

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved for issue by the executive directors on 11 November 2016.

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, Bangrak, 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 consists of 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 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 September 2016 and 31 December 2015 only those with changes during the nine-month period ended 30 September 2016 were as follows:

Name of the entity	Type of business	Country of incorporation	The Group’s ownership interests (%)	
			30 September 2016	31 December 2015
<i>Indirect subsidiary with change in interests</i>				
1) CPF Trading LLC. ⁽¹⁾	Importer and distributor of meat products	Russia	99.99	59.99
<i>Newly incorporated indirect subsidiaries</i>				
1) Beijing CP Consultation Services Co., Ltd. ⁽²⁾	Provision of consulting service on economic and trade	The People’s Republic of China	50.43	-
2) CPF Ryzan LLC. ⁽¹⁾	Livestock farming	Russia	99.99	-

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Name of the entity	Type of business	Country of incorporation	The Group's ownership interests (%)	
			30 September 2016	31 December 2015
3) C.P. Food (Hengshui) Co., Ltd. ⁽²⁾	Production and sale of processed food	The People's Republic of China	50.43	-
4) CP Group (Inner Mongolia) Nutrition Technology Flocks and Herds Service Co., Ltd. ⁽²⁾	Production and sale of animal feed	The People's Republic of China	50.43	-
5) Nanning C.P. Food Co., Ltd. ⁽²⁾	Production and sale of ready meal	The People's Republic of China	50.43	-
6) NNPP-2 Limited Liability Company ⁽³⁾	Livestock farming	Russia	75.82	-
7) Rui Mu Foods Co., Ltd. ⁽⁵⁾	Layer chicken business	Taiwan	16.99	-
Indirect subsidiaries from business acquisition				
1) Hubei Chia Tai Co., Ltd. ⁽²⁾	Production and sale of animal feed and breeding and processed meat	The People's Republic of China	50.43	-
2) Norfolk Foods (Private) Limited ⁽⁴⁾	Production and sale of ready meal	Sri Lanka	80.00	-
Indirect subsidiary that change name				
1) CPF Japan Co., Ltd. ⁽⁴⁾ (Formerly known as CPF Tokyo Co., Ltd.)	Importer and distributor of processed meat and ready meals	Japan	99.99	99.99
2) C.P. Premix (Guanghan) Co., Ltd. ⁽²⁾ (Formerly known as Guanghan Chia Tai Feed Tech Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	45.89	45.89
3) C.P. Premix (Hangzhou) Co., Ltd. ⁽²⁾ (Formerly known as Hangzhou Advance Feed Tech Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	50.43	50.43
4) C.P. Premix (Liuzhou) Co., Ltd. ⁽²⁾ (Formerly known as Liuzhou Advance Feed Tech Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	50.43	50.43
5) C.P. Premix (Nantong) Co., Ltd. ⁽²⁾ (Formerly known as Nantong Chia Tai Tech Feed Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	30.26	30.26
6) C.P. Premix (Shenyang) Co., Ltd. ⁽²⁾ (Formerly known as Shenyang Feed Tech Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	50.43	50.43

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Name of the entity	Type of business	Country of incorporation	The Group's ownership interests (%)	
			30 September 2016	31 December 2015
7) C.P. Premix (Tianjin) Co., Ltd. ⁽²⁾ (Formerly known as Tianjin Chia Tai Feed Tech Co., Ltd.)	Production and sale of animal feed	The People's Republic of China	50.43	50.43
⁽¹⁾	a subsidiary of Charoen Pokphand Foods (Overseas) LLC.			
⁽²⁾	a subsidiary of C.P. Pokphand Co., Ltd.			
⁽³⁾	a subsidiary of Russia Baltic Pork Invest ASA			
⁽⁴⁾	a subsidiary of CPF Investment Limited			
⁽⁵⁾	a subsidiary of Charoen Pokphand Enterprise (Taiwan) Co., Ltd.			

During the nine-month period ended 30 September 2016, the Group did not dispose any investments 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 2015) *Interim Financial Reporting*; including related guidelines promulgated by the Federation of Accounting Professions (“FAP”); 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 2015. 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 2015.

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 2015 except for the adaption of all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2016 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.

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2.3 Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, 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 these estimates.

In preparing these interim financial statements, the judgements 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 2015.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

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 available-for-sale investments, 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 Hubei Chia Tai Co., Ltd. ("Hubei")

At the Board of Directors' meeting of the Company held on 11 May 2016, the Board of Directors of the Company passed a resolution to approve Chia Tai (China) Investment Company Limited ("CTI"), a 50.43% indirectly owned subsidiary, to acquire ordinary shares of Hubei which is incorporated in China, from Chia Tai Food Investment Company Limited ("CTFI"), an indirect subsidiary of Charoen Pokphand Group Company Limited.

The main business of Hubei is production and sale of animal feed, breeding and processed meat. The total value of the transaction is Renminbi 103 million or Baht 560 million.

CTI obtained control of Hubei on 14 June 2016 ("Acquisition date") through the acquisition of 100.00% of Hubei's total issued and paid-up share capital which equaled to 50.43% interests by the Group.

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The Group has applied Thai Financial Reporting Standards (“TFRS”) No. 3 (revised 2015) *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

	<i>(Unit: Million Baht)</i>
	Fair value
Cash	560

Identifiable assets acquired and liabilities assumed

	<i>(Unit: Million Baht)</i>
	Fair value
Cash and cash equivalents	478
Accounts receivables - trade and others	636
Inventories	310
Current biological assets	129
Other current assets	86
Property, plant and equipment	2,909
Leasehold rights	759
Overdrafts and short-term borrowings from financial institutions	(1,292)
Accounts payable - trade and others	(152)
Short-term borrowings	(205)
Current portion of long-term debts	(200)
Other current liabilities	(535)
Long-term debts	(2,361)
Deferred tax liabilities	(2)
Net assets	560
Consideration transferred	560
Cash received from acquisition of subsidiary	(478)
Net consideration paid for acquisition of subsidiary	82

The Group had assessed the fair value of the net assets acquired in accordance with TFRS No. 3 (revised 2015). However, if new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above provisional fair values, or any additional assets or liabilities that 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 nine-month periods ended 30 September 2016 includes operating results of Hubei for the period from 14 June 2016 to 30 September 2016. Significant details are as follows:

	<i>(Unit: Million Baht)</i>	
	For the three-month period ended 30 September 2016	For the nine-month period ended 30 September 2016
Revenue from sale of goods	1,691	1,691
Profit for the period attributable to equity holders of the Company	38	38

3.2 Share acquisition of Norfolk Foods (Private) Limited (“Norfolk”)

At the Board of Directors’ meeting of the Company held on 13 July 2016, the Board of Directors of the Company passed a resolution to approve CPF Investment Limited (“CPFI”), a subsidiary which 100% of its issued and paid-up share capital being owned by the Company, entered into Share Purchase Agreement (“Share Purchase Agreement”) with Expolanka Holdings PLC., Mr. Habeeb Mohamed Ziauddin and Mrs. Hamzathul Zareeha Ziauddin (“the Sellers”) to acquire the issued and paid-up share capital of Norfolk which is incorporated in Sri Lanka.

