

CPF Denmark A/S


Svinget 5
6800 Varde
Denmark

CVR no. 28 99 62 68

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting on

18 MAY 2017



Pisit Awnpoon
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of CPF Denmark A/S for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Varde, 18 May 2017

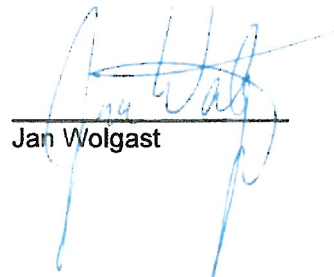
Executive Board:



Christian Oxholm
Winther Juhl

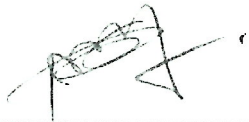


Pisit Awnpoon



Jan Wolgast

Board of Directors:



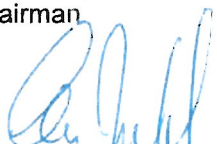
Pisit Ohmpornnuwat
Chairman



Prasit
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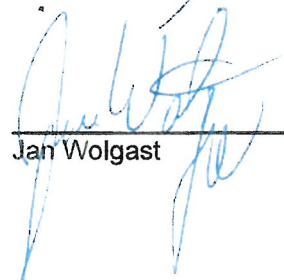
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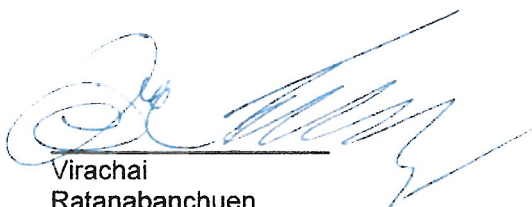
Christian Oxholm
Winther Juhl



Morten Hesselholt



Jan Wolgast



Virachai
Ratanabanchuen



Independent auditor's report

To the shareholders of CPF Denmark A/S

Opinion

We have audited the financial statements of CPF Denmark A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Kolding, 18 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant

Elife Savas
State Authorised
Public Accountant

Management's review

Company details

CPF Denmark A/S
Svinget 5
6800 Varde
Denmark

Telephone: +45 75 26 13 30

CVR no.: 28 99 62 68
Established: 16 August 2005
Registered office: Varde
Financial year: 1 January – 31 December

Board of Directors

Pisit Ohmpornnuwat, Chairman
Prasit Boondoungprasert
Paisan Chirakitcharern
Christian Oxholm Winther Juhl
Morten Hesselholt
Jan Wolgast
Virachai Ratanabanchuen

Executive Board

Christian Oxholm Winther Juhl
Pisit Awnpoon
Jan Wolgast

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4, st.
6000 Kolding
Denmark

Annual general meeting

The annual general meeting will be held on at the Company's address.

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Gross profit	14,347	11,967	9,045	17,408	12,046
Profit before financial income and expenses	7,058	4,579	1,533	10,225	6,321
Profit/loss from financial income and expenses	104	295	-177	-81	-19
Profit for the year	5,701	3,829	970	7,571	5,587
Fixed assets	7,233	7,543	8,216	4,748	1,400
Balance sheet total	125,033	140,162	121,749	164,971	98,403
Investment in property, plant and equipment	0	15	13	4,058	1,474
Equity	15,918	12,132	8,303	10,833	3,262
Provisions	0	0	0	10	23
Non-current liabilities	0	0	0	311	514
Current liabilities	109,115	128,030	113,446	153,817	94,604
Ratios					
Solvency ratio	12.7%	8.7%	6.8%	6.6%	3.3%
Acid test	108.0%	103.6%	100.1%	104.2%	96.0%
Average number of full-time employees	9	9	9	9	7

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Acid test
$$\frac{\text{Current assets total} \times 100}{\text{Current liabilities}}$$

Management's review

Operating review

Principal activities

CPF Denmark A/S' principal activities are to trade in food, primarily chicken products from Thailand.

Events after the balance sheet date

No significant events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Development in activities and financial position

The overall business underwent a positive development in all markets. All segments in Scandinavia contributed to the growth rate, covering retail, food service and industrial markets. Profit for the year of DKK 5,701 thousand failed to meet the expectations for the year. The low profit was primarily attributable to strong competition with low sales prices to follow on our main markets.

Outlook

Seen in the light of the improved sales and profit for Q4 2016, we expect the profit for 2017 to increase compared to results for 2016. Our sales budget for 2017 shows a significant increase on 2016 sales. We expect all segments to generate sales growth, with focus on the Swedish food service and retail markets. In addition, growth in Finland and Denmark will contribute to the general increase as well.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Gross profit		14,347	11,967
Staff costs	2	-7,045	-6,928
Depreciation, amortisation and impairment losses		-244	-460
Operating profit		7,058	4,579
Financial income from group entities		805	693
Financial income		0	11
Financial expenses		-701	-409
Profit before tax		7,162	4,874
Tax on profit for the year	3	-1,461	-1,045
Profit for the year	4	5,701	3,829

