1) A subsidiary of C.P. Pokphand Co., Ltd.
- (2) A subsidiary of Russia Baltic Pork Invest ASA
- (3) A subsidiary of CPF Investment Limited
- (4) A subsidiary of Chia Tai Enterprises International Limited

During the six-month period ended 30 June 2017, the Group did not dispose any investment in subsidiaries.

2 Basis of preparation of the interim financial statements

2.1 Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (“TAS”) No. 34 (revised 2016) *Interim Financial Reporting*; including related guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2016. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2016.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2016 except for the adoption of all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017 and are relevant to the Group’s operations. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

2.2 Functional and presentation currency

The interim financial statements are prepared and presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded in the notes to the interim financial statements to the nearest million Baht unless otherwise stated.

2.3 Use of judgments and estimates

The preparation of financial interim statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

In preparing these interim financial statements, the judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

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Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Further information about the assumptions made in measuring fair values of investments held as available for sale, which is financial instrument carried at fair value, is included in note 6 to the interim financial statements.

3 Business combination by acquisition of shares

3.1 Share acquisition of Chia Tai Food (Suqian) Co., Ltd.

On 2 December 2016 Chia Tai (China) Investment Co., Ltd. (“CTI”), a 50.43% indirectly owned subsidiary, agreed to acquire investments from COFCO Poultry Industry Co., Ltd. (“the Seller”) for the following transactions:

- 1) Acquire the entire interest in Chia Tai Food Suqian Co., Ltd. (“Suqian Chia Tai”) at a consideration of Renminbi 187 million or equivalent to approximately Baht 953 million; and
- 2) Settle loan of Suqian Chia Tai at the amount of Renminbi 384 million or equivalent to approximately Baht 1,957 million to the Seller.

Suqian Chia Tai is incorporated in China and principally engaged in poultry farming, production and sale of chicken meat products primarily in China.

During 2016, CTI made advance payment as specified in the agreements for the 2 transactions above at the total amount of Renminbi 571 million or equivalent to approximately Baht 2,910 million.

CTI obtained control of Suqian Chia Tai on 20 January 2017 (“Acquisition date”) through the acquisition of 100.00% of Suqian Chia Tai’s total issued and paid-up share capital which equaled to 50.43% interests of the Group.

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The Group has applied Thai Financial Reporting Standards (“TFRS”) No. 3 (revised 2016) *Business Combinations* to recognise the business combination transactions. The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred

	(Unit: Million Baht)
	Fair value
Cash	2,910

Identifiable assets acquired and liabilities assumed

	(Unit: Million Baht)
	Fair value
Cash and cash equivalents	62
Accounts receivable - trade and others	75
Inventories	157
Current biological assets	46
Other current assets	284
Plant and equipment	2,648
Leasehold rights	144
Deferred tax assets	250
Short-term borrowings from financial institutions	(331)
Accounts payable - trade and others	(245)
Other current liabilities	(180)
Net assets	2,910
Consideration transferred	2,910
Cash received from acquisition of subsidiary	(62)
Net consideration paid for acquisition of subsidiary	2,848

As at 30 June 2017 the Group had completed the fair value assessment of the net assets in accordance with TFRS No. 3 (revised 2016). However, if the Group obtains any new information within one year from the acquisition date about facts and circumstances that existed at the acquisition date, the Group will adjust the above provisional fair values, or recognise any additional assets or liabilities existed at the acquisition date, then the acquisition accounting will be revised.

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The consolidated statement of income for the three-month and six-month periods ended 30 June 2017 includes operating results of Suqian Chia Tai for the period from 20 January 2017 to 30 June 2017. Significant details are as follows:

	(Unit: Million Baht)	
	For the three-month period ended 30 June 2017	For the six-month period ended 30 June 2017
Revenue from sale of goods	314	700
Loss for the period attributable to owners of the parent company	(59)	(69)

3.2 Share acquisition of Westbridge Food Group Limited (“WFGL”)

On 2 April 2017 CPF Investment Limited (“CPFI”), a 100% directly owned foreign subsidiary of the Company, entered into Share Purchase Agreement (“Share Purchase Agreement” or “SPA”) with Peter McNeil, Sarah McNeil, Evelyn McNeil, James McNeil, Sarah Parker, Nicholas Shaw, Sally Dowling, James Middleton, Stephen Thomas, Yvonne Ford, Colin Mann, Mark Whaley and Trustee (as specified in the SPA) (together referred to as the “the Sellers”), to acquire entire ordinary shares of WFGL at total amount of GBP 52 million or equivalent to approximately Baht 2,251 million.

WFGL is incorporated in England. WFGL and subsidiaries (“WFGL Group”) principally engages in the sale of meat and ready-to-eat products to customers who are retails, food services and food manufactures in the United Kingdom and countries in the European Union and invests in companies in United Kingdom and Netherlands that have the quotas of importing poultry meat and products made from poultry meat to the European Union.

The Group obtained control of WFGL Group on 3 April 2017 (“Acquisition date”) through the acquisition of 1,741 ordinary shares (equal to 100.00% of WFGLs’ total issued and paid-up shares).

CPFI paid for shares at the amount of GBP 44 million or equivalent to approximately Baht 1,885 million. As at 30 June 2017, CPFI still has outstanding payable of GBP 8 million or equivalent to approximately Baht 366 million.

The Group has applied Thai Financial Reporting Standards No. 3 (revised 2016) *Business Combinations* to recognise the business combination transactions. The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred

	(Unit: Million Baht) Fair value
Cash	2,251

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Identifiable assets acquired and liabilities assumed

	(Unit: Million Baht)
	Fair value
Cash and cash equivalents	458
Accounts receivable - trade and others	754
Inventories	1,311
Other current assets	161
Investment in joint ventures	6
Plant and equipment	50
Intangible assets - customer relationship	444
Intangible assets - import licenses	204
Other intangible assets	11
Deferred tax assets	2
Bank overdrafts	(324)
Short-term borrowings from financial institutions	(331)
Accounts payable - trade and others	(113)
Income tax payable	(42)
Other current liabilities	(581)
Deferred tax liabilities	(119)
Employee benefit obligations	(5)
Net assets	1,886
Goodwill	365
Consideration transferred	2,251
Cash received from acquisition of subsidiary	(134)
Net consideration paid for acquisition of subsidiary	2,117

As at 30 June 2017 the Group was still assessing the fair value of the net assets acquired with an independent appraiser. In this regard, the Group has provisionally estimated the fair value of the identifiable assets acquired and liabilities assumed from the business combination for accounting record, if the Group obtains any new information within one year from the acquisition date about facts and circumstances that existed at the acquisition date, the Group will adjust the above provisional fair values, or recognise any additional assets or liabilities existed at the acquisition date, then the acquisition accounting will be revised.