The main business of Norfolk is manufacturing and sale of ready-to-eat foods products. The acquisition will be carried out in two steps as follows:

- **The First Acquisition**

CPFI will acquire 2,752,800 ordinary shares of Norfolk (representing 80% of the total issued and paid-up share capital of Norfolk) at total amount of U.S. Dollar 4 million or approximately Baht 139 million.

- **The Second Acquisition**

CPFI has the right to acquire (Call options) and the Sellers has the right to sell (Put options) the remaining 20% of the issued and paid-up share capital of Norfolk on each second, third and fourth anniversary after the First Acquisition date as the price specified in the Share Purchase Agreement.

The Group obtained control of Norfolk on 15 July 2016 (“Acquisition date”) through the acquisition of 2,752,800 ordinary shares (equal to 80% of total issued and paid-up share capital).

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The Group has applied Thai Financial Reporting Standards (“TFRS”) No. 3 (revised 2015) *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

(Unit: Million Baht)

	Fair value
Cash	139

Identifiable assets acquired and liabilities assumed

(Unit: Million Baht)

	Fair value
Cash and cash equivalents	13
Accounts receivables - trade and others	57
Inventories	21
Other current assets	2
Plant and equipment	52
Leasehold rights	9
Other non-current assets	1
Accounts payable - trade and others	(22)
Income tax payable	(3)
Other current liabilities	(4)
Deferred tax liabilities	(5)
Provisions	(4)
Employee benefit obligations	(10)
Net assets	107
Non-controlling interests	(21)
Goodwill	53
Consideration transferred	139
Cash received from acquisition of subsidiary	(13)
Net consideration paid for acquisition of subsidiary	126

As at 30 September 2016 the Group is still assessing the final fair value of the net assets acquired. In accordance with TFRS No. 3 (revised 2015), if new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above provisional fair values, or any additional assets or liabilities that existed at the acquisition date, then the acquisition accounting will be revised.

The factors contributing to the goodwill are the strong growth potential of Sri Lanka’s food business and the access to the production base for exporting to nearby countries. Goodwill from the business combination will not qualify for any tax deduction.

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The consolidated statement of income for the three-month and nine-month periods ended 30 September 2016 includes operating results of Norfolk for the period from 15 July 2016 to 30 September 2016. Significant details are as follows:

	<i>(Unit: Million Baht)</i>	
	For the three-month period ended 30 September 2016	For the nine-month period ended 30 September 2016
Revenue from sale of goods	62	62
Profit for the period attributable to equity holders of the Company	4	4

If the acquisition of Hubei and Norfolk had occurred on 1 January 2016, management estimates that revenue from sale of goods and profit of the Group in the consolidated financial statements for the three-month and nine-month periods ended 30 September 2016 would have been as follows:

	<i>(Unit: Million Baht)</i>	
	For the three-month period ended 30 September 2016	For the nine-month period ended 30 September 2016
Revenue from sale of goods	122,574	346,772
Profit for the period attributable to equity holders of the Company	5,185	12,968

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 45.40% of the Company's voting rights as of the latest closing date of shareholder register book on 26 August 2016.

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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 nine-month periods ended 30 September 2016 and 2015

For the three-month period ended 30 September 2016 and 2015

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	2016	2015	2016	2015
(a) Revenues				
Significant influence entity				
Software application income	1	1	-	-
Training and seminar income	1	1	-	-
Subsidiaries				
Dividend income	-	-	3,188	1,800
Interest income	-	-	1,026	987
Sale of goods	-	-	746	889
Rental, service and other income	-	-	2	3
Gain on sale of fixed assets	-	-	56	1
Associates, joint ventures and related companies				
Sale of goods	11,350	8,959	146	117
Rental, service and other income	55	44	1	2
Dividend income	44	-	28	-
Training and seminar income	9	10	-	-
Software application income	7	4	-	-
Interest income	1	-	-	-

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For the three-month period ended 30 September 2016 and 2015 (Continued)

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
(b) Expenses and others				
Significant influence entity				
Purchase of raw materials and goods	2,600	2,063	832	477
Technical service fees	509	423	11	11
Trademark license fees	21	20	1	1
Subsidiaries				
Purchase of raw materials and goods	-	-	1,270	909
Software application fees	-	-	45	45
Rental and service fees	-	-	16	16
Training and seminar fees	-	-	10	8
Other expenses	-	-	10	13
Associates, joint ventures and related companies				
Purchase of raw materials and goods	12,598	12,439	158	119
Construction costs of buildings, structures and others	407	330	45	33
Rental and service fees	384	367	69	97
Purchase of equipment and others	57	44	32	4
Insurance premium	46	57	19	21
Trademark license fees	8	9	-	-
Software application fees	7	7	-	-
Interest expenses	2	-	-	-
Other expenses	401	326	43	12

For the nine-month period ended 30 September 2016 and 2015

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
(a) Revenues				
Significant influence entity				
Software application income	1	1	-	-
Training and seminar income	1	1	-	-
Subsidiaries				
Dividend income	-	-	9,288	7,387
Interest Income	-	-	3,145	2,567
Sale of goods	-	-	2,001	2,343
Gain on sale of fixed assets	-	-	57	2
Rental, service and other income	-	-	8	4

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For the nine-month period ended 30 September 2016 and 2015 (Continued)

