

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 2018 (Unaudited)

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These notes form an integral part of the interim 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 14 November 2018.

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 pig
- 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 September 2018 and 31 December 2017 only those with changes during the nine-month period ended 30 September 2018 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 September 2018	31 December 2017
<i>Newly incorporated direct subsidiary</i>				
1) Zhangzhou C.P. Chia Tai Aquaculture Co., Ltd.	Shrimp farming	The People’s Republic of China (“China”)	100.00	-
<i>Newly incorporated indirect subsidiaries</i>				
1) Chia Tai Aquaculture (Nantong) Co., Ltd. ⁽¹⁾	Production and sale of animal feed	China	50.43	-
2) Chia Tai Feed Dongying Co., Ltd. ⁽¹⁾	Production and sale of animal feed	China	50.43	-

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Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			30 September 2018	31 December 2017
3) CPF Hong Kong Co., Ltd. ⁽³⁾	Importer and distributor of eggs, processed meat, milk product and ready meals	Hong Kong	100.00	-
4) CPV Food Co., Ltd. ⁽¹⁾	Livestock farming, production and sale of animal feed and processed food	Vietnam	64.89	-
5) Henan Chia Tai Biochemistry Trading Co., Ltd. ⁽⁴⁾	Trading of animal drugs	China	35.17	-
6) CPF Food and Beverage Co., Ltd. ⁽²⁾	Production and sale of ready meals	Thailand	99.98	-
7) CPF Restaurant and Food Chain Co., Ltd. ⁽²⁾	Five stars business and restaurants	Thailand	99.98	-
8) International Pet Food Co., Ltd. ⁽²⁾	Production and sale of pet food	Thailand	99.98	-
9) CP Hilai Habour Co., Ltd. ⁽²⁾	Restaurant	Thailand	50.99	-
Indirect subsidiaries from shares acquisition				
1) Giant Crown Investments Limited ⁽³⁾	Investment holding	British Virgin Islands	100.00	-
2) Jilin Chia Tai Enterprise Co., Ltd. ⁽¹⁾	Production and sale of animal feed	China	50.43	25.21
Indirect subsidiaries with change in interests				
1) Charoen Pokphand Enterprise (Taiwan) Co., Ltd. ⁽³⁾	Chicken integration and livestock farming	Taiwan	39.00	32.68
2) CJSC Poultry Parent Stock Production Woyskovitsy ⁽⁵⁾	Livestock farming and breeding	Russia	99.99	79.99
3) CJSC Poultry Production Severnaya ⁽⁵⁾	Animal feedmill, livestock farming and food processing plant	Russia	99.99	79.99
Indirect subsidiary that change name				
1) Longyan Chia Tai Co., Ltd. ⁽¹⁾ (Formerly known as Fujian Baojiashun Food Development Co., Ltd.)	Production of processed poultry meat	China	35.30	35.30

⁽¹⁾ A subsidiary of C.P. Pokphand Co., Ltd.

⁽²⁾ A subsidiary of CPF (Thailand) Public Company Limited

⁽³⁾ A subsidiary of CPF Investment Limited

⁽⁴⁾ A subsidiary of Chia Tai Enterprises International Limited

⁽⁵⁾ A subsidiary of CPF Netherland B.V.

During the nine-month period ended 30 September 2018, the Group did not dispose any investments in subsidiaries.

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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 2017) *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 2017. 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 2017.

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 2017 except that the Group has adopted the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2018 and are relevant to the Group’s operations. 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.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which will become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* *TFRS - Financial instruments*

The Group has not early adopted these standards in preparing these interim financial statements

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled and TFRS - Financial instruments establishes requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

Management is presently considering the potential impact of adopting and initially applying TFRS 15 and TFRS - Financial instruments on the consolidated and separate financial statements.

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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 interim financial 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 2017.

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 investments held as available for sale, which is financial instrument carried at fair value, is included in note 6 to the interim financial statements.

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3 Business combination by acquisition of shares

3.1 Share acquisition of Paulsen Food GmbH (“PF”)

On 4 October 2017 CPF Europe S.A. (“CPF EU”), a 99.99% indirectly owned subsidiary of the Company, had completed the acquisition of 23,750 ordinary shares of Paulsen Food GmbH (“PF”) from Peter Paulsen Import-Export GmbH & Co. Handels KG (“PP” or the “Seller”), representing 95% of total issued and paid-up shares of PF (the “Acquisition”) at the amount of Euro 11.5 million or equivalent to approximately Baht 444 million which was fully paid.

PF is incorporated in Germany. PF and subsidiaries (“PF Group”) principally engages in the sale of meat to customers who are food services and food manufacturers in Germany and other countries in the European Union and invest in companies in Germany which have import quota licenses for the import of poultry meat and other poultry products to the European Union.

The Group obtained control of PF Group on 4 October 2017 (“Acquisition date”) through the acquisition of 23,750 ordinary shares (equal to 95% of PF’s total issued and paid-up shares).

As at 30 September 2018, the Group had completed the fair value assessment of the net assets acquired and had adjusted the accounting record of the business combination according to the new information obtained within one year from the acquisition date as follows:

	<i>(Unit: Million Baht)</i>		
	Fair value before adjusted	Adjusted	Fair value after adjusted
Cash and cash equivalents	115	-	115
Accounts receivable - trade and others	94	-	94
Inventories	301	-	301
Other current assets	11	-	11
Intangible assets - import licenses	-	92	92
Accounts payable - trade and others	(121)	-	(121)
Deferred tax liabilities	-	(28)	(28)
Short-term borrowings from financial institutions	(39)	-	(39)
Net assets	361	64	425
Non-controlling interests (based on their proportionate interest in the recognised amount of the net identifiable assets of the acquiree)	(18)	(3)	(21)
Goodwill	101	(92)	9
Consideration transferred	444	(31)	413
Cash received from acquisition of subsidiary	(115)	-	(115)
Net consideration paid for acquisition of subsidiary	329	(31)	298

The factors contributing to the goodwill are the fact that the Group will obtain additional distribution channels for food services and food manufacturers in Germany and the European Union which have a high potential. Goodwill arising from business combination is recognised in the consolidated statement of financial position and is not amortised as expenses.