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment	5		
Land and buildings		2,436	2,506
Fixtures and fittings, tools and equipment		740	980
		<u>3,176</u>	<u>3,486</u>
Investment	6		
Investment in associate		4,057	4,057
		<u>4,057</u>	<u>4,057</u>
Total fixed assets		<u>7,233</u>	<u>7,543</u>
Current assets			
Inventories			
Finished goods and goods for resale		59,615	79,840
		<u>59,615</u>	<u>79,840</u>
Receivables			
Trade receivables		49,153	42,950
Receivables from group entities		2,163	1,357
Other receivables		1,571	876
Deferred tax asset		70	76
Prepayments	7	202	1,391
		<u>53,159</u>	<u>46,650</u>
Cash at bank and in hand		<u>5,026</u>	<u>6,129</u>
Total current assets		<u>117,800</u>	<u>132,619</u>
TOTAL ASSETS		<u><u>125,033</u></u>	<u><u>140,162</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	8	3,729	3,729
Retained earnings		12,189	8,403
Total equity		15,918	12,132
Liabilities			
Current liabilities			
Bank loans, current liabilities		19,767	11,718
Trade payables		12,030	14,360
Payables to group entities		72,826	97,377
Corporation tax		839	122
Other payables		3,653	4,453
		109,115	128,030
Total liabilities		109,115	128,030
TOTAL EQUITY AND LIABILITIES		125,033	140,162
Contractual obligations, contingencies, etc.	9		
Related party disclosures	10		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	3,729	8,403	12,132
Profit for the year	0	5,701	5,701
Extraordinary dividends distributed	0	-1,915	-1,915
Equity at 31 December 2016	3,729	12,189	15,918

The changes in the share capital for the past five years can be specified as follows:

	2016	2015	2014	2013	2012
Balance at 1 January 2016	3,729	3,729	1,492	1,492	1,492
Cash capital increase	0	0	2,237	0	0
	3,729	3,729	3,729	1,492	1,492

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of CPF Denmark A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, dividends from equity investment in subsidiary recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investment exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.
- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes has no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of the parent company, Charoen Pokphand Foods Public Co., Ltd.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's aggregate obligations relating to operating leases and other leases are disclosed under contingencies, etc.

Income statement

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of goods sold

Cost of goods sold includes the consumables used in generating the year's revenue.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of property, plant and equipment.

Other external costs

Other external cost comprise the Company's ordinary activities, including expenses for sales, distribution and administration.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees excluding refunds from public authorities.

Depreciation, amortisation and impairment

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from equity investment in associate

Dividends from investment in associate is recognised in the period when the dividend is declared.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprise current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	25 years
Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Equity investment in associate

Equity investment in associate is measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Cost comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Prepayments and deferred income

Deferred income comprises payments received regarding income in subsequent years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Financial statements 1 January – 31 December

Notes

DKK'000	2016	2015	
2 Staff costs			
Wages and salaries	6,700	6,166	
Pensions	199	494	
Other staff costs	146	268	
	<u>7,045</u>	<u>6,928</u>	
Average number of employees	<u>9</u>	<u>9</u>	
Including remuneration of the Executive Board and Board of Directors	<u>5,044</u>	<u>4,694</u>	
3 Tax on profit for the year			
Estimated tax charge for the year	1,455	1,092	
Deferred tax adjustments for the year	6	-47	
	<u>1,461</u>	<u>1,045</u>	
4 Proposed profit appropriation			
Extraordinary dividends distributed	1,915	0	
Retained earnings	<u>3,786</u>	<u>3,829</u>	
	<u>5,701</u>	<u>3,829</u>	
5 Property, plant and equipment			
DKK'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	2,675	2,300	4,975
Disposals and write-off for the year	0	-666	-666
Cost at 31 December 2016	<u>2,675</u>	<u>1,634</u>	<u>4,309</u>
Depreciation at 1 January 2016	-169	-1,321	-1,490
Depreciation on disposals for the year	0	601	601
Depreciation for the year	-70	-174	-244
Depreciation at 31 December 2016	<u>-239</u>	<u>-894</u>	<u>-1,133</u>
Carrying amount at 31 December 2016	<u>2,436</u>	<u>740</u>	<u>3,176</u>

Financial statements 1 January – 31 December

Notes

6 Investment

DKK'000	<u>2016</u>	<u>2015</u>
Cost at 1 January	4,057	4,040
Additions for the year	<u>0</u>	<u>17</u>
Carrying amount at 31 December	<u><u>4,057</u></u>	<u><u>4,057</u></u>

Name/legal form	<u>Registered office</u>	<u>Equity interest</u>	<u>Equity</u>	<u>Profit/loss for the year</u>
Associate:				
BHJ Kalino Food AB	Staffanstorp, Sweden	29%	<u>4,376,119</u>	<u>3,035,224</u>
			<u><u>4,376,119</u></u>	<u><u>3,035,224</u></u>

7 Prepayments

Prepayments comprise prepaid expenses regarding office rent and insurance premiums.

8 Equity

The share capital consists of 500,000 shares of a nominal value of EUR 500,000. No shares carry any special rights.

9 Contractual obligations, contingencies, etc.

Rent liabilities amount to DKK 58 thousand.

As security for bank overdrafts, the Company has issued a company charge secured upon ordinary claims attributable to trade receivables as well as inventories of raw materials, semi-manufactured products and finished goods coming in at a total of DKK 21,000 thousand. The carrying amount of the assets comprised by the company charge reached DKK 110,931 thousand at 31 December 2016.

Remaining operating lease obligations at the balance sheet date fall due by DKK 730 thousand within 5 years.

A bank guarantee of DKK 75 thousand has been provided.

Financial statements 1 January – 31 December

Notes

10 Related party disclosures

CPF Denmark A/S' related parties comprise the following:

Control

CPF Investment Limited, Tortola, British Virgin Islands holds more than 50% of the share capital. The ultimate parent company is Charoen Pokphand Foods Public Co., Ltd., Bangkok, Thailand.

The consolidated financial statements can be requisitioned at the office in Denmark.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c (7) of the Danish Financial Statements Act.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding a minimum 5% of the votes or a minimum 5% of the share capital:

CPF Investment Limited, Tortola, British Virgin Islands
European Meat Inspection A/S, Varde, Denmark
M. Hesselholt Holding ApS, Hørning, Denmark.