	Consolidated		<i>(Unit: Million Baht)</i>	
	financial statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
(a) Revenues (Continued)				
Associates, joint ventures and related companies				
Sale of goods	30,151	25,278	431	269
Rental, service and other income	151	169	2	3
Dividend income	70	64	39	37
Software application income	20	25	-	-
Training and seminar income	18	18	-	-
Interest Income	3	1	-	-
Gain on sale of land	-	705	-	-
(b) Expenses and others				
Significant influence entity				
Purchase of raw materials and goods	7,171	6,369	2,096	1,450
Technical service fees	1,429	1,200	33	29
Trademark license fees	65	62	3	5
Subsidiaries				
Purchase of raw materials and goods	-	-	3,863	2,688
Software application fees	-	-	137	145
Rental and service fees	-	-	47	48
Training and seminar fees	-	-	24	21
Other expenses	-	-	37	36
Associates, joint ventures and related companies				
Purchase of raw materials and goods	35,443	40,197	437	349
Rental and service fees	1,142	1,110	229	314
Construction costs of buildings, structures and others	1,063	1,102	115	152
Insurance premium	152	191	57	78
Purchase of equipment and others	127	86	50	20
Trademark license fees	25	26	-	-
Software application fees	22	22	-	-
Interest expenses	5	4	-	-
Other expenses	888	888	81	38

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4.2 Balances with related parties as at 30 September 2016 and 31 December 2015 were as follows:

4.2.1 Accounts receivable - trade and others

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Significant influence entity	1	1	-	-
Subsidiaries	-	-	1,321	1,713
Associates and joint ventures	2,872	2,719	16	32
Related companies	5,446	4,618	131	107
Total	8,319	7,338	1,468	1,852

4.2.2 Short-term loans

(Unit: Million Baht)

	Separate financial statements		
	Outstanding balance		
	30 September 2016	31 December 2015	Average balance
Subsidiaries	43,627	33,936	49,457
Total	43,627	33,936	49,457

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 September 2016	31 December 2015	30 September 2016	31 December 2015
Subsidiaries	-	-	-	5,927
Associates and joint ventures	177	189	-	-
Total	177	189	-	5,927

4.2.4 Accrued interest income

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Subsidiaries	-	-	167	97
Total	-	-	167	97

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4.2.5 Long-term loans

(Unit: Million Baht)

	Separate financial statements		
	Outstanding balance		
	30 September 2016	31 December 2015	Average Balance
Subsidiaries	6,811	23,367	8,539
Less current portion	(410)	(387)	
Net	6,401	22,980	

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 September 2016	31 December 2015	30 September 2016	31 December 2015
	Significant influence entity	523	758	127
Subsidiaries	-	-	180	193
Associates and joint ventures	249	309	4	-
Related companies	1,848	2,470	104	87
Total	2,620	3,537	415	322

4.2.7 Short-term borrowings

(Unit: Million Baht)

	Consolidated financial statements		
	Outstanding balance		
	30 September 2016	31 December 2015	Average Balance
Joint ventures	385	378	325
Total	385	378	325

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 September 2016 and 31 December 2015 were as follows:

	Consolidated financial statements					
	<i>(Unit: Million Baht)</i>					
	Balance with fixed interest rate		Balance with floating interest rate		Average interest rate (%)	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Short-term borrowings from joint ventures	385	378	-	-	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 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Short-term loans to subsidiaries	10,153	3,669	33,474	30,267	7.39	7.39
Long-term loans to subsidiaries	6,811	23,367	-	-	5.21	5.40

4.4 Key management personnel compensations

Key management personnel compensations consist of:

	<i>(Unit: Million Baht)</i>			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>For the three-month period ended 30 September</i>				
Short-term employee benefits	118	112	55	49
Post-employment under defined benefit plans	3	4	1	1
Total	121	116	56	50

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	<i>(Unit: Million Baht)</i>			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<i>For the nine-month period ended 30 September</i>				
Short-term employee benefits	347	333	163	155
Post-employment under defined benefit plans	9	9	3	3
Total	356	342	166	158
<i>As at 30 September</i>				
Employee benefit obligations	257	242	86	81
Total	257	242	86	81

4.5 Commitments

As at 30 September 2016 and 31 December 2015 the Group had commitments with related parties as follows:

4.5.1 Capital commitments

	<i>(Unit: Million Baht)</i>			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
<i>Contracted but not provided for</i>				
Mainly represents contracts for construction of buildings and Structures and purchase of machinery and others	510	431	109	144

4.5.2 Commitments under operating lease agreements

	<i>(Unit: Million Baht)</i>			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Within one year	810	926	233	250
Over one year but within five years	1,465	1,539	249	197
Over five years	341	374	-	-
Total	2,616	2,839	482	447

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

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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 2016 to 2025.

4.6 Significant agreements


As at 30 September 2016 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 effective starting from 1 January 2016 to 31 December 2016.

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 of 0.2% and 0.4% of the sale value of each product as stipulated in the agreement. This agreement is effective starting from 1 July 2014 to 30 June 2017.

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 of 0.2% and 0.4% of the sale value of each product as stipulated in the agreements. These agreements are effective starting from 1 January 2016 to 31 December 2016.

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 has 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.

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

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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.

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 term 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.

5 Accounts receivable - trade and others

		<i>(Unit: Million Baht)</i>			
		Consolidated		Separate	
		financial statements		financial statements	
		30 September	31 December	30 September	31 December
		2016	2015	2016	2015
	<i>Note</i>				
Related parties	4	8,319	7,338	1,468	1,852
Other parties		19,004	19,552	2,206	2,310
Total		27,323	26,890	3,674	4,162
<i>Less</i> allowance for doubtful accounts		(819)	(734)	(61)	(49)
Net		26,504	26,156	3,613	4,113

		<i>(Unit: Million Baht)</i>			
		Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
Bad and doubtful debts expense (reversal of allowance for doubtful accounts) for the :					
- three-month period ended 30 September		53	9	(3)	(1)
- nine-month period ended 30 September		154	28	12	(3)

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

The outstanding balances of the problem accounts receivable - trade and others that the Company has considered and already provided the allowance for doubtful accounts as at 30 September 2016 and 31 December 2015 classified by aging were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Periods over credit terms:				
Over 3 months to 6 months	121	194	-	-
Over 6 months to 12 months	161	20	-	-
Over 12 months	537	520	61	49
Total	819	734	61	49

(Unit: Million Baht)

6 Available-for-sale investments

Movements during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated	
	2016	2015
At 1 January	3,659	3,924
Acquisitions/additional investments	1,334	4,923
Disposals	-	(673)
Reclassification of change in fair value to profit or loss from disposal	-	(1,450)
Changes in fair value	267	(1,852)
Currency translation differences	(118)	458
At 30 September	5,142	5,330
At 31 December		3,659

(Unit: Million Baht)

Details of available-for-sale investments

Available-for-sale investments as at 30 September 2016 and 31 December 2015 were as follows:

	Ownership interest (both direct and indirect)		Consolidated		Separate	
	(%)		financial statements		financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Marketable securities						
- at fair value						
True Corporation Public						
Company Limited - at cost	2.21	2.21	8,034	6,818	-	-
Changes in fair value			(2,892)	(3,159)	-	-
Total			5,142	3,659	-	-

(Unit: Million Baht)

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

During the nine-month period ended 30 September 2015, a subsidiary sold the available-for-sale investments with the original cost of Baht 673 million with a gain on sale of investments amounting to Baht 1,431 million, which was presented in the consolidated statement of income.