The factors contributing to the goodwill are the fact that the Group can expand networks and channels for retails, food services and food manufacturers in the United Kingdom and the European Union which have high growth potential. Goodwill arising from the business combination is recognised in the consolidated statement of financial position and is not amortised as expenses.

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The consolidated statement of income for the three-month and six-month periods ended 30 June 2017 includes operating results of WFGL for the period from 3 April 2017 to 30 June 2017. Significant details are as follows:

	<i>(Unit: Million Baht)</i>	
	For the three-month period ended 30 June 2017	For the six-month period ended 30 June 2017
Revenue from sale of goods	2,086	2,086
Profit for the period attributable to owners of the parent company	20	20

If the acquisition of Suqian Chia Tai and WFGL had occurred on 1 January 2017, management estimates that revenue from sale of goods and profit of the Group in the consolidated interim financial statements for the three-month and six-month periods ended 30 June 2017 would have been as follows:

	<i>(Unit: Million Baht)</i>	
	For the three-month period ended 30 June 2017	For the six-month period ended 30 June 2017
Revenue from sale of goods	125,970	17,657
Profit for the period attributable to owners of the parent company	1,064	011

4 Related party transactions

Related parties are those parties considered to be related to the Group. Related parties have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions or where the Group and parties are subject to common control or common significant influence.

The significant influence entity of the Company is Charoen Pokphand Group Company Limited which directly and indirectly owned 44.94% of the Company's voting rights as of the latest closing date of shareholder register book on 6 July 2017

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The pricing policies for particular types of transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods	The price list of the Group
Purchase of raw material and goods	The price list of the suppliers
Purchase and sale of property, plant and equipment	Fair value
Purchase and sale of investments	Fair value
Interest income/interest expense	Source of fund cost plus fund management expenses
Dividend income	Upon declaration
Rental and service fees	Standard rates as specified by the lessors or service providers
Technical service fees	Rate per quantity of feed production/rate per sale value of animal feed/rate per total revenue
Insurance premium	Standard rates as specified by the insurers
Trademark license fee	Rate per sales value under trademark
Other income/other expenses	Standard service rates as specified by the service providers

4.1 Significant transactions with related parties for the three-month and six-month periods ended 30 June 2017 and 2016

For the three-month period ended 30 June

	Consolidated financial statements		(Unit: Million Baht) Separate financial statements	
	2017	2016	2017	2016
(a) Revenues				
Significant influence entity				
Training and seminar fees	1	-	-	-
Subsidiaries				
Dividend income	-	-	3,327	4,075
Interest income	-	-	797	1,124
Sale of goods	-	-	544	743
Rental, service and other income	-	-	2	3
Associates, joint ventures and related companies				
Sale of goods	13,648	9,801	380	129
Dividend income	31	26	18	11
Rental, service and other income	36	41	-	-
Software application income	7	7	-	-
Training and seminar income	2	6	-	-
Interest income	2	-	-	-
(b) Expenses and others				
Significant influence entity				
Purchase of raw materials and goods	2,741	2,322	947	731
Trademark license fees	258	23	1	1
Technical service fees	232	495	11	12

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				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
(b) Expenses and others (continued)					
Subsidiaries					
Purchase of raw materials and goods		-	-	966	1,253
Software application fees		-	-	42	47
Rental and service fees		-	-	15	15
Training and seminar fees		-	-	9	10
Other expenses		-	-	6	16
Associates, joint ventures and related companies					
Purchase of raw materials and goods		16,948	11,665	143	139
Construction costs of buildings, structures and others		346	360	31	41
Rental and service fees		393	349	88	67
Purchase of equipment and others		82	42	41	14
Trademark license fees		11	9	-	-
Software application fees		8	8	-	-
Interest expense		2	1	-	-
Technical service fees		2	-	-	-
Insurance premium		-	50	-	18
Other expenses		366	268	38	26

For the six-month period ended 30 June

				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
(a) Revenues					
Significant influence entity					
Training and seminar fees		1	-	-	-
Subsidiaries					
Dividend income		-	-	6,477	6,100
Interest income		-	-	1,553	2,119
Sale of goods		-	-	1,270	1,255
Rental, service and other income		-	-	5	6
Gain on sale of fixed assets		-	-	-	1
Associates, joint ventures and related companies					
Sale of goods		26,338	18,801	564	285
Rental, service and other income		75	96	1	1
Dividend income		31	26	18	11
Software application income		14	13	-	-
Training and seminar income		4	9	-	-
Interest income		2	2	-	-

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				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		2017	2016	2017	2016
(b) Expenses and others					
Significant influence entity					
Purchase of raw materials and goods		5,079	4,571	1,445	1,264
Trademark license fees		542	44	3	2
Technical service fees		409	920	20	22
Subsidiaries					
Purchase of raw materials and goods		-	-	1,966	2,593
Software application fees		-	-	85	92
Rental and service fees		-	-	31	31
Training and seminar fees		-	-	17	14
Other expenses		-	-	13	27
Loss on sale of fixed assets		-	-	4	-
Associates, joint ventures and related companies					
Purchase of raw materials and goods		30,459	23,453	295	279
Construction costs of buildings, structures and others		862	656	49	70
Rental and service fees		780	758	169	160
Purchase of equipment and others		122	70	63	18
Trademark license fees		21	17	-	-
Software application fees		15	15	-	-
Interest expense		4	3	-	-
Technical service fees		4	-	-	-
Insurance premium		-	106	-	38
Other expenses		706	487	70	38

4.2 Balances with related parties as at 30 June 2017 and 31 December 2016 were as follows:

4.2.1 Accounts receivable - trade and others

				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2017	2016	2017	2016
Significant influence entity		4	1	-	-
Subsidiaries		-	-	998	1,354
Associates and joint ventures		3,371	3,271	20	38
Related companies		6,670	6,048	311	133
Total		10,045	9,320	1,329	1,525

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4.2.2 Short-term loans

(Unit: Million Baht)

	Consolidated financial statements		
	Outstanding balance		
	30 June 2017	31 December 2016	Average balance
Joint venture	83	-	14
Associate	2	-	1
Total	85	-	15

(Unit: Million Baht)

	Separate financial statements		
	Outstanding balance		
	30 June 2017	31 December 2016	Average balance
Subsidiaries	25,111	34,583	26,936
Total	25,111	34,583	26,936

The Group and the Company computes the average balance from the outstanding balances of short-term loans at the end of each month excluding accrued interest income.