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3.2 Share acquisition of Jilin Chia Tai Enterprise Co., Ltd. (“Jilin CT”)

On 13 June 2018, C.P. Pokphand Co., Ltd. (“CPP”), a 50.43% indirectly owned subsidiary of the Company, acquired the remaining shares of Jilin CT from the joint venture partner at the amount of Renminbi 48 million or equivalent to approximately Baht 238 million.

Jilin CT is incorporated in China and principally engages in production and sale of animal feed.

The Group obtained control of Jilin CT on 13 June 2018 (“Acquisition date”) through the common share acquisition, resulting to the increase in ownership interests of CPP in Jilin CT from 50% interests of issued and paid-up capital to 100% interests of issued and paid-up capital. As a result, the Group’s ownership interests in Jilin CT increased from 25.21% to 50.43%.

The Group has applied Thai Financial Reporting Standards (“TFRS”) No. 3 (revised 2017) *Business Combinations* to recognise the business combination transactions. The following summaries 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	238

Identifiable assets acquired and liabilities assumed

(Unit : Million Baht)

	Fair value
Cash and cash equivalents	94
Accounts receivables - trade and others	22
Inventories	81
Other current assets	86
Property, plant and equipment	264
Leasehold rights	168
Other non-current assets	1
Account payable - trade and others	(41)
Other current liabilities	(171)
Deferred tax liabilities	(28)
Net assets	476
Group’s previously held equity interests in Jilin CT prior to the acquisition	(238)
Consideration transferred	238
Cash received from acquisition of subsidiary	(94)
Net consideration paid for acquisition of subsidiary	144

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As at the acquisition date, the Group had to measure the fair value of the interests in Jilin CT before the business combination. The measurement resulted in gain on changes in fair value which was recognised as “Gain on changes in fair value of investment in joint venture” in the consolidated statements of income for the three-month and nine-month periods ended 30 September 2018. Details are as follows:

(Unit: Million Baht)

Fair value of existing interests in Jilin CT in CPP Group at the acquisition date	238
Less investment in Jilin CT accounted for equity method in CPP Group at the acquisition date	(200)
transferred other components in equity to the consolidated statement of income	57
Gain on changes in fair value of investment in joint venture	95

If the acquisition of Jilin CT had occurred on 1 January 2018, management estimates that revenue from sales of goods and profit of the Group in the consolidated interim financial statements for the three-month and nine-month periods ended 30 September 2018 would have been as follows:

(Unit: Million Baht)

	For the three-month period ended 30 September 2018	For the nine-month period ended 30 September 2018
Revenue from sale of goods	141,393	398,764
Profit for the period attributable to equity holders of the Company	4,912	13,857

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 entity which holds significant influence over the Company is Charoen Pokphand Group Company Limited which directly and indirectly owned 49.11% of the Company’s voting rights as of the latest closing date of shareholder register book on 29 August 2018.

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

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Transactions	Pricing policies
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
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

For the three-month period ended 30 September

		<i>(Unit: Million Baht)</i>	
		Consolidated financial statements	Separate financial statements
		2018	2017
		2018	2017
(a) Revenues			
Significant influence entity			
Software application income	-	1	-
Rental, service and other income	-	1	-
Subsidiaries			
Dividend income	-	-	1,542
Interest income	-	-	1,049
Sale of goods	-	-	624
Rental, service and other income	-	-	3
Associates, joint ventures and related companies			
Sale of goods	16,768	14,074	235
Dividend income	-	63	-
Rental, service and other income	44	56	1
Interest income	6	4	-
Software application income	7	9	-
Training and seminar income	1	6	-
(b) Expenses and others			
Significant influence entity			
Purchase of raw materials and goods	2,695	2,559	757
Trademark license fees	378	266	2
Technical service fees	244	224	10
Subsidiaries			
Purchase of raw materials and goods	-	-	752
Software application fees	-	-	49
Rental and service fees	-	-	14
Training and seminar fees	-	-	7
Other expenses	-	-	7

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

	Consolidated		<i>(Unit: Million Baht)</i>	
			Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(b) Expenses and others (Continued)				
Associates, joint ventures and related companies				
Purchase of raw materials and goods	18,789	15,094	136	149
Construction costs of buildings, structures and others	784	584	106	45
Rental and service fees	501	435	76	83
Training and seminar fees	38	18	3	-
Purchase of equipment and others	31	74	5	29
Trademark license fees	18	15	-	-
Software application fees	7	7	-	-
Interest expenses	3	2	-	-
Loss on sale of fixed assets	-	2	-	-
Other expenses	433	391	26	32

For the nine-month period ended 30 September

	Consolidated		<i>(Unit: Million Baht)</i>	
			Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(a) Revenues				
Significant influence entity				
Software application income	1	1	-	-
Training and seminar income	-	1	-	-
Rental, service and other income	-	1	-	-
Subsidiaries				
Dividend income	-	-	7,293	10,302
Interest income	-	-	3,151	2,484
Sale of goods	-	-	1,690	1,893
Rental, service and other income	-	-	8	8
Associates, joint ventures and related companies				
Sale of goods	48,991	40,412	793	731
Rental, service and other income	137	131	2	2
Dividend income	47	94	13	56
Interest income	26	6	-	-
Software application income	21	23	-	-
Training and seminar income	6	10	-	-
Gain on sale of fixed assets	1	-	1	-