Carrying amounts and fair values 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:

(Unit: Million Baht)

	Carrying amount	Consolidated financial statements			
		Fair value			
		Level 1	Level 2	Level 3	Total
30 September 2016					
<i>Non-current</i>					
Equity securities available for sale	5,142	5,142	-	-	5,142

7 Investments in subsidiaries

Movements during the nine-month periods ended 30 September 2016 and 2015 were as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
At 1 January	-	-	86,938	68,443
Acquisitions/additional investments	-	-	13,061	4,036
At 30 September	-	-	99,999	72,479
At 31 December		-		86,938

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Details of investments in subsidiaries and dividend income

Investments in subsidiaries as at 30 September 2016 and 31 December 2015, and dividend income for the nine-month periods ended 30 September 2016 and 2015 were as follows:

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest (%)		Paid-up capital		Cost method		Accumulated impairment		At cost - net		Dividend income for nine months ended	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	30 September 2015
<i>Marketable securities</i>												
C.P. Pokphand Co., Ltd.	4.98	4.98	7,973	7,973	4,691	4,691	-	-	4,691	4,691	119	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	119	119
<i>Non-marketable securities</i>												
Bangkok Produce Merchandising Public Company Limited	99.44	99.44	600	600	1,230	1,230	-	-	1,230	1,230	626	1,193
CPF (Thailand) Public Company Limited	99.98	99.98	9,110	7,008	22,393	11,883	-	-	22,393	11,883	3,188	-
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	5,355	6,075
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	-	-
C.P. Aquaculture (Beihai) Co., Ltd.	100.00	100.00	602	602	602	602	-	-	602	602	-	-

**Charoen Pokphand Foods Public Company Limited
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Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

Details of investments in subsidiaries and dividend income (continued)

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest (%)		Paid-up capital		Cost method		Accumulated impairment		At cost - net		Dividend income for nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	September 2015
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.	5.63	8.57	3,409	6,452	618	618	-	-	618	618	-	-
Charoen Pokphand Foods Kenya Co., Ltd.	99.99	99.99	8	8	8	8	-	-	8	8	-	-
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	34.09	3,954	3,196	1,055	1,055	-	-	1,055	1,055	-	-
CPF Investment Limited	100.00	100.00	44,663	42,123	44,663	42,123	-	-	44,663	42,123	-	-
CPF Tanzania Limited	58.25	58.25	224	224	129	129	-	-	129	129	-	-
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	12,915	-	-	12,926	12,915	-	-
Total					95,746	82,685	(938)	(938)	94,808	81,747	9,169	7,268
Grand Total					100,937	87,876	(938)	(938)	99,999	86,938	9,288	7,387

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

8 Investments in associates

Movements of investments in associates during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated		<i>(Unit: Million Baht)</i>	
	financial statements	financial statements	Separate	financial statements
	2016	2015	2016	2015
At 1 January	65,312	52,055	335	335
Share of profit of associates	4,603	3,533	-	-
Dividend income from associates	(3,033)	(2,510)	-	-
Previously held interest in associate before status change to subsidiary	-	(820)	-	-
Acquisitions/additional investments	4,012	5,335	-	-
Disposals	(1,529)	(2,690)	-	-
Currency translation differences	(291)	64	-	-
Others	(45)	(41)	-	-
At 30 September	<u>69,029</u>	<u>54,926</u>	<u>335</u>	<u>335</u>
At 31 December		<u>65,312</u>		<u>335</u>

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 financial statements by the equity method. As at 30 September 2016 the fair value of this investment was Baht 190,921 million (31 December 2015: Baht 121,652 million).

During the nine-month period ended 30 September 2016, a subsidiary sold the investments in an associate with the carrying amount of Baht 1,529 million with a gain on sale of investments amounting to Baht 2,126 million, which was presented in the consolidated statement of income (2015: Baht 2,690 million and Baht 4,567 million respectively).

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Details of investments in associates and dividend income

Investments in associates as at 30 September 2016 and 31 December 2015, and dividend income for the nine-month periods ended 30 September 2016 and 2015 were as follows:

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect) (%)		Paid-up capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	31	30	30
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	September 2015
Marketable security														
CP ALL Public Company Limited	34.70	34.50	8,983	8,983	56,002	53,334	64,612	60,863	-	-	64,612	60,863	2,817	2,341
Total					56,002	53,334	64,612	60,863	-	-	64,612	60,863	2,817	2,341
Non-marketable securities														
Nava 84 Co., Ltd.	25.00	25.00	1,203	1,203	159	159	163	162	-	-	163	162	-	-
Ross Breeders Siam Co., Ltd.	49.99	49.99	70	70	35	35	95	86	-	-	95	86	7	17
Siam Rivea Co., Ltd.	29.99	-	5	-	2	-	2	-	-	-	2	-	-	-
Arbor Acres Thailand Co., Ltd.	49.98	49.98	4	4	2	2	165	183	-	-	165	183	44	95
BHJ Kalino Food AB ("BHJ") *	15.08	15.08	5	5	24	24	26	29	-	-	26	29	2	3
C.P. Aquaculture (India) Private Limited	31.70	31.70	192	192	176	176	718	743	-	-	718	743	-	-
Charoen Pokphand Holdings (Malaysia) Sdn. Bhd.	49.75	49.75	353	353	176	176	1,456	1,389	-	-	1,456	1,389	-	-

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For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

Details of investments in associates and dividend income (Continued)

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect) (%)		Paid-up capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	31	30	30
	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	December 2015	September 2016	September 2015
Chia Tai Conti (Cixi) Investment Management Co., Ltd.	25.21	-	5	-	3	-	2	-	-	2	-	-	-	-
Conti Chia Tai International Limited	25.21	25.21	767	767	1,052	1,052	1,374	1,462	-	-	1,374	1,462	163	-
Zhan Jiang Deni Carburetor Co., Ltd. **	14.12	14.12	581	581	424	424	416	395	-	-	416	395	-	54
Total					2,053	2,048	4,417	4,449	-	-	4,417	4,449	216	169
Grand total					58,055	55,382	69,029	65,312	-	-	69,029	65,312	3,033	2,510

* BHJ is an associate in which 29.00% of the total issued and paid-up shares 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 financial statements.