4.2.3 Accrued dividend income

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subsidiaries	-	-	3,240	-
Associates	218	177	-	-
Total	218	177	3,240	-

4.2.4 Accrued interest income

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Subsidiaries	-	-	92	97
Total	-	-	92	97

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4.2.5 Long-term loans

(Unit: Million Baht)

	Separate financial statements		
	Outstanding balance		
	30 June 2017	31 December 2016	Average balance
Subsidiaries	18,384	6,880	17,771
Less current portion	-	(867)	
Net	18,384	6,013	

The Company computes the average balance from the outstanding balances of long-term loans at the end of each month excluding accrued interest income.

4.2.6 Accounts payable - trade and others

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Significant influence entity	886	366	177	54
Subsidiaries	-	-	68	136
Associates and joint ventures	226	282	5	5
Related companies	3,325	4,033	94	70
Total	4,437	4,681	344	265

4.2.7 Short-term borrowings

(Unit: Million Baht)

	Consolidated financial statements		
	Outstanding balance		
	30 June 2017	31 December 2016	Average balance
Joint ventures	473	291	449
Total	473	291	449

The Company computes the average balance from the outstanding balances of short-term borrowings at the end of each month excluding accrued interest expense.

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4.3 Balances of loans/borrowings and interest rates

Balances of loans/borrowings and interest rates as at 30 June 2017 and 31 December 2016 are summarised as follows:

Consolidated financial statements						
<i>(Unit: Million Baht)</i>						
	Balance with fixed interest rate		Balance with floating interest rate		Average interest rate (%)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term loan to associate	-	-	2	-	5.01	-
Short-term loan to joint venture	83	-	-	-	4.85	-
Short-term borrowings from joint ventures	473	291	-	-	2.00	2.00

Separate financial statements						
<i>(Unit: Million Baht)</i>						
	Balance with fixed interest rate		Balance with floating interest rate		Average interest rate (%)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term loans to subsidiaries	-	9,254	25,111	25,329	7.13	7.38
Long-term loans to subsidiaries	18,097	6,880	287	-	6.59	5.26

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4.4 Key management personnel compensations

Key management personnel compensations consist of:

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	2017	2016	2017	2016
<i>For the three-month period ended 30 June</i>				
Short-term employee benefits	145	118	72	58
Post-employment under defined benefit plans	2	3	1	1
Total	147	121	73	59
<i>For the six-month period ended 30 June</i>				
Short-term employee benefits	283	229	145	108
Post-employment under defined benefit plans	5	6	2	2
Total	288	235	147	110
<i>As at 30 June</i>				
Provisions for employee benefit	307	254	116	84
Total	307	254	116	84

4.5 Commitments

As at 30 June 2017 and 31 December 2016 the Group had commitments with related parties as follows:

4.5.1 Capital commitments

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>Contracted but not provided for</i> Mainly represents contracts for construction of buildings and structures, and purchase of machinery and others	757	389	8	80

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4.5.2 Commitments under operating lease agreements

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
Within one year	942	940	224	291
Over one year but within five years	1,749	1,790	276	379
Over five years	355	373	-	-
Total	3,046	3,103	500	670

The Company and certain subsidiaries had lease agreements with related parties covering office premises (including related facilities service agreements), land, farms and vehicles for periods of 1 to 9 years, expiring during 2017 to 2025.

4.6 Significant agreements


As at 30 June 2017 the Group had the following significant agreements with related parties:


4.6.1 Technical service agreements

The Company and certain subsidiaries have technical service agreements with a significant influence entity, Charoen Pokphand Group Company Limited (“CPG”). Under the terms of the agreements, CPG agrees to research and develop the raw material ingredients for the production of animal feeds for the Company and subsidiaries. In this regard, the Company and subsidiaries are committed to pay the technical service fee, which is calculated from the feed production quantity dependent upon the types of feed as stipulated in the agreements, to CPG. The minimum service fee ranges from Baht 0.1 million to Baht 1.3 million per month. These agreements are in effect starting from 1 January 2017 to 31 December 2017.

In addition, certain foreign subsidiaries have agreements to obtain the technical service assistance from CPG. The foreign subsidiaries are committed to pay service fees to CPG in accordance with the terms and conditions stipulated in the agreements.

4.6.2 Trademark agreements

A subsidiary (CPF Trading Company Limited) has trademark agreement with CPG for the right to use  trademark. In this regard, the subsidiary is committed to pay the trademark license fees to CPG at the rates as stipulated in the agreement. This agreement is effective starting from 1 July 2014 to 30 June 2017. The subsidiary has extended the agreements for an additional period until 30 June 2020 with the same conditions and fee rates.

The Company and certain subsidiaries have trademark agreements with CPG, for the right to use  trademark. In this regard, the Company and subsidiaries are committed to pay the trademark license fees to CPG at the rates as stipulated in the agreements. These agreements are effective starting from 1 January 2017 to 31 December 2017.

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A foreign subsidiary (C.P. Vietnam Corporation) entered into trademark agreement with CPG to use trademarks as stipulated in the agreements. In this regard, the subsidiary is committed to pay the trademark license fee to CPG at the rate as stipulated in the agreements. This agreement is effective starting from 1 January 2017 to 31 December 2019.

A subsidiary has a trademark agreement with a related company, Star Marketing Co., Ltd. (“STAR”), for the right to use STAR trademark. In this regard, the subsidiary is committed to pay the trademark license fee to STAR, which is calculated from the sale value under the trademark at the rates as stipulated in the agreement. This agreement is effective starting from 1 January 2014 to 31 December 2018.

4.6.3 *Application system service agreement*

A subsidiary had an application system service agreement with a related company, Freewill Solutions Co., Ltd. (“Freewill”). Under the terms of the agreement, Freewill agrees to provide the subsidiary the application system service. In this regard, the subsidiary is committed to pay the application system service fee to Freewill at the agreed rate stipulated in the agreement. This agreement is effective starting from 1 January 2015 to 31 December 2019.