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

				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		2018	2017	2018	2017
(b) Expenses and others					
Significant influence entity					
Purchase of raw materials and goods		8,194	7,638	2,098	2,213
Trademark license fees		983	808	5	4
Technical service fees		603	633	30	32
Subsidiaries					
Purchase of raw materials and goods		-	-	2,339	2,664
Software application fees		-	-	125	127
Rental and service fees		-	-	42	47
Training and seminar fees		-	-	26	30
Loss on sale of fixed assets		-	-	-	4
Other expenses		-	-	20	21
Associates, joint ventures and related companies					
Purchase of raw materials and goods		55,589	45,553	388	444
Construction costs of buildings, structures and others		2,262	1,446	325	94
Rental and service fees		1,399	1,215	235	252
Training and seminar fees		160	57	21	3
Purchase of equipment and others		116	196	22	92
Trademark license fees		53	36	-	-
Software application fees		22	22	-	-
Interest expenses		8	6	-	-
Technical service fees		-	4	-	-
Loss on sale of fixed assets		-	2	-	-
Other expenses		1,158	1,058	72	99

4.2 Balances with related parties as at 30 September 2018 and 31 December 2017 were as follows:

4.2.1 Accounts receivable - trade and others

				(Unit: Million Baht)	
		Consolidated		Separate	
		financial statements		financial statements	
		30 September 2018	31 December 2017	30 September 2018	31 December 2017
Significant influence entity		1	2	-	-
Subsidiaries		-	-	911	1,080
Associates and joint ventures		3,894	3,911	23	41
Related companies		9,841	8,216	485	170
Total		13,736	12,129	1,419	1,291

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4.2.2 Short-term loans

(Unit: Million Baht)

	Consolidated financial statements		
	Outstanding balance		
	30 September 2018	31 December 2017	Average balance
Joint venture	61	559	437
Total	61	559	437

(Unit: Million Baht)

	Separate financial statements		
	Outstanding balance		
	30 September 2018	31 December 2017	Average balance
Subsidiaries	51,761	36,556	46,490
Total	51,761	36,556	46,490

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

4.2.3 Advance payments for purchase of goods

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Joint venture	5	3	-	-
Related companies	4,265	4,500	-	-
Total	4,270	4,503	-	-

4.2.4 Accrued dividend income

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Subsidiary	-	-	1,542	3,600
Associate	161	171	-	-
Total	161	171	1,542	3,600

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4.2.5 Accrued interest income

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Subsidiaries	-	-	130	291
Total	-	-	130	291

4.2.6 Long-term loans

	<i>(Unit: Million Baht)</i> Consolidated financial statements		
	Outstanding balance		
	30 September 2018	31 December 2017	Average balance
Associate	6	3	4
Total	6	3	4

	<i>(Unit: Million Baht)</i> Separate financial statements		
	Outstanding balance		
	30 September 2018	31 December 2017	Average balance
Subsidiaries	12,033	16,939	14,182
Total	12,033	16,939	14,182

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

4.2.7 Accounts payable - trade and others

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Significant influence entity	522	459	118	93
Subsidiaries	-	-	116	52
Associates and joint ventures	347	321	5	8
Related companies	3,907	3,061	101	77
Total	4,776	3,841	340	230

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4.2.8 Short-term borrowings

	(Unit: Million Baht)		
	Consolidated financial statements		
	Outstanding balance		
	30 September 2018	31 December 2017	Average balance
Joint ventures	615	418	540
Total	615	418	540

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

4.3 Balances of loans/borrowings and interest rates

Balances of loans/borrowings and interest rates as at 30 September 2018 and 31 December 2017 are summarised as follows:

	Consolidated financial statements					
	(Unit: Million Baht)					
	Balance with fixed interest rate		Balance with floating interest rate		Average interest rate (%)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Short-term loans to joint venture	61	559	-	-	4.85	4.85
Long-term loans to associate	6	3	-	-	4.95	4.95
Short-term loans from joint ventures	615	418	-	-	2.00	2.00

	Separate financial statements					
	(Unit: Million Baht)					
	Balance with fixed interest rate		Balance with floating interest rate		Average interest rate (%)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Short-term loans to subsidiaries	-	-	51,761	36,556	7.13	7.13
Long-term loans to subsidiaries	5,957	16,939	6,076	-	6.21	6.34

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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	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<i>For the three-month period ended 30 September</i>				
Short-term employee benefits	405	142	55	66
Post-employment under defined benefit plans	<u>4</u>	<u>3</u>	<u>1</u>	<u>1</u>
Total	<u>409</u>	<u>145</u>	<u>56</u>	<u>67</u>
<i>For the nine-month period ended 30 September</i>				
Short-term employee benefits	1,092	425	161	211
Post-employment under defined benefit plans	<u>11</u>	<u>8</u>	<u>3</u>	<u>3</u>
Total	<u>1,103</u>	<u>433</u>	<u>164</u>	<u>214</u>
<i>As at 30 September</i>				
Employee benefit obligations	<u>423</u>	<u>301</u>	<u>87</u>	<u>116</u>
Total	<u>423</u>	<u>301</u>	<u>87</u>	<u>116</u>

4.5 Commitments

As at 30 September 2018 and 31 December 2017 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	
	<u>30 September 2018</u>	<u>31 December 2017</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
<i>Contracted but not provided for</i>				
Mainly represents contracts for construction of buildings and structures, and purchase of machinery and others	<u>686</u>	<u>337</u>	<u>50</u>	<u>7</u>

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4.5.2 Commitments under operating lease agreements

	Consolidated		<i>(Unit: Million Baht)</i> Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2018	2017	2018	2017
Within one year	1,150	1,027	226	275
Over one year but within five years	2,216	1,881	173	245
Over five years	779	476	-	-
Total	4,145	3,384	399	520

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 19 years, expiring during 2018 to 2037.