** Zhan Jiang Deni Carburetor Co., Ltd. is an associate in which 28.00% of the total issued and paid-up shares 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 Zhan Jiang Deni Carburetor Co., Ltd. using the equity method based on 14.12% shareholding in the consolidated 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 capital		Cost method		Accumulated impairment		At cost - net		Dividend income for nine-months ended	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	30 September 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	-	-

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For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

9 Investments in joint ventures

Movements of investments in joint ventures during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated		<i>(Unit: Million Baht)</i>	
	financial statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
At 1 January	4,419	4,194	-	-
Share of profit of joint ventures	304	202	-	-
Dividend income from joint ventures	(184)	(81)	-	-
Currency translation differences	(104)	101	-	-
At 30 September	<u>4,435</u>	<u>4,416</u>	<u>-</u>	<u>-</u>
At 31 December		<u>4,419</u>		<u>-</u>

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

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For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

Details of investments in joint ventures

Investments in joint ventures as at 30 September 2016 and 31 December 2015 and dividend income for the nine-month periods ended 30 September 2016 and 2015 were as follows:

(Unit: Million Baht)

	Consolidated financial statements													
	Ownership interest (both direct and indirect) (%)		Paid-up capital		Cost method		Equity method		Accumulated impairment		At equity - net		Dividend income for nine-months ended	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	30 September 2015
Non-marketable securities														
CP-Meiji Co., Ltd. ("CP-Meiji")*	59.99	59.99	500	500	1,200	1,200	1,597	1,402	-	-	1,597	1,402	-	-
Beijing Chia Tai Feedmill Co., Ltd.	25.21	25.21	157	157	128	128	173	158	-	-	173	158	-	-
Handan Chia Tai Feed Co., Ltd.	25.21	25.21	56	56	-	-	19	20	-	-	19	20	2	2
Jilin Chia Tai Enterprise Co., Ltd.	25.21	25.21	261	261	211	211	213	233	-	-	213	233	16	-
Henan East Chia Tai Co., Ltd.	25.21	25.21	170	170	225	225	195	209	-	-	195	209	39	79
ECI Metro Investment Co., Ltd.	25.21	25.21	378	378	1,296	1,296	2,238	2,397	-	-	2,238	2,397	127	-
Total					3,060	3,060	4,435	4,419	-	-	4,435	4,419	184	81

* 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.

The Group accounts for investments in joint ventures using the equity method in the consolidated financial statements.

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

10 Investments in related companies

Movements during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated		<i>(Unit: Million Baht)</i> Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
At 1 January	1,608	1,549	678	678
Currency translation differences	(27)	66	-	-
At 30 September	<u>1,581</u>	<u>1,615</u>	<u>678</u>	<u>678</u>
At 31 December		<u>1,608</u>		<u>678</u>

Details of investments in related companies

Investments in related companies as at 30 September 2016 and 31 December 2015 were as follows:

	Ownership interest (both direct and indirect)		Consolidated		<i>(Unit: Million Baht)</i> Separate	
	<i>(%)</i>		financial statements		financial statements	
	<u>30</u> September 2016	<u>31</u> December 2015	<u>30</u> September 2016	<u>31</u> December 2015	<u>30</u> September 2016	<u>31</u> December 2015
<i>Non-marketable securities</i>						
General investments - 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	1,190	1,217	528	528
Total			<u>1,581</u>	<u>1,608</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 nine-month periods ended 30 September 2016 (Unaudited)

11 Investments in other companies

Movements during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated financial statements		(Unit: Million Baht) Separate financial statements	
	2016	2015	2016	2015
At 1 January	304	290	-	-
Acquisitions/additional investments	1,358	-	-	-
Currency translation differences	(30)	23	-	-
At 30 September	1,632	313	-	-
At 31 December		304		-

During the nine-month period ended 30 September 2016, Chia Tai (China) Investment Co., Ltd. (“CTI”), a 100% indirectly owned subsidiary of C.P. Pokphand Co., Ltd. (“CPP”), acquired the newly issued ordinary shares of Qingdao Yi Bang Bio-Engineering Co., Ltd. (“Qingdao Yi Bang”) for 12% of the paid-up share capital of Qingdao Yi Bang with total consideration of Renminbi 260 million or approximately Baht 1,358 million. As at 30 September 2016 the book value of this investment was Baht 1,348 million.

12 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month periods ended 30 September 2016 and 2015 were as follows:

	(Unit: Million Baht) Consolidated financial statements			
	2016		2015	
	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	129	49	830	500
Buildings and building improvements and utilities system	9,506	325	9,525	300
Machinery and equipment	7,924	248	8,298	130
Other	980	42	1,902	15
Assets under construction and installation	13,261	13,324	16,346	15,712
Total	31,800	13,988	36,901	16,657

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

(Unit: Million Baht)

	Separate financial statements			
	2016		2015	
	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	-	42	-	-
Buildings and building improvements and utilities system	690	151	686	490
Machinery and equipment	415	131	935	265
Other	26	1	47	10
Assets under construction and installation	593	984	734	1,501
Total	1,724	1,309	2,402	2,266

13 Accounts payable - trade and others

(Unit: Million Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
		Related parties	4	2,620	3,537
Other parties		22,926	24,485	1,006	1,199
Total		25,546	28,022	1,421	1,521

14 Interest-bearing liabilities

As at 30 September 2016 the increase in interest-bearing liabilities was principally from the issue of debentures, exchangeable bonds and enter into long-term loan agreement by the Company and its subsidiaries. Details are as follows:

14.1 On 20 January 2016 CPF (Thailand) Public Company Limited (“CPFTH”), a 99.98% owned subsidiary of the Company issued unsubordinated and unsecured debentures No. 1/2016 in the registered name and without debenture holder representative with the aggregate value of Baht 16,000 million. The debentures are divided into:

- The first series of Baht 7,450 million with a term of 5 years, bearing interest at the fixed rate of 3.10% per annum.
- The second series of Baht 2,150 million with a term of 7 years, bearing interest at the fixed rate of 3.47% per annum.

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- The third series of Baht 3,350 million with a term of 10 years, bearing interest at the fixed rate of 3.87% per annum.
- The fourth series of Baht 3,050 million with a term of 12 years, bearing interest at the fixed rate of 4.15% per annum.

The debentures have a credit rating of “A+” rated by TRIS Rating Co., Ltd. on 14 December 2015 and CPFTH registered the debentures with the Thai Bond Market Association on 20 January 2016.