4.6.4 *Service agreements for import and export transactions*

The Company and certain subsidiaries have service agreements with a related company, C.P. Intertrade Co., Ltd. (“CPI”). Under the terms of the agreements, CPI agrees to provide documentation services and others relating to import and export transactions of the Company and subsidiaries. In this regard, the Company and subsidiaries are committed to pay the service fees to CPI at the agreed rate stipulated in the agreements. These agreements are in effect since 1 July 2015 to 30 June 2017. The Company and subsidiaries have extended the agreements for an additional period until 30 June 2019 with the same conditions and fee rates.

4.6.5 *Software application agreements*

A subsidiary (CPF IT Center Co., Ltd.) has information technology service and software application agreements with local and foreign related companies. The terms and the service fees are stipulated in the agreements. The agreements may be terminated upon either party agreeing to terminate the agreements or either party being in breach of the agreements.

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For the three-month and six-month periods ended 30 June 2017 (Unaudited)

5 Accounts receivable - trade and others

		(Unit: Million Baht)			
		Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
Note		2017	2016	2017	2016
Related parties	4	10,045	9,320	1,329	1,525
Other parties		23,941	22,141	2,645	2,033
Total		33,986	31,461	3,974	3,558
Less allowance for doubtful accounts		(787)	(782)	(7)	(7)
Net		33,199	30,679	3,967	3,551

		(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Bad and doubtful debts expense for the					
- three-month period ended 30 June		30	13	-	16
- six-month period ended 30 June		39	101	-	15

The outstanding balances of doubtful accounts receivable - trade and others that the Group and the Company have considered and already provided the allowance for doubtful accounts as at 30 June 2017 and 31 December 2016 classified by aging were as follows:

		(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Periods over credit terms:					
Over 3 months to 6 months		99	130	-	1
Over 6 months to 12 months		149	103	1	-
Over 12 months		539	549	6	6
Total		787	782	7	7

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Notes to the interim financial statements

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6 Investments held as available for sale

Movements during the six-month periods ended 30 June were as follows:

	<i>(Unit: Million Baht)</i>	
	Consolidated	
	financial statements	
	2017	2016
At 1 January	5,265	3,659
Acquisition/additional investment	-	1,334
Transfer from investment in other companies	240	-
Changes in fair value	78	406
Currency translation differences	(176)	(67)
At 30 June	5,407	5,332
At 31 December		5,265

Details of investments held as available for sale

Investments held as available for sale as at 30 June 2017 and 31 December 2016 were as follows:

	<i>(Unit: Million Baht)</i>					
	Ownership interest (both direct and indirect) (%)		Consolidated		Separate	
	30	31	30	31	30	31
	June	December	June	December	June	December
	2017	2016	2017	2016	2017	2016
Marketable security						
- at fair value						
True Corporation Public Company Limited - at cost	2.21	2.21	7,977	8,153	-	-
Zhejiang Huatong Meat Products Co., Ltd.	3.74	-	240	-	-	-
Changes in fair value			(2,810)	(2,888)	-	-
Total			5,407	5,265	-	-

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For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Carrying amount and fair value of financial instruments carried at fair value

The fair values of financial assets together with the carrying amounts in the consolidated statement of financial position are as follows:

	Carrying amount	(Unit: Million Baht)			
		Consolidated financial statements			
		Fair value			
		Level 1	Level 2	Level 3	Total
30 June 2017					
<i>Non-current</i>					
Equity security held as available for sale	5,407	5,407	-	-	5,407

7 Investments in subsidiaries

Movements during the six-month periods ended 30 June were as follows:

	Consolidated financial statements		(Unit: Million Baht) Separate financial statements	
	2017	2016	2017	2016
At 1 January	-	-	120,795	86,938
Acquisitions/additional investments	-	-	7,025	13,061
At 30 June	-	-	127,820	99,999
At 31 December		-		120,795

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Details of investments in subsidiaries and dividend income

Investments in subsidiaries as at 30 June 2017 and 31 December 2016, and dividend income for the six-month periods ended 30 June 2017 and 2016 were as follows:

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest (%)		Paid-up share capital		Cost method		Accumulated impairment		At cost - net		Dividend income for six months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016	June 2017	December 2016	June 2017	June 2016
Marketable securities												
C.P. Pokphand Co., Ltd.	4.98	4.98	7,973	7,973	4,691	4,691	-	-	4,691	4,691	87	119
Chia Tai Enterprises International Limited	4.98	4.98	840	840	500	500	-	-	500	500	-	-
Total					5,191	5,191	-	-	5,191	5,191	87	119
Non-marketable securities												
Bangkok Produce Merchandising Public Company Limited	99.44	99.44	600	600	1,230	1,230	-	-	1,230	1,230	-	626
CPF (Thailand) Public Company Limited	99.98	99.98	10,512	9,110	29,401	22,393	-	-	29,401	22,393	-	-
CPF Training Center Co., Ltd.	99.99	99.99	20	20	20	20	-	-	20	20	-	-
CPF IT Center Co., Ltd.	99.99	99.99	250	250	250	250	-	-	250	250	-	-
C.P. Merchandising Co., Ltd.	99.99	99.99	9,000	9,000	9,000	9,000	-	-	9,000	9,000	6,390	5,355
Chester Food Co., Ltd.	99.99	99.99	80	80	450	450	-	-	450	450	-	-
CPF Food Research & Development Center Co., Ltd.	99.99	99.99	125	125	125	125	-	-	125	125	-	-
Bellisio Investment, LLC	100.00	100.00	20,925	20,925	20,925	20,925	-	-	20,925	20,925	-	-

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Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

Details of investments in subsidiaries and dividend income (Continued)