4.6 Significant agreements


As at 30 September 2018, the Group had the following significant agreements with related parties:


4.6.1 Technical service agreements

The Company and certain local 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 2018 to 31 December 2018.

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 2017 to 30 June 2020.

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 2018 to 31 December 2018.

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A 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 2017 to 30 June 2019.

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.

5 Accounts receivable - trade and others

		(Unit: Million Baht)			
		Consolidated financial statements		Separate financial statements	
		30 September 2018	31 December 2017	30 September 2018	31 December 2017
Note					
Related parties	4	13,736	12,129	1,419	1,291
Other parties		24,564	24,778	1,924	2,373
Total		38,300	36,907	3,343	3,664
Less allowance for doubtful accounts		(860)	(773)	(6)	(5)
Net		37,440	36,134	3,337	3,659

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	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Bad and doubtful debts expense for the :				
- three-month period ended 30 September	<u>43</u>	<u>39</u>	<u>-</u>	<u>-</u>
- nine-month period ended 30 September	<u>297</u>	<u>78</u>	<u>1</u>	<u>-</u>

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 September 2018 and 31 December 2017 classified by aging were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Periods over credit terms:				
Over 3 months to 6 months	122	67	-	-
Over 6 months to 12 months	97	90	-	-
Over 12 months	641	616	6	5
Total	<u>860</u>	<u>773</u>	<u>6</u>	<u>5</u>

6 Investments held as available for sale

Movements during the nine-month period ended 30 September were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
At 1 January	5,910	5,265	-	-
Disposals	(64)	-	-	-
Transfer from investment in other companies	-	240	-	-
Reclassification of change in fair value to profit or loss from disposals	(442)	-	-	-
Changes in fair value	(539)	214	-	-
Currency translation differences	(51)	(227)	-	-
At 30 September	<u>4,814</u>	<u>5,492</u>	<u>-</u>	<u>-</u>
At 31 December		<u>5,910</u>		<u>-</u>

During the nine-month period ended 30 September 2018, a subsidiary sold investments held as available for sale with the carrying amount of Baht 64 million with gain on sale of investments amounting to Baht 441 million.

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Details of investments held as available for sale

Investments held as available for sale as at 30 September 2018 and 31 December 2017 were as follows:

(Unit: Million Baht)

	Ownership interest (both direct and indirect) (%)		Consolidated financial statements		Separate financial statements	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Marketable securities						
- at fair value						
True Corporation Public Company Limited - at cost	2.21	2.21	7,372	7,859	-	-
Zhejiang Huatong Meat Products Co., Ltd.	1.38	3.74	170	240	-	-
Changes in fair value			(2,728)	(2,189)	-	-
Total			4,814	5,910	-	-

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

The fair value of financial assets together with the carrying amount 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 2018					
Non-current					
Equity securities held as available for sale	4,814	4,814	-	-	4,814

7 Investments in subsidiaries

Movements during the nine-month period ended 30 September were as follows:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
At 1 January	-	-	133,237	120,795
Acquisitions/additional investments	-	-	2,202	12,124
At 30 September	-	-	135,439	132,919
At 31 December		-		133,237

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Details of investments in subsidiaries and dividend income

Investments in subsidiaries as at 30 September 2018 and 31 December 2017 and dividend income for the nine-month period ended 30 September were as follows:

(Unit: Million Baht)

	Separate financial statements											
	Ownership interest		Paid-up share		Cost method		Accumulated		At cost - net		Dividend income	
	(%)		capital				impairment				for nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	September	December	September	December	September	December	September	December	September	December	September	September
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Marketable securities												
C.P. Pokphand Co., Ltd.	4.98	4.98	7,973	7,973	4,691	4,691	-	-	4,691	4,691	36	87
Chia Tai Enterprises International Limited	4.98	4.98	840	840	500	500	-	-	500	500	-	-
Total					5,191	5,191	-	-	5,191	5,191	36	87
Non-marketable securities												
Bangkok Produce Merchandising Public Company Limited	99.44	99.44	600	600	1,230	1,230	-	-	1,230	1,230	507	-
CPF (Thailand) Public Company Limited	99.98	99.98	10,512	10,512	29,401	29,401	-	-	29,401	29,401	-	-
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	6,750	10,215
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	250	250	250	250	-	-	250	250	-	-
Bellisio Investment, LLC	100.00	100.00	20,925	20,925	20,925	20,925	-	-	20,925	20,925	-	-
C.P. Aquaculture (Beihai) Co., Ltd.	100.00	100.00	602	602	602	602	-	-	602	602	-	-