The debentures have been reviewed with a credit rating of “A+” rated by TRIS Rating Co., Ltd. on 4 July 2016.

14.2 On 12 April 2016 the Company issued unsubordinated and unsecured debentures No. 1/2016 in registered name and without debenture holder representative with the aggregate value of Baht 9,060 million. The debentures are divided into:

- The first series of Baht 3,060 million with a term of 4 years, bearing interest at the fixed rate of 2.28% per annum.
- The second series of Baht 3,500 million with a term of 8 years, bearing interest at the fixed rate of 3.11% per annum.
- The third series of Baht 2,500 million with a term of 15 years, bearing interest at the fixed rate of 3.73% per annum.

The debentures have a credit rating of “A+” rated by TRIS Rating Co., Ltd. on 31 March 2016 and the Company registered the debentures with the Thai Bond Market Association on 12 April 2016.

14.3 On 17 June 2016 C.P. Pokphand Co., Ltd. (“CPP”), a 50.43% owned subsidiary of the Group has entered into a long term loan agreement with various financial institutions amounting to U.S. Dollar (“USD”) 600 million.

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Details of the long-term borrowing agreement are as follows:

Approved credit facilities	Interest rate (% per annum)	Term of payment
USD 600 million	Floating interest rate LIBOR plus specified rate	1 st installment: 2.5% (the 24th month after the date of the agreement) 2 nd installment: 5.0% (the 30th month after the date of the agreement) 3 rd installment: 5.0% (the 36th month after the date of the agreement) 4 th installment: 12.5% (the 42th month after the date of the agreement) 5 th installment: 15.0% (the 48th month after the date of the agreement) 6 th installment: 25.0% (the 54th month after the date of the agreement) 7 th installment: 35.0% (the 60th month after the date of the agreement)

As at 30 September 2016 CPP has fully drawdown the above long-term borrowing for loan repayment and investing activity and/or general corporate of CPP. The long-term borrowing is recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, the long-term borrowing is stated at amortised cost. As at 30 September 2016 the long-term borrowing has the carrying amount of USD 592.8 million or approximately Baht 20,504 million.

CPP must comply with the specific covenants such as to maintain net debt to equity ratio not exceeding 1.75:1 and debt service cover ratio more than 1.20 times. In this regard, CPP has to render all outstanding liabilities if CPP cease to meet the terms specified in the agreement.

14.4 On 15 July 2016 CPFTH issued unsubordinated and unsecured debentures No. 2/2016 in registered name and without debenture holder representative with the aggregate value of Baht 13,000 million. The debentures are divided into:

- The first series of Baht 5,000 million with a term of 4 years, bearing interest at the fixed rate of 2.51% per annum.
- The second series of Baht 3,300 million with a term of 7 years, bearing interest at the fixed rate of 3.09% per annum.
- The third series of Baht 1,400 million with a term of 10 years, bearing interest at the fixed rate of 3.46% per annum.
- The forth series of Baht 1,100 million with a term of 12 years, bearing interest at the fixed rate of 3.65% per annum.
- The fifth series of Baht 2,200 million with a term of 15 years, bearing interest at the fixed rate of 3.95% per annum.

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The debentures have a credit rating of “A+” rated by TRIS Rating Co., Ltd. on 4 July 2016 and were registered with the Thai Bond Market Association on 15 July 2016.

- 14.5 On 15 January 2016, C.P. Foods Holdings Limited (“CPFH”), a 100.00% owned subsidiary of the Company redeemed the Exchangeable Bonds (“EBs”) with an aggregate principal amount of USD 274.8 million or approximately Baht 9,991.7 million as the EB holders exercised their put options pursuant to the terms and conditions of the EBs (“terms and conditions”). For the remaining principal amount of USD 15.6 million or approximately Baht 567.2 million of the EBs, CPFH requested to exercise the right to redeem the remaining EBs pursuant to the terms and conditions on 18 January 2016 and finally exercised the right to redeem and canceled all EBs on 3 March 2016. Therefore, the EBs were ceased from listing in Singapore Exchange Securities Trading Limited.

However on 12 September 2016, the Board of Directors of CPFH passed a resolution to approve CPFH to issue and offer USD 300 million 0.5% Exchangeable Bonds due 2021 (“EBs”). The EBs holders can exchange the EBs into a pro rata share of the Exchange Property with a sponsor undertaking from the Company. The Exchange Property, at the EBs issue date, initially comprised 135,285,000 shares in CP ALL Public Company Limited (“CPALL Shares”), which belong to CPFH and which were deposited with the Custody Account with UBS AG London Branch (the “Custodian” or “UBS”) pursuant to the details set out in the terms and conditions of the EBs. Under the terms and conditions of the EBs, the EB holders have the options to (1) exchange the EBs into CPALL Shares as held by CPFH, or (2) put the EBs to CPFH on the date falling 2 years from the issue date of the EBs, or (3) hold the EBs until maturity, whereby in the case of (2) and (3) CPFH will repay the EB holders in cash. In accordance with the terms and conditions of the EBs, where the EB holders exercise the exchange right, CPFH has the option to deliver CPALL Shares to the EBs holders or redeem the EBs using cash of equivalent market value of CPALL Shares. The initial exchange ratio of EBs is 90,190 CPALL Shares for each USD 200,000 principal amount of EBs (1 CPALL Share equivalent to Baht 77.35 (rounded up) at the exchange rate USD 1: Baht 34.881).

The issuance and offering of the EBs was completed on 22 September 2016 and the EBs were listed on Singapore Exchange Securities Trading Limited on 23 September 2016.

As at 30 September 2016 the carrying amount of the EBs were USD 295 million or equivalent to Baht 10,211 million.

In addition, CPFH has a securities lending agreement over the Exchange Property (“CPALL Shares”) with UBS (the “Borrower”). Under the terms of the agreement, CPFH agrees to lend to the Borrower up to 75 million CPALL Shares (equal to 0.83% of CPALL’s total issued and paid-up share capital) from the Custody Account with the terms and condition of service fees as stipulated in the agreement. In this regard, CPFH may recall CPALL Shares from the Borrower to deliver to EBs holders, if there are insufficient CPALL Shares in the Custody Account. As at 30 September 2016 the borrower has not borrowed any of CPALL Shares from CPFH.