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest (%)		Paid-up share capital		Cost method		Accumulated impairment		At cost - net		Dividend income for six months ended	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	30 June 2016
C.P. Aquaculture (Beihai) Co., Ltd.	100.00	100.00	602	602	602	602	-	-	602	602	-	-
C.P. Aquaculture (Dongfang) Co., Ltd.	100.00	100.00	755	755	755	755	-	-	755	755	-	-
C.P. Aquaculture (Hainan) Co., Ltd.	100.00	100.00	126	126	126	126	-	-	126	126	-	-
C.P. Standart Gida Sanayi ve Ticaret A.S.	2.76	5.63	4,406	3,409	618	618	-	-	618	618	-	-
Charoen Pokphand Foods Kenya Co., Ltd.	99.99	99.99	8	8	8	8	(4)	(4)	4	4	-	-
Charoen Pokphand Foods (Overseas) LLC.	10.21	10.21	2,819	2,819	1,394	1,394	(938)	(938)	456	456	-	-
Charoen Pokphand Foods Philippines Corporation	27.78	27.78	3,954	3,954	1,055	1,055	-	-	1,055	1,055	-	-
CPF Investment Limited	100.00	100.00	44,663	44,663	44,663	44,663	-	-	44,663	44,663	-	-
CPF Tanzania Limited	58.26	58.26	224	224	129	129	(125)	(125)	4	4	-	-
C.P. Foods Holdings Limited	100.00	100.00	1	1	1	1	-	-	1	1	-	-
C.P. Foods International Limited	100.00	100.00	1	1	1	1	-	-	1	1	-	-
CPF Netherlands B.V.	99.99	99.99	12,541	12,541	12,926	12,926	-	-	12,926	12,926	-	-
CPF Poland S.A. W Organizacji	66.67	-	27	-	17	-	-	-	17	-	-	-
Total					123,696	116,671	(1,067)	(1,067)	122,629	115,604	6,390	5,981
Grand Total					128,887	121,862	(1,067)	(1,067)	127,820	120,795	6,477	6,100

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For the three-month and six-month period ended 30 June 2017 (Unaudited)

8 Investments in associates

Movements during the six-month periods ended 30 June were as follows:

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	2017	2016	2017	2016
At 1 January	75,786	65,312	335	335
Share of profit	3,576	3,027	-	-
Dividend income	(3,336)	(3,199)	-	-
Acquisitions/additional investments	5,940	3,576	-	-
Disposals	(3,323)	(1,207)	-	-
Currency translation differences	(127)	(161)	-	-
Others	6	-	-	-
At 30 June	78,522	67,348	335	335
At 31 December		75,786		335

The Group accounts for the investment in ordinary shares of an associate (CP ALL Public Company Limited), which is a listed company in the Stock Exchange of Thailand, in the consolidated interim financial statements by the equity method. As at 30 June 2017, the fair value of this investment was Baht 194,534 million (31 December 2016: Baht 197,935 million).

During the six-month period ended 30 June 2017, a subsidiary sold a portion of the investment in an associate with the carrying amount of Baht 3,323 million (2016: Baht 1,207 million) with gain on sale of investment amounting to Baht 5,908 million (2016: Baht 1,472 million), which is presented in the consolidated statement of income.

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Details of investments in associates and dividend income

Investments in associates as at 30 June 2017 and 31 December 2016, and dividend income for the six-month periods ended 30 June 2017 and 2016 were as follows:

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect)		Paid-up share capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for six months ended	
	(%)													
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	30 June 2016
Marketable security														
CP ALL Public Company Limited	34.63	35.24	8,983	8,983	62,189	59,061	71,837	69,144	-	-	71,837	69,144	3,176	2,816
Total					62,189	59,061	71,837	69,144	-	-	71,837	69,144	3,176	2,816
Non-marketable securities														
Nava 84 Co., Ltd.	25.00	25.00	1,203	1,203	159	159	162	163	-	-	162	163	-	-
Ross Breeders Siam Co., Ltd.	49.99	49.99	70	70	35	35	107	102	-	-	107	102	20	8
Siam Rivea Co., Ltd.	29.99	29.99	5	5	2	2	2	2	-	-	2	2	-	-
Arbor Acres Thailand Co., Ltd.	49.98	49.98	4	4	2	2	151	134	-	-	151	134	49	44
BHJ Kalino Food AB ("BHJ") *	15.08	15.08	5	5	24	24	28	29	-	-	28	29	2	4
C.P. Aquaculture (India) Private Limited	31.70	31.70	192	192	176	176	779	712	-	-	779	712	-	-
Charoen Pokphand Holdings (Malaysia) Sdn. Bhd.	49.75	49.75	353	353	176	176	1,325	1,352	-	-	1,325	1,352	-	-

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For the three-month and six-month period ended 30 June 2017 (Unaudited)

Details of investments in associates and dividend income (Continued)

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect)		Paid-up share capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for six months ended	
	(%)													
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	30 June 2016
Chia Tai Conti (Cixi) Investment Management Co., Ltd.	25.21	25.21	5	5	8	3	7	2	-	-	7	2	-	-
Cixi Zhuda Investment Center Limited Partnership **	2.97	-	3	-	-	-	-	-	-	-	-	-	-	-
Conti Chia Tai International Limited	25.21	25.21	767	767	1,052	1,052	1,512	1,481	-	-	1,512	1,481	-	327
Ningxia Xiao Ming Animal Husbandry Co., Ltd. **	8.34	8.34	293	293	749	749	730	748	-	-	730	748	6	-
Qingdao Yi Bang Bio Engineering Co., Ltd. **	6.05	6.05	147	147	1,358	1,358	1,376	1,378	-	-	1,376	1,378	34	-
Zhan Jiang Deni Carburetor Co., Ltd. ***	14.12	14.12	581	581	424	424	506	539	-	-	506	539	49	-
Total					4,165	4,160	6,685	6,642	-	-	6,685	6,642	160	383
Grand total					66,354	63,221	78,522	75,786	-	-	78,522	75,786	3,336	3,199

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Notes to the interim financial statements

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* BHJ is an associate in which 29.00% of the total issued and paid share capital were held by CPF Denmark A/S (“CPF DM”), a 52.00% indirectly owned subsidiary. In this regard, the Group accounted for its investment in BHJ using the equity method based on 15.08% shareholding in the consolidated interim financial statements.

** Ningxia Xiao Ming Animal Husbandry Co., Ltd. (“Ningxia Xiao Ming”), Qingdao Yi Bang Bio Engineering Co., Ltd. (“Qingdao Yi Bang”) and Cixi Zhuda Investment Center Limited Partnership (“Cixi Zhuda”) are associates in which 16.54%, 12.00%, and 5.89% respectively of the total issued and paid-up share capital were held by Chia Tai (China) Investment Co., Ltd. (“CTI”), a 50.43% indirectly owned subsidiary. Therefore, the Group accounted for its investments in Ningxia Xiao Ming, Qingdao Yi Bang and Cixi Zhuda using the equity method based on 8.34%, 6.05%, and 2.97% shareholding in the consolidated interim financial statements respectively. In this regard, CTI exercises significant influence in Ningxia Xiao Ming, Qingdao Yi Bang, and Cixi Zhuda by having representatives in the board of directors and involving in setting the policy and making the significant decisions for Ningxia Xiao Ming, Qingdao Yi Bang, and Cixi Zhuda. Therefore, the Group classified the aforementioned investments as investments in associates.