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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 nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	September 2017
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. Aquaculture (Zhanjiang) Co., Ltd.	100.00	100.00	333	333	333	333	-	-	333	333	-	-
C.P. Standart Gida Sanayi ve Ticaret A.S.	79.37	49.03	6,596	4,406	3,736	1,587	-	-	3,736	1,587	-	-
Charoen Pokphand Foods Kenya Co., Ltd.	99.99	99.99	8	8	8	8	(8)	(8)	-	-	-	-
Charoen Pokphand Foods (Overseas) LLC.	8.15	8.15	3,420	3,420	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	48,661	48,661	48,661	48,661	-	-	48,661	48,661	-	-
CPF Tanzania Limited	58.26	58.26	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	12,926	-	-	12,926	12,926	-	-
CPF Poland S.A.	66.67	66.67	27	27	17	17	-	-	17	17	-	-
Zhangzhou C.P. Chia Tai Aquaculture Co., Ltd.	100.00	-	53	-	53	-	-	-	53	-	-	-
Total					131,323	129,121	(1,075)	(1,075)	130,248	128,046	7,257	10,215
Grand Total					136,514	134,312	(1,075)	(1,075)	135,439	133,237	7,293	10,302

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8 Investments in associates

Movements during the nine-month period ended 30 September were as follows:

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	2018	2017	2018	2017
At 1 January	84,226	75,786	335	335
Share of profit	5,648	5,459	-	-
Dividend income	(3,529)	(3,336)	-	-
Acquisitions/additional investments	11,340	10,124	-	-
Disposals	(1,974)	(4,410)	-	-
Exchange with Exchangeable Bonds	(1,577)	-	-	-
Currency translation differences	(533)	(163)	-	-
Others	27	6	-	-
At 30 September	93,628	83,466	335	335
At 31 December		84,226		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 September 2018, the fair value of this investment was Baht 211,925 million (*31 December 2017: Baht 236,440 million*).

During the nine-month period ended 30 September 2018, the Group sold a portion of the investment in an associate with the carrying amount of Baht 1,974 million (*2017: Baht 4,410 million*) with gain on sale of investment amounting to Baht 4,281 million (*2017: Baht 7,792 million*), and exchanged the Exchangeable Bonds (“EBs”) into ordinary shares of CP ALL Public Company Limited (“CPALL”) with the carrying amount of Baht 1,577 million since the holders of EBs had exercised the exchange rights pursuant to the details set out in the terms and conditions of the EBs with gain on the exchange amounting to Baht 3,128 million (see details in note 13.3 to the interim financial statements).

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Details of investments in associates and dividend income

Investments in associates as at 30 September 2018 and 31 December 2017, and dividend income for the nine-month period ended 30 September 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 nine months ended	
	(<i>%)</i>													
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	30 September 2017
Marketable security														
CP ALL Public Company Limited	34.31	34.28	8,983	8,983	74,049	64,400	86,774	77,307	-	-	86,774	77,307	3,344	3,176
Total					74,049	64,400	86,774	77,307	-	-	86,774	77,307	3,344	3,176
Non-marketable securities														
Nava 84 Co., Ltd.	25.00	25.00	1,203	1,203	159	159	163	163	-	-	163	163	-	-
Ross Breeders Siam Co., Ltd.	49.99	49.99	70	70	35	35	124	110	-	-	124	110	27	20
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	129	186	-	-	129	186	91	49
BHJ Kalino Food AB ("BHJ") *	15.08	15.08	5	5	24	24	29	29	-	-	29	29	2	2
C.P. Aquaculture (India) Private Limited	31.70	31.70	192	192	176	176	681	759	-	-	681	759	-	-
Charoen Pokphand Holdings (Malaysia) Sdn. Bhd.	49.75	49.75	353	353	176	176	1,363	1,359	-	-	1,363	1,359	-	-

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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 nine months ended	
	(%)													
	30	31	30	31	30	31	30	31	30	31	30	31	30	30
	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	December 2017	September 2018	September 2017
Chia Tai Conti (Cixi) Investment Management Co., Ltd.	25.21	25.21	5	5	8	8	6	7	-	-	6	7	-	-
Cixi Zhuda Investment Center Limited Partnership **	0.50	0.50	3	3	-	-	-	-	-	-	-	-	-	-
Conti Chia Tai International Limited	25.21	25.21	767	767	1,052	1,052	1,701	1,621	-	-	1,701	1,621	-	-
Ningxia Xiao Ming Animal Husbandry Co., Ltd. **	8.34	8.34	293	293	749	749	720	738	-	-	720	738	-	6
Qingdao Yi Bang Bio Engineering Co., Ltd. **	6.05	6.05	147	147	1,358	1,358	1,409	1,424	-	-	1,409	1,424	65	34
Zhan Jiang Deni Carburetor Co., Ltd. ***	14.12	14.12	581	581	424	424	527	521	-	-	527	521	-	49
Total					4,165	4,165	6,854	6,919	-	-	6,854	6,919	185	160
Grand total					78,214	68,565	93,628	84,226	-	-	93,628	84,226	3,529	3,336

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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 1.00% 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 0.50% shareholding in the consolidated interim financial statements respectively. In this regard, CTI exercises significant influence in these company by having representatives in the board of directors and involving in setting the policy and making the significant decisions for them. 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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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	
	<i>(%)</i>		capital				impairment				for nine months ended	
	30	31	30	31	30	31	30	31	30	31	30	30
	September	December	September	December	September	December	September	December	September	December	September	September
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<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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9 Investments in joint ventures

Movements during the nine-month period ended 30 September were as follows:

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
At 1 January	6,949	4,582	1,882	-
Share of profit	606	371	-	-
Dividend income	(45)	(41)	-	-
Previously held interest in joint venture before status change to subsidiary	(217)	-	-	-
Acquisitions/additional investments	2,471	1,888	2,471	1,882
Currency translation differences	(286)	(43)	-	-
At 30 September	<u>9,478</u>	<u>6,757</u>	<u>4,353</u>	<u>1,882</u>
At 31 December		<u><u>6,949</u></u>		<u><u>1,882</u></u>

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Details of investments in joint ventures and dividend income