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15 Treasury shares

	<i>(Unit: Million Baht)</i>			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Ordinary shares of the Company held by subsidiaries	1,135	1,135	-	-
	1,135	1,135	-	-

For the treasury shares of the Company, the Board of Directors' meeting of the Company held on 25 August 2015, resolved to approve the share repurchase program for financial management purpose in accordance with the Section 66/1(2) of the Public Company Limited Act in the amount not exceeding Baht 10,000 million. The number of ordinary shares to be repurchased is not exceeding 400 million shares (par value of Baht 1 per share); equal to 5.17% of the total number of paid-up share capital of the Company. The Company shall repurchase its ordinary shares through the main board of the Stock Exchange of Thailand during the period from 10 September 2015 to 9 March 2016. However, during such period, the Company did not buy back any share and the Program had ended on 9 March 2016.

16 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 nine-month periods ended 30 September 2016 and 2015 were as follows:

	<i>(Unit: Million Baht)</i>			
	Consolidated financial statements			
	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016	2015	2016	2015
<i>Segment revenue</i>				
Livestock business	101,872	92,373	291,177	263,414
Aquaculture business	20,677	19,504	53,662	48,365
Total	122,549	111,877	344,839	311,779
<i>Segment results</i>				
Livestock business	7,819	4,936	24,364	12,488
Aquaculture business	1,743	1,215	2,782	615
Total allocated segment results	9,562	6,151	27,146	13,103
Unallocated segment results	(2,828)	(1,213)	(9,068)	(63)
Profit for the period	6,734	4,938	18,078	13,040

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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 financial information of the geographical area of the Group as at 30 September 2016 and 31 December 2015 and for the three-month and nine-month periods ended 30 September 2016 and 2015 were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016	2015	2016	2015
<i>Revenue from external customers</i>				
Thailand	39,123	36,467	112,726	104,458
Asia	71,503	65,792	196,322	179,218
Europe	10,490	8,290	32,031	23,952
America	985	997	2,821	3,340
Other	448	331	939	811
Total	122,549	111,877	344,839	311,779

(Unit: Million Baht)

	Consolidated financial statements	
	30 September 2016	31 December 2015
<i>Property, plant and equipment and other intangible assets (excluded goodwill)</i>		
Thailand	58,407	57,124
Asia	84,139	81,490
Europe	16,890	15,418
America	36	37
Other	35	45
Total	159,507	154,114

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17 Income tax expense

During the second quarter of 2016, the Company and two local subsidiaries adjusted their corporate income tax calculation for the period 2010 to 2015 relating to the computation of annual net profits or net losses of the entities being granted multiple promotional privileges by the Board of Investment. Originally during those accounting periods, the Company and the subsidiaries calculated annual net profits or losses for the businesses being granted promotional privileges according to the guideline provided by the Board of Investment by calculating each project separately (“Separate Project Calculation Method”) which is in accordance with the ruling by the Council of State and the Administrative Office of the Central Tax Court at that time. However, the aforementioned calculation method is different from the decision of the Board of Taxation and Notification of the Revenue Department that any business being granted promotional privileges must combine revenues and expenses of all projects in the same accounting period in order to arrive at the net profit or losses of the business being granted promotional privileges (“Combine All Projects Method”). Later on during the second quarter of 2016, there was a resolution that the income tax calculation of a business being granted promotional privileges must be under Revenue Code in accordance with the calculation made by a tax assessment officer. Hence, any legal entity that did not file corporate income tax return by using the Combine All Projects Calculation Method within the determined period are subjected to fine and penalties. However, on 16 June 2016 the Ministry of Finance made an announcement of the Prolongation of Corporate Income Tax Return under Revenue Code outlining the case whereby any company or any juristic partnership being granted promotional privileges under the provisions of the Industrial Investment Promotion Act of B.E. 2520 that did not calculate annual net profits or losses using the Combine All Projects Method, they will not be subjected to fine and penalties should they file corporate income tax return under the Combine All Project Method within 1 August 2016. In addition, on 29 July 2016 the Chief of National Council for Peace and Order issued order No. 45/2559 prolonging income tax return filing period until 15 August 2016, hence, the Company and the subsidiaries changed income tax calculations of the businesses being granted promotional privileges to the Combine All Projects Method and recognised the effect in the current period. The change required the Group and the Company to pay additional income tax amounted to Baht 1,320 million and Baht 1,096 million respectively. The Group and the Company paid the income tax on 15 August 2016 and have already recorded the additional income tax in the interim financial statements for the three-month and nine-month periods ended 30 September 2016.

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18 Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 2016 and 2015 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares held by third parties outstanding during the three-month and nine-month periods then ended as follows:

For the three-month periods ended 30 September 2016 and 2015

	<i>(Unit: million Baht/million shares)</i>			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
Profit for the period attributable to ordinary shareholders of the Company	5,184	3,571	3,232	2,230
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)	0.70	0.48	0.42	0.29

For the nine-month periods ended 30 September 2016 and 2015

	<i>(Unit: million Baht/million shares)</i>			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
Profit for the period attributable to ordinary shareholders of the Company	12,965	9,510	7,845	5,933
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)	1.75	1.29	1.01	0.77

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19 Dividends

Details of dividends for the nine-month periods ended 30 September 2016 and 2015 were as follows:

Approval date to pay dividends	Rate per share (Baht)	Number of entitled shares (Shares)	Total (in million Baht)	Source
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
11 August 2016	0.50	7,742,941,932	3,872	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			7,356	
2015				
22 April 2015	0.10	7,742,941,932	774	Dividends received from subsidiaries appropriated from taxable profits which were subject to 23% corporate income tax
22 April 2015	0.35	7,742,941,932	2,710	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
11 August 2015	0.03	7,742,941,932	232	Dividends received from subsidiaries appropriated from taxable profits which were subject to 23% corporate income tax
11 August 2015	0.27	7,742,941,932	2,091	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			5,807	

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20 Commitments with non-related parties

The Group had commitments with non-related parties as at 30 September 2016 and 31 December 2015 as follows:

20.1 Capital commitments

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015
<i>Contracted but not provided for</i>				
Land, buildings and constructions	2,349	4,704	6	19
Machinery, equipment and others	1,698	3,054	49	53
Total	4,047	7,758	55	72

20.2 Commitments under operating lease agreements

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015
<i>Future minimum lease payment</i>				
<i>under non-cancellable</i>				
<i>operating leases</i>				
Within one year	3,130	3,166	124	115
Over one year but within five years	7,936	8,201	160	103
Over five years	10,714	10,706	7	8
Total	21,780	22,073	291	226

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 2016 to 2058.

20.3 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. The agreement will expire on 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 September 2016 totaled Baht 30 million (31 December 2015: Baht 33 million).