*** Zhan Jiang Deni Carburetor Co., Ltd. (“Zhanjiang Deni”) is an associate in which 28.00% of the total issued and paid-up share capital were held by Chia Tai Enterprises International Limited (“CTEI”), a 50.43% directly and indirectly owned subsidiary. In this regard, the Group accounted for its investment in Zhanjiang Deni using the equity method based on 14.12% shareholding in the consolidated interim financial statements.

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Notes to the interim financial statements

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Details of investments in associates and dividend income (Continued)

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest		Paid-up share		Cost method		Accumulated		At cost - net		Dividend income	
	(%)		capital				impairment				for six months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	June
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Non-marketable securities</i>												
Nava 84 Co., Ltd.	25.00	25.00	1,203	1,203	159	159	-	-	159	159	-	-
C.P. Aquaculture (India) Private Limited	31.70	31.70	192	192	176	176	-	-	176	176	-	-
Total					335	335	-	-	335	335	-	-

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

9 Investments in joint ventures

Movements during the six-month periods ended 30 June were as follows:

	Consolidated		<i>(Unit: Million Baht)</i>	
	financial statements		Separate	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
At 1 January	4,582	4,419	-	-
Share of profit	239	191	-	-
Dividend income	(41)	(202)	-	-
Acquisitions/additional investments	1,888	-	1,882	-
Currency translation differences	(43)	(77)	-	-
At 30 June	<u>6,625</u>	<u>4,331</u>	<u>1,882</u>	<u>-</u>
At 31 December		<u>4,582</u>		<u>-</u>

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Details of investments in joint ventures

Investments in joint ventures as at 30 June 2017 and 31 December 2016 and dividend income for the six-month periods ended 30 June 2017 and 2016 were as follows:

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect)		Paid-up share capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for six months ended	
	(%)													
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	30 June 2016
Non-marketable securities														
CP-Meiji Co., Ltd. ("CP-Meiji") *	59.99	59.99	500	500	1,200	1,200	1,784	1,656	-	-	1,784	1,656	-	-
Beijing Chia Tai Co., Ltd.	25.21	25.21	157	157	128	128	196	192	-	-	196	192	-	-
Handan Chia Tai Feed Co., Ltd.	25.21	25.21	56	56	-	-	19	20	-	-	19	20	2	4
Jilin Chia Tai Enterprise Co., Ltd.	25.21	25.21	261	261	211	211	214	216	-	-	214	216	-	33
Henan East Chia Tai Co., Ltd.	25.21	25.21	170	170	225	225	240	262	-	-	240	262	39	77
ECI Metro Investment Co., Ltd.	25.21	25.21	378	378	1,296	1,296	2,297	2,236	-	-	2,297	2,236	-	88
SuperDrob Zakłady Drobiarsko - Mięsne S.A.	33.00	-	2,782	-	1,882	-	1,869	-	-	-	1,869	-	-	-
Westbridge Foods Holding B.V. **	50.00	-	1	-	6	-	6	-	-	-	6	-	-	-
Total					4,948	3,060	6,625	4,582	-	-	6,625	4,582	41	202

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

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For the three-month and six-month period ended 30 June 2017 (Unaudited)

* CP-Meiji is a joint venture because the articles of association of the joint venture specifies that each investor has joint control over significant financial and operating decisions and has right to the net assets of CP-Meiji. The Group accounts for investments in joint ventures using the equity method in the consolidated interim financial statements.

** Westbridge Foods Holding B.V. is a joint venture because each investor has joint control over significant financial and operating decisions and has right to the net assets of Westbridge Foods Holding B.V. The Group accounts for investments in joint ventures using the equity method in the consolidated interim financial statements.

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Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

Details of investments in joint venture (Continued)

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest		Paid-up share		Cost method		Accumulated		At cost - net		Dividend income	
	(%)		capital				impairment				for six months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	June	December	June	December	June	December	June	December	June	December	June	June
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Non-marketable securities</i>												
SuperDrob Zakłady Drobiarsko												
- Mięsne S.A.	33.00	-	2,782	-	1,882	-	-	-	1,882	-	-	-
Total					1,882	-	-	-	1,882	-	-	-

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

10 Investments in related companies

Movements during the six-month periods ended 30 June were as follows:

	Consolidated		<i>(Unit: Million Baht)</i> Separate	
	financial statements		financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
At 1 January	1,605	1,608	678	678
Currency translation differences	(37)	(17)	-	-
At 30 June	<u>1,568</u>	<u>1,591</u>	<u>678</u>	<u>678</u>
At 31 December		<u>1,605</u>		<u>678</u>

Details of investments in related companies

Investments in related companies as at 30 June 2017 and 31 December 2016 were as follows:

	<i>(Unit: Million Baht)</i> Ownership interest (both direct and indirect) (%)		Consolidated		Separate	
			financial statements		financial statements	
	<u>30</u> <u>June</u> <u>2017</u>	<u>31</u> <u>December</u> <u>2016</u>	<u>30</u> <u>June</u> <u>2017</u>	<u>31</u> <u>December</u> <u>2016</u>	<u>30</u> <u>June</u> <u>2017</u>	<u>31</u> <u>December</u> <u>2016</u>
<i>Non-marketable securities</i>						
General investments in equity securities - at cost						
CPPC Public Company Limited	6.58	6.58	110	110	55	55
C.P. Land Public Company Limited	6.49	6.49	276	276	95	95
Chia Tai (Jilin) Co., Ltd.	10.00	10.00	5	5	-	-
Kinghill Limited	13.96	13.96	1,177	1,214	528	528
Total			<u>1,568</u>	<u>1,605</u>	<u>678</u>	<u>678</u>

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

11 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month periods ended 30 June were as follows:

	(Unit: Million Baht)			
	Consolidated financial statements			
	2017		2016	
	Acquisitions and transfers in - at cost/ net book value	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost/ net book value	Disposals and transfers out - net book value
Land	388	-	64	-
Buildings and building improvements and utilities system	5,961	59	6,572	145
Machinery and equipment	6,379	21	5,453	102
Other	795	38	564	29
Assets under construction and installation	9,997	8,068	8,246	8,597
Total	23,520	8,186	20,899	8,873