Investments in joint ventures as at 30 September 2018 and 31 December 2017 and dividend income for the nine-month period ended 30 September 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 nine months ended	
	(%)													
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	30 September 2017
Non-marketable securities														
CP-Meiji Co., Ltd. ("CP-Meiji") *	55.99	59.99	500	500	1,200	1,200	2,170	1,939	-	-	2,170	1,939	-	-
Beijing Chia Tai Feedmill Co., Ltd.	25.21	25.21	157	157	128	128	223	215	-	-	223	215	-	-
Camamor Produtos Marinhos Ltda.	40.00	-	103	-	559	-	530	-	-	-	530	-	-	-
Handan Chia Tai Feed Co., Ltd.	25.21	25.21	56	56	-	-	19	21	-	-	19	21	3	2
Jilin Chia Tai Enterprise Co., Ltd.	-	25.21	261	261	-	211	-	220	-	-	-	220	-	-
Henan East Chia Tai Co., Ltd.	25.21	25.21	170	170	225	225	245	263	-	-	245	263	42	39
ECI Metro Investment Co., Ltd.	25.21	25.21	378	378	1,296	1,296	2,620	2,433	-	-	2,620	2,433	-	-
SuperDrob S.A.	49.45	33.00	4,708	2,825	3,794	1,882	3,664	1,854	-	-	3,664	1,854	-	-
Westbridge Foods Holding B.V. **	50.00	50.00	1	1	6	6	7	4	-	-	7	4	-	-
Total					7,208	4,948	9,478	6,949	-	-	9,478	6,949	45	41

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* CP-Meiji is a joint venture because the articles of association of CP-Meiji 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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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

Details of investments in joint ventures 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 nine months ended	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	30 September 2017
<i>Non-marketable securities</i>												
Camamor Produtos Marinhos Ltda.	40.00	-	103	-	559	-	-	-	559	-	-	-
SuperDrob S.A.	49.45	33.00	4,708	2,825	3,794	1,882	-	-	3,794	1,882	-	-
Total					4,353	1,882	-	-	4,353	1,882	-	-

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10 Investments in related companies

Movements during the nine-month period ended 30 September were as follows:

	Consolidated financial statements		<i>(Unit: Million Baht)</i> Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
At 1 January	1,542	1,605	678	678
Currency translation differences	<u>(4)</u>	<u>(48)</u>	<u>-</u>	<u>-</u>
At 30 September	<u>1,538</u>	<u>1,557</u>	<u>678</u>	<u>678</u>
At 31 December		<u>1,542</u>		<u>678</u>

Details of investments in related companies

Investments in related companies as at 30 September 2018 and 31 December 2017 were as follows:

	Ownership interest (both direct and indirect) (%)		Consolidated financial statements		Separate financial statements	
	<u>30</u>	<u>31</u>	<u>30</u>	<u>31</u>	<u>30</u>	<u>31</u>
	<u>September</u>	<u>December</u>	<u>September</u>	<u>December</u>	<u>September</u>	<u>December</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</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	<u>1,147</u>	<u>1,151</u>	<u>528</u>	<u>528</u>
Total			<u>1,538</u>	<u>1,542</u>	<u>678</u>	<u>678</u>

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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

11 Property, plant and equipment

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

(Unit: Million Baht)

	Consolidated financial statements			
	2018		2017	
	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	813	16	1,517	30
Buildings and building improvements and utilities system	8,560	310	7,467	94
Machinery and equipment	7,321	586	10,572	64
Others	1,305	26	1,196	41
Assets under construction and installation	18,850	13,422	17,160	14,136
Total	36,849	14,360	37,912	14,365

(Unit: Million Baht)

	Separate financial statements			
	2018		2017	
	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	9	-	-	-
Buildings and building improvements and utilities system	633	42	366	5
Machinery and equipment	923	23	508	1
Others	33	2	52	-
Assets under construction and installation	978	1,427	769	610
Total	2,576	1,494	1,695	616

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12 Accounts payable - trade and others

				<i>(Unit: Million Baht)</i>	
		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Related parties	4	4,776	3,841	340	230
Other parties		29,606	30,996	1,154	1,154
Total		34,382	34,837	1,494	1,384

13 Interest-bearing liabilities

13.1 On 24 January 2018, the Company issued Baht 12,000 million unsubordinated and unsecured debentures No. 1/2018 in registered name and with debenture holder representative. The debentures are divided into:

- The first series of Baht 5,460 million with the term of 7 years, bearing interest at the fixed rate of 3.05% per annum.
- The second series of Baht 6,540 million with the term of 10 years, bearing interest at the fixed rate of 3.60% per annum.

The debentures had credit rating of “A+” rated by TRIS Rating Co., Ltd. on 12 December 2017 and were registered with the Thai Bond Market Association on 24 January 2018.

13.2 On 24 May 2018, CPF (Thailand) Public Company Limited (“CPFTH”) a 99.98% owned subsidiary of the Company issued Baht 15,000 million unsubordinated and unsecured debentures No.1/2018 in registered name and with debenture holder representative. The debentures are divided into:

- The first series of Baht 4,500 million with the term of 3 years, bearing interest at the fixed rate of 2.43% per annum.
- The second series of Baht 4,000 million with the term of 6 years, bearing interest at the fixed rate of 3.24% per annum.
- The third series of Baht 3,500 million with the term of 12 years, bearing interest at the fixed rate of 4.16% per annum.
- The fourth series of Baht 3,000 million with the term of 15 years, bearing interest at the fixed rate of 4.43% per annum.