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20.4 Letters of credit

The Company and certain subsidiaries had commitments under the issued letters of credit totaling Baht 4 million and Baht 1,350 million respectively (*31 December 2015: Baht 1 million and Baht 1,966 million respectively*).

20.5 Letters of guarantee

- (a) The Company and certain subsidiaries had commitments to financial institutions for letters of guarantee issued by the financial institutions in favor of government agencies and others totaling Baht 69 million and Baht 1,482 million respectively (*31 December 2015: Baht 753 million and Baht 6,029 million respectively*). The letters of guarantee are principally covering the guarantee of taxes, duties and sale of products.
- (b) Certain foreign subsidiaries have commitments to foreign financial institutions for letters of financial guarantees issued for the customers in feed business of those subsidiaries totaling Baht 1,246 million (*31 December 2015: Baht 1,808 million*).

21 Guarantees

As at 30 September 2016 certain foreign subsidiaries pledged their assets as collateral for their borrowings from financial institutions as follows:

21.1 Ordinary shares of the following foreign subsidiaries:

- (a) C.P. Pokphand Co., Ltd. totaling 6,894 million shares with the fair value of Baht 30,746 million (*31 December 2015: 6,779 million ordinary shares with the fair value of Baht 25,843 million*).
- (b) Pravdinsk Pig Production Closed Joint Stock Company totaling 51,000 shares with the carrying value of Baht 172 million (*31 December 2015: 51,000 shares with the carrying value of Baht 154 million*).
- (c) NNPP Limited Liability Company with an authorised share capital of Ruble 483 million or equivalent to Baht 266 million (*31 December 2015: Ruble 483 million or equivalent to Baht 238 million*).

21.2 Property, plant and equipment with net book value of Baht 8,121 million (*31 December 2015: Baht 9,788 million*).

21.3 Current assets and non-current assets mainly consist of inventories and net accounts receivable and payable, with the carrying value of Baht 4,864 million (*31 December 2015: Baht 4,722 million*).

22 Other

During second quarter of 2016, Chia Tai (Beijing) Investment Management Co., Ltd. (“CTBIM”), a 100% indirectly owned subsidiary of C.P. Pokphand Co., Ltd. (“CPP”) entered into agreements to subscribe for the newly issued ordinary shares of Banner Infant Dairy Products Co., Ltd. (“Banner”) for 30% of the paid-up share capital of Banner after the issue of new ordinary shares with total consideration of Renminbi 570 million or approximately Baht 3,080 million. In this regard, CTBIM partially paid Renminbi 150 million or approximately Baht 778 million in advance as specified in the agreement and recorded as other non-current assets as at 30 September 2016. Upon the completion of the transaction, Banner will become an associate company of CPP and the Group.

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Banner is incorporated in China and principally engaged in the manufacture and sale of formulated infant milk powder. In this regard, the acquisition of the newly issued ordinary shares has not completed as at the date of the interim financial statements were authorised for issue.

23 Events after the reporting period

23.1 On 15 October 2016 CP Foods UK Limited (“CPF UK”), a subsidiary which 57.52% of its issued and paid-up share capital being indirectly owned by the Company, entered into Share Purchase Agreement (“Share Purchase Agreement”) with Mr. Marc Werter, Mr. Anthony John Levy, Mr. Jasby Ghosh and Mr. Simon Anthony Bernstein (“the Sellers”) to acquire 9,340 ordinary shares which equal to 60% of total issued and paid-up share capital of The Foodfellas Limited (“Foodfellas”) with total consideration of GBP 12.275 million. However, the total consideration will be adjusted in accordance with the conditions stipulated in the Share Purchase Agreement. In this regard, CPF UK partially paid GBP 11.375 million or approximately Baht 520 million on the agreement date.

Foodfellas is incorporated in England and principally engaged in food service business by importing of raw material and food products from around the world. The acquisition of Foodfellas will allow the Group to promptly and effectively expand its food service business in England, and became a base in the expansion of food service business to other European countries. In this regard, the final fair value of the net assets acquired is in the assessment process as at the date of the interim financial statements were authorised for issue.

23.2 On 21 October 2016 Chia Tai (China) Investment Co., Ltd. (“CTI”), a 50.43% indirectly owned subsidiary, entered into Share Purchase Agreement (“Share Purchase Agreement”) with Sumpo International Holdings Limited and Longyan Hui ren Investment Co., Ltd. (“the Sellers”) to acquire ordinary shares of Fujian Sumpo Foods Holding Co., Ltd. (“Fujian Sumpo”) for 70% of issued and paid-up shares. Total value of ordinary shares is Renminbi 323 million or approximately Baht 1,688 million. In this regard, as at the date of interim financial statements were authorised for issue, the acquisition has not completed.

Fujian Sumpo is incorporated in China and principally engaged in the manufacturing and trading of animal feed, farming and trading of poultry as well as processing and trading of chicken meat products. The acquisition will allow the Group to expand its agro industrial and food business base in China and further reinforce the Group’s leading position in the agro industrial business in China.

24 Thai Financial Reporting Standards not yet adopted

FAP Announcement No. 5/2559 *Accounting Guidance for derecognition of financial assets and financial liabilities* has been issued but are not yet effective and has not been applied in preparing these interim financial information. This FAP Announcement which become effective for annual financial periods beginning on or after 1 January 2017, may be relevant to the Group’s operations. The Group does not plan to early adopt these FAP Announcement and expects that there will be no material impact on the financial statements in the period of initial application.

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25 Reclassification of accounts

Certain accounts in the interim financial statements for the three-month and nine-month periods ended 30 September 2015 have been reclassified to conform to the presentation in the interim financial statements for the three-month and nine-month periods ended 30 September 2016 as follows:

(Unit: Million Baht)

	2015					
	Consolidated financial statement			Separate financial statement		
	<u>Before reclassi- fication</u>	<u>Reclassi- fication</u>	<u>After reclassi- fication</u>	<u>Before reclassi- fication</u>	<u>Reclassi- fication</u>	<u>After reclassi- fication</u>
Statements of income						
<i>Three-month period ended</i>						
<i>30 September</i>						
Selling expenses	5,123	363	5,486	227	36	263
Administrative expenses	6,826	<u>(363)</u>	6,463	1,122	<u>(36)</u>	1,086
		<u>-</u>			<u>-</u>	
Statements of income						
<i>Nine-month period ended</i>						
<i>30 September</i>						
Selling expenses	14,288	1,086	15,374	688	96	784
Administrative expenses	19,652	<u>(1,086)</u>	18,566	3,071	<u>(96)</u>	2,975
		<u>-</u>			<u>-</u>	