	(Unit: Million Baht)			
	Separate financial statements			
	2017		2016	
	Acquisitions and transfers in - at cost/ net book value	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost/ net book value	Disposals and transfers out - net book value
Buildings and building improvements and utilities system	135	5	413	44
Machinery and equipment	229	1	191	15
Other	33	-	11	-
Assets under construction and installation	518	179	388	546
Total	915	185	1,003	605

12 Accounts payable - trade and others

	Note	(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
Related parties	4	4,437	4,681	344	265
Other parties		23,218	26,881	1,326	1,093
Total		27,655	31,562	1,670	1,358

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For the three-month and six-month period ended 30 June 2017 (Unaudited)

13 Subordinated perpetual debentures

On 2 March 2017 the Company issued subordinated perpetual debentures which is similar to equity with one-time payment upon dissolution of the Company or upon the exercise of the Company's early redemption right ("Debentures") of Baht 15,000 million. The debentures were in registered name form, unsecured and unconvertible with debenture holder representative and the Company had the early redemption right pursuant to the terms and conditions of the debentures. The Debentures' interest rates during the first year to the fifth year is 5%, and after the fifth year the interest rate is adjusted every 5 years based on: (1) 5-year government bond yield, (2) Initial Credit Spread, and (3) percentage as stipulated in the prospectus; and will be paid on a semi-annual basis. In this regard, the Company has the sole right to unconditionally defer interest and cumulative interest payments without limitation on deferral period and times at the sole discretion of the Company. If the Company defers interest and cumulative interest payment, the Company shall not perform as follows:

- (a) declare or pay any dividend,
- (b) pay any interest or distribute any assets to any holder of Parity Securities or Junior Securities; and
- (c) redeem, reduce, cancel, acquire, or buy-back any of any securities issued by the Company which rank pari passu or junior to these Debentures.

The issuance cost net of income tax of Baht 56 million is deducted from unappropriated retained earnings in the statements of financial position as at 30 June 2017.

Interest expenses for the six-month period ended 30 June 2017 which the debenture holders have the right to receive; had the interest payment been announced, is amounting to Baht 249 million.

14 Segment information

Segment information is based on the Group's management and internal financial reporting structure which is regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to those segments.

Information about reportable segments

The Group comprises the following main segments:

Segment 1 : Livestock business

Segment 2 : Aquaculture business

Revenue and results, based on reportable segments financial information of the Group for the three month and six-month periods ended 30 June were as follows:

	(Unit: Million Baht)			
	Consolidated financial statements			
	Three-month period		Six-month period	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
Segment revenue				
Livestock business	104,381	96,982	209,868	189,304
Aquaculture business	21,589	19,794	35,719	32,985
Total	125,970	116,776	245,587	222,289

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

(Unit: Million Baht)

	Consolidated financial statements			
	Three-month period ended 30 June		Six-month period ended 30 June	
	2017	2016	2017	2016
Segment results				
Livestock business	894	9,185	3,753	16,545
Aquaculture business	2,540	985	3,373	1,039
Total allocated segment results	3,434	10,170	7,126	17,584
Unallocated segment results	655	(3,981)	1,667	(6,240)
Profit for the period	4,089	6,189	8,793	11,344

Information about geographical areas

In presenting information on the basis of information about geographical areas, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group comprises the following main information about geographical areas:

Area 1 : Thailand
Area 2 : Asia
Area 3 : Europe
Area 4 : America
Area 5 : Other

Details of the geographic segment financial information of the geographical area of the Group as at 30 June 2017 and 31 December 2016 and for the three-month and six-month periods ended 30 June were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	Three-month period ended 30 June		Six-month period ended 30 June	
	2017	2016	2017	2016
Revenue from external customers				
Thailand	38,239	37,638	74,596	73,603
Asia	68,166	66,596	133,290	124,819
Europe	13,118	11,331	23,922	21,541
America	5,897	937	12,907	1,836
Other	550	274	872	490
Total	125,970	116,776	245,587	222,289

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Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

	(Unit: Million Baht)	
	Consolidated	
	financial statements	
	30 June 2017	31 December 2016
<i>Property, plant and equipment and other intangible assets (excluded goodwill)</i>		
Thailand	70,610	68,941
Asia	90,744	88,181
Europe	18,567	18,309
America	17,603	19,410
Other	-	24
Total	197,524	194,865

15 Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2017 and 2016 were based on the profit for the periods attributable to ordinary shareholders of the Company less cumulative interest expense for the period net of income tax on subordinated perpetual debentures and the weighted average number of ordinary shares held by third parties outstanding during the three-month and six month periods then ended as follows:

For the three-month periods ended 30 June

	(Unit: Million Baht/Million shares)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Profit for the period attributable to ordinary shareholders of the Company	4,065	4,016	2,690	2,642
<i>Less: cumulative interest expense for the period net of income tax on subordinated perpetual debentures</i>	(154)	-	(154)	-
Profit used in calculation of basic earnings per share	3,911	4,016	2,536	2,642
Weighted average number of ordinary shares held by third parties outstanding				
Number of ordinary shares outstanding at beginning of period	7,743	7,743	7,743	7,743
Treasury shares held by subsidiaries	(355)	(355)	-	-
Net	7,388	7,388	7,743	7,743
Basic earnings per share (in Baht)	0.53	0.54	0.33	0.34

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

For the six-month periods ended 30 June

(Unit: Million Baht/Million shares)

	Consolidated financial statements		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit for the period attributable to ordinary shareholders of the Company	8,020	7,780	4,953	4,613
<i>Less: cumulative interest expense for the period net of income tax on subordinated perpetual debentures</i>	<u>(204)</u>	<u>-</u>	<u>(204)</u>	<u>-</u>
Profit used in calculation of basic earnings per share	<u>7,816</u>	<u>7,780</u>	<u>4,749</u>	<u>4,613</u>
 Weighted average number of ordinary shares held by third parties outstanding				
Number of ordinary shares outstanding at beginning of period	7,743	7,743	7,743	7,743
Treasury shares held by subsidiaries	<u>(355)</u>	<u>(355)</u>	<u>-</u>	<u>-</u>
Net	<u>7,388</u>	<u>7,388</u>	<u>7,743</u>	<u>7,743</u>
 Basic earnings per share (in Baht)	<u>1.06</u>	<u>1.05</u>	<u>0.61</u>	<u>0.60</u>