The debentures had credit rating of “A+” rated by TRIS Rating Co., Ltd. on 11 May 2018 and were registered with the Thai Bond Market Association on 24 May 2018.

Charoen Pokphand Foods Public Company Limited and its Subsidiaries

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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

13.3 During the nine-month period ended 30 September 2018, C.P. Foods Holdings Limited (“CPFH”) a 100.00% owned subsidiary of the Company derecognised the Exchangeable Bonds (“EBs”) with an aggregate principal amount of U.S. Dollar 144 million or equivalent to Baht 4,580 million on the Exchange Date and recognised the related transactions as a result of the exercise of exchange rights by the holders of the EBs into ordinary shares of CP ALL Public Company Limited (“CPALL”) as an exchange property, pursuant to the terms and conditions of the EBs. In this regard, CPFH delivered CPALL shares to the EBs holders in relation to the aggregate principal amount of the EBs for a pro rata share which the holders of the EBs exercised their exchange rights within the specified period.

On 24 September 2018, CPFH redeemed and derecognised the Exchangeable Bonds (“EBs”) with an aggregate principal amount of U.S. Dollar 66 million or approximately Baht 2,121 million as the EB holders exercised their redemption rights pursuant to the terms and conditions of the EBs.

As at 30 September 2018, the carrying amount of the EBs subsequent to the derecognition as aforementioned were U.S. Dollar 94 million or equivalent to Baht 3,024 million (*31 December 2017: U.S. Dollar 304 million or equivalent to Baht 9,895 million*).

14 Subordinated perpetual debentures

During the nine-month period ended 30 September 2018, the Company paid interest expense to the subordinated perpetual debenture holders amount of Baht 750 million. The interest expense net of income tax of Baht 620 million is deducted from unappropriated retained earnings in the statements of financial position as at 30 September 2018.

As at 30 September 2018, the accumulated accrued interest expenses subsequent to the latest interest payment date was Baht 60 million.

15 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

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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

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

(Unit: Million Baht)

	Consolidated financial statements			
	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
<i>Segment revenue</i>				
Livestock business	119,512	104,611	340,743	314,479
Aquaculture business	21,880	21,826	57,518	57,545
Total	141,392	126,437	398,261	372,024
<i>Segment results</i>				
Livestock business	6,967	4,009	12,511	7,762
Aquaculture business	1,900	2,596	4,979	5,969
Total allocated segment results	8,867	6,605	17,490	13,731
Unallocated segment results	(1,894)	(349)	683	1,318
Profit for the period	6,973	6,256	18,173	15,049

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 : Others

Details of the geographic segment financial information of the geographical area of the Group as at 30 September 2018 and 31 December 2017 and for the three-month and nine-month periods ended 30 September were as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	Three-month period ended 30 September		Nine-month period ended 30 September	
	2018	2017	2018	2017
<i>Revenue from external customers</i>				
Thailand	38,126	37,439	110,030	112,035
Asia	83,863	70,287	230,747	203,577
Europe	13,699	12,747	40,210	36,669
America	5,386	5,734	16,277	18,641
Others	318	230	997	1,102
Total	141,392	126,437	398,261	372,024

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Notes to the interim financial statements

For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

	<i>(Unit: Million Baht)</i>	
	Consolidated financial statements	
	30 September 2018	31 December 2017
<i>Property, plant and equipment and other intangible assets (excluded goodwill)</i>		
Thailand	81,613	75,906
Asia	91,867	94,927
Europe	17,148	18,739
America	17,093	15,973
Total	207,721	205,545

16 Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 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 nine-month periods then ended as follows:

For the three-month period ended 30 September

	<i>(Unit: Million Baht/Million shares)</i>			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Profit for the period attributable to ordinary shareholders of the Company	4,912	4,914	1,135	3,643
<i>Less: cumulative interest expense for the period net of income tax on subordinated perpetual debentures</i>	<i>(159)</i>	<i>(117)</i>	<i>(159)</i>	<i>(117)</i>
Profit used in calculation of basic earnings per share	4,753	4,797	976	3,526
Weighted average number of ordinary shares held by third parties outstanding				
Number of ordinary shares outstanding at beginning of period	8,611	7,743	8,611	7,743
Effect of shares issued	-	579	-	579
Treasury shares held by subsidiaries	(426)	(402)	-	-
Net	8,185	7,920	8,611	8,322
Basic earnings per share (in Baht)	0.58	0.61	0.11	0.42

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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

For the nine-month period ended 30 September

	<i>(Unit: Million Baht/Million shares)</i>			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Profit for the period attributable to ordinary shareholders of the Company	13,855	12,933	6,419	8,595
<i>Less: cumulative interest expense for the period net of income tax on subordinated perpetual debentures</i>	<i>(465)</i>	<i>(361)</i>	<i>(465)</i>	<i>(361)</i>
Profit used in calculation of basic earnings per share	13,390	12,572	5,954	8,234
Weighted average number of ordinary shares held by third parties outstanding				
Number of ordinary shares outstanding at beginning of period	8,611	7,743	8,611	7,743
Effect of shares issued	-	193	-	193
Treasury shares held by subsidiaries	(426)	(371)	-	-
Net	8,185	7,565	8,611	7,936
Basic earnings per share (in Baht)	1.64	1.66	0.69	1.04

17 Dividends

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

Approval date to pay dividends	Rate per share (Baht)	Number of entitled shares (Shares)	Total (in million Baht)	Source
2018				
24 April 2018	0.25	8,611,242,385	2,153	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
10 August 2018	0.35	8,611,242,385	3,014	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			5,167	

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For the three-month and nine-month periods ended 30 September 2018 (Unaudited)

Approval date to pay dividends	Rate per share (Baht)	Number of entitled shares (Shares)	Total (in million Baht)	Source
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
11 August 2017	0.50	8,611,242,385	4,306	Dividends received from subsidiaries appropriated from taxable profits which were subject to 20% corporate income tax
Total			7,790	

18 Commitments with non-related parties

The Group had commitments with non-related parties as at 30 September 2018 and 31 December 2017 as follows:

18.1 Capital commitments

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2018	2017	2018	2017
<i>Contracted but not provided for</i>				
Land, buildings and constructions	2,725	3,514	11	3
Machinery, equipment and others	3,409	2,834	24	30
Total	6,134	6,348	35	33

18.2 Commitments under operating lease agreements

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2018	2017	2018	2017
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	4,436	4,020	88	160
Over one year but within five years	11,909	11,253	30	74
Over five years	14,610	15,644	2	5
Total	30,955	30,917	120	239

The Group has lease agreements with non-related parties covering office premises including facilities, land, farms, vehicles and others for periods of 1 to 70 years expiring in 2018 to 2087.

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18.3 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 September 2018 totaled Baht 26 million (*31 December 2017: Baht 34 million*).

18.4 Letters of credit

The certain subsidiaries had commitments under the issued letters of credit totaling Baht 1,177 million (*31 December 2017: The Company and certain subsidiaries had commitment under the issued letters of credit totalling Baht 2 million and Baht 2,352 million respectively*).

18.5 Letters of guarantee

- (a) The Company and certain subsidiaries had commitments with financial institutions for letters of guarantee issued by the financial institutions in favour of government agencies and others totalling Baht 17 million and Baht 7,879 million respectively (*31 December 2017: Baht 1,165 million and Baht 5,448 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 totalling Baht 539 million (*31 December 2017: Baht 766 million*).

19 Guarantees

As at 30 September 2018 certain subsidiaries pledged their assets as collateral for their borrowings from financial institutions as follows:

19.1 Ordinary shares of the following foreign subsidiaries:

- (a) C.P. Pokphand Co., Ltd. totaling 1,234 million shares with fair value of Baht 3,568 million (*31 December 2017: 5,984 million ordinary shares with fair value of Baht 15,462 million*).
- (b) Pravdinsk Pig Production-2 Limited Liability Company with an issued and paid-up capital of Baht 498 million (*31 December 2017: Baht 570 million*).
- (c) NNPP Limited Liability Company with an issued and paid-up capital of Baht 238 million (*31 December 2017: Baht 273 million*).
- (d) NNPP-2 Limited Liability Company with an issued and paid-up capital of Baht 443 million (*31 December 2017: Baht 508 million*).
- (e) Charoen Pokphand Foods (Overseas) LLC. totalling 218 million shares with carrying value of Baht 107 million (*31 December 2017: 218 million ordinary shares with carrying value of Baht 123 million*).

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- 19.2 Property, plant and equipment with net book value of Baht 11,061 million (*31 December 2017: Baht 9,607 million*).
- 19.3 Current assets and non-current assets mainly comprising of leasehold, inventories and net accounts receivable and payable, with carrying value of Baht 4,315 million (*31 December 2017: Baht 3,482 million*).

20 Events after the reporting period

- 20.1 On 19 October 2018, CPF Europe S.A., (“CPF EU”) a 99.99% indirectly owned foreign subsidiary of the Company, entered into a Share Purchase Agreement to acquire the remaining outstanding shares of CP Foods (UK) Ltd. (“CPF UK”) of 115,200 shares, representing 42.48% of total issued and paid-up shares from the other shareholders of CPF UK at the amount of Pound Sterling 11 million or equivalent to approximately Baht 481 million and CPF UK, a 57.52% indirectly owned foreign subsidiary of the Company, entered into a Share Purchase Agreement with The Foodfellas Ltd. (“FF”) to acquire the remaining outstanding shares of FF of 6,227 shares, representing 40.00% of total issued and paid-up share capital of FF from the other shareholders at the amount of Pound Sterling 11 million or equivalent to approximately Baht 481 million.

In this regards, on 2 November 2018, CPF EU partially paid for ordinary shares of CPF UK at the amount of Pound Sterling 10 million or approximately Baht 436 million and on 5 November 2018 CPF UK partially paid for ordinary shares of FF at the amount of Pound Sterling 7 million or approximately Baht 290 million. Upon the completion of these transactions, the Group will have 100.00% shareholding in CPF UK and FF which will enhance the effectiveness and efficiency of the expansion of the distribution network in Europe and the management.

- 20.2 The offering circulars of debentures No. 2/2018 filed to the Securities and Exchange Commission by the Company was effective on 9 November 2018. The debentures are in registered name, unsubordinated, unsecured and with debenture holder representative offering to institutional investors and/or high net worth investors totaling of Baht 25,000 million and are divided into:

- The first series of Baht 6,700 million with the term of 2 years, bearing interest at the fixed rate of 2.74% per annum.
- The second series of Baht 7,600 million with the term of 3 years and 6 months, bearing interest at the fixed rate of 3.20% per annum.
- The third series of Baht 2,200 million with the term of 6 years, bearing interest at the fixed rate of 3.79% per annum.
- The fourth series of Baht 3,200 million with the term of 10 years, bearing interest at the fixed rate of 4.41% per annum.
- The fifth series of Baht 5,300 million with the term of 12 years, bearing interest at the fixed rate of 4.66% per annum.

In this regard, the Company will offer the debentures during 12-14 November 2018 with issuance date on 15 November 2018. The above debentures had credit rating of “A+” rated by TRIS Rating Co., Ltd. on 8 November 2018.