16 Dividends

Details of dividends for the six-month periods ended 30 June 2017 and 2016 were as follows:

<u>Approval date to pay dividends</u>	<u>Rate per share (Baht)</u>	<u>Number of entitled shares (Shares)</u>	<u>Total (in million Baht)</u>	<u>Source</u>
2017				
25 April 2017	0.45	7,742,941,932	3,484	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			<u>3,484</u>	
 2016				
29 April 2016	0.45	7,742,941,932	3,484	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			<u>3,484</u>	

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

17 Commitments with non-related parties

The Group had commitments with non-related parties as at 30 June 2017 and 31 December 2016 as follows:

17.1 Capital commitments

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>Contracted but not provided for</i>				
Land, buildings and constructions	3,031	2,461	27	1
Machinery, equipment and others	2,241	1,753	28	37
Total	5,272	4,214	55	38

17.2 Commitments under operating lease agreements

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	3,860	3,586	162	131
Over one year but within five years	10,505	9,555	133	127
Over five years	14,772	14,455	6	7
Total	29,137	27,596	301	265

The Group has lease agreements with non-related parties covering office premises including facilities, land, farms, vehicles and others for periods of 1 to 50 years expiring in 2017 to 2058.

17.3 Other commitments

The Company had a Cooperative Technical agreement with Maejo University (the “university”) whereby the university allowed the Company to use its land and constructions thereon in developing shrimp ponds and as the research and training center which will be terminated as at 31 December 2018. Under the terms of the agreements, the Company is committed to pay total annual compensation of Baht 2.2 million and to transfer the ownership of the project property to the university at the expiration of the agreements. The net book value of the Company’s assets in respect to the agreement as at 30 June 2017 totaled Baht 37 million (31 December 2016: Baht 31 million).

17.4 Letters of credit

The Company and certain subsidiaries had commitments under the issued letters of credit totaling Baht 201 million and Baht 1,688 million respectively (31 December 2016: Baht 1 million and Baht 1,177 million respectively).

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

17.5 Letters of guarantee

- (a) The Company and certain subsidiaries had commitments with financial institutions for letters of guarantee issued by the financial institutions in favor of government agencies and others totaling Baht 1,212 million and Baht 547 million respectively (*31 December 2016: Baht 17 million and Baht 3,133 million respectively*). The letters of guarantee are principally covering the guarantee of taxes, duties and sale of goods.
- (b) Certain foreign subsidiaries have commitments with foreign financial institutions for letters of financial guarantees issued for the customers in feed business of those subsidiaries totaling Baht 840 million (*31 December 2016: Baht 1,108 million*).

18 Guarantees

As at 30 June 2017 certain foreign subsidiaries pledged their assets as collateral for their borrowings from financial institutions as follows:

18.1 Ordinary shares of the following foreign subsidiaries:

- (a) C.P. Pokphand Co., Ltd. totaling 5,984 million shares with fair value of Baht 15,605 million (*31 December 2016: 5,154 million ordinary shares with fair value of Baht 22,876 million*).
- (b) Pravdinsk Pig Production Closed Joint Stock Company totaling 51,000 shares with carrying value of Baht 180 million (*31 December 2016: 51,000 ordinary shares with carrying value of Baht 182 million*).
- (c) NNPP Limited Liability Company with an authorised share capital of Baht 278 million (*31 December 2016: Baht 283 million*).
- (d) NNPP-2 Limited Liability Company with an authorised share capital of Baht 345 million (*31 December 2016: Nil*).

18.2 Property, plant and equipment with net book value of Baht 9,138 million (*31 December 2016: Baht 8,708 million*).

18.3 Current assets and non-current assets mainly comprising of inventories and net accounts receivable and payable, with carrying value of Baht 3,879 million (*31 December 2016: Baht 5,825 million*).

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Notes to the interim financial statements

For the three-month and six-month period ended 30 June 2017 (Unaudited)

19 Others

On 29 June 2017, CPF Europe S.A., a 99.99% indirectly owned foreign subsidiary of the Company, entered into a Share Purchase and Cooperation Agreement (the “Agreement”) with Peter Paulsen Import-Export GmbH & Co. Handels KG (“PP” or the “Seller”) to acquire 23,750 ordinary shares of Paulsen Food GmbH (“PF”) from the Seller, representing 95% of total issued shares of PF (the “Acquisition”) at the amount of Euro 12 million or equivalent to approximately Baht 466 million. The Acquisition processes are as follows:

- 1) The Seller shall transfer the business of PP including assets and liabilities required for operations e.g. inventory, investment in License Companies, employees and customer database to a newly incorporated company namely Paulsen Food GmbH (“PF”); and PP shall be the shareholder of PF. The business transfer shall occur on the same date as the acquisition date following process 2).
- 2) The Seller shall sell 95% of total issued shares of PF on the closing date which shall be taken place after the fulfillment of the condition precedent requirements which is expected to occur during the 4th quarter of 2017.

Upon the completion of the transaction, PF and subsidiaries (together referred to as “PF Group”) will become indirect subsidiaries of the Company.

After the business transfer by PP, PF will engage in the sale of meat to customers which are food services and food manufacturers in Germany and countries in the European Union. In addition, PF will own 76 License Companies in Germany which have import quota licenses for the import of poultry meat and other poultry products to the European Union.

20 Events after the reporting period

On 27 June 2017, the Extraordinary General Shareholders’ Meeting No. 1/2017 of the Company had the resolution to approve the increase of the registered share capital of the Company from the existing registered share capital of Baht 7,742,941,932 to Baht 9,291,530,318 by issuing 1,548,588,386 new ordinary shares with a par value of Baht 1 per share, offering to the existing shareholders of the Company in the proportion to their respective shareholdings (Rights Offering) for 5 existing ordinary shares to 1 newly issued ordinary share at the offering price of Baht 25 per share. A fraction of shares which is less than one share as a result of the calculation shall be disregarded. The share subscription period was from 24th July 2017 to 31st July 2017.

Upon the completion of share subscription period, there were 868,300,453 ordinary shares subscribed at the total amount of Baht 21,707,511,325 and the remaining unsubscribed ordinary shares from the subscription and rounding off of 680,287,933 shares will not be issued or offered again. In this regards, the Company will proceed with the decrease of registered capital by cancelling such remaining shares according to Section 140 of the Public Limited Companies Act B.E. 2535.

These newly issued shares of the Company were traded in the Stock Exchange of Thailand on 9 August 2017.