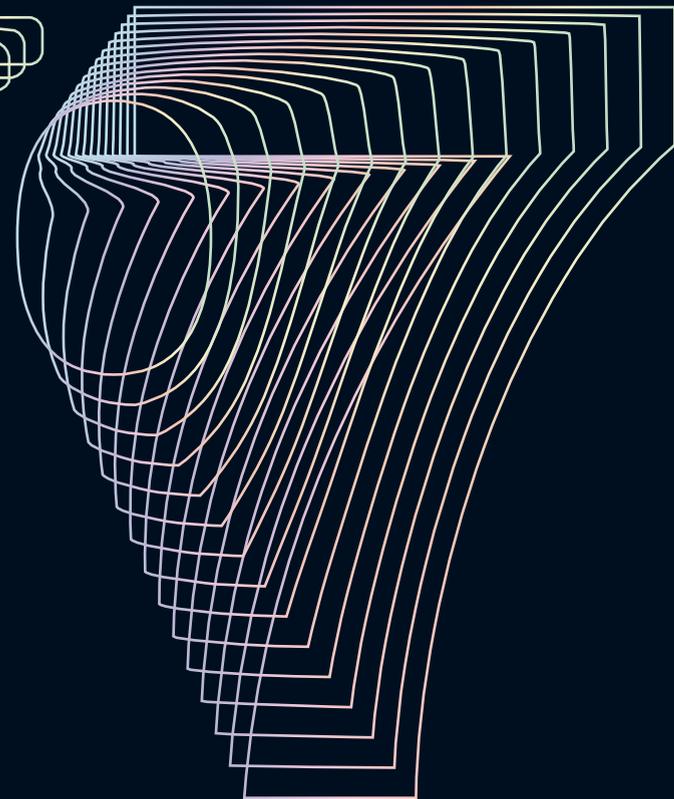


**M A S A N**  
GROUP



**Annual Report**

**Keep going...**





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## Keep going...

Nguyen Dang Quang  
Chairman

“Has Masan lost its way?”

This is the most frequent question that I get nowadays and it's understandable. From the outside looking in, Masan has become too complicated with its collection of businesses, a de-growing company, financial engineers, and unclear on its strategic direction going forward.

We have not lost our way or strategic direction – it's just that our puzzle is being pieced together. The vitality of Masan's business, people and organization is stronger today than it has ever been. That is not to say every decision we have made has worked the way we envisioned it to. We definitely experienced failures over the past few years. Failure is inherent when you constantly push the envelope and take risks, no matter how calculated they are, to reach new heights. Accepting the failures, and more importantly, learning from them will allow us to drive sustainable long-term growth, achieve dominant market leadership positions, generate outsized shareholder returns and build a consumer-centric business that stands the test of time.

We guarantee that Masan will never fall into the trap of becoming a “sleeping giant.” We will continually pursue a culture that promotes innovation, takes calculated big bets where we believe there is a huge payoff, encourages our employees to be shareholders and, most critically, puts our consumers at the forefront of everything we do.

We want to simply and clearly share with you our business and management philosophy, the

“growing pains” and success we had in 2017, and our ultimate purpose here at Masan. This will provide you a clear and consistent picture of what we are doing each and every day.

We would like to preface that our approach might not be the “right way”, but it is the “Masan Way.” We are perfectionists, but in no way perfect.

### “Keep going” long

As a public company, there is always a sense of urgency to deliver short-term financial results, and not wrongfully so. But we will not let this pressure change how we operate or our vision. If we do, we run the risk of sacrificing big wins for small gains. Below are what big-wins and long term shareholder value mean at Masan.

- Focus on long-term market share consolidation across our businesses as we believe this will allow us to deliver sustainable double digit growth and capture a disproportionate amount of the profit pool.
- Enter businesses where there is a pathway to serve consumers directly or own consumption flow. If not, at the appropriate time, monetize the business to re-invest the capital into consumer-oriented businesses.
- Continue to make upfront capital investments to build the next wave of revenue and profit growth engines.
- Invest to build power brands, innovation for consumers, and spend wisely on all other cost items.

- Build out our technological capabilities to interact and serve consumers directly.
- Maximize free cash flows in each of the respective business lines once we have executed their growth strategy.
- Maintain a strong balance sheet and capital allocation discipline to survive across emerging market cycles.
- Lastly, one additional principle we learned this year, always openly communicate in detail with our shareholders our thought process, what is working and what is not working. Transparency and honesty is key.

Despite the growing pains over the past several years which came to a head in 2017, we stuck to our beliefs. The decisions we made in 2017 were consistent with our beliefs and had set us up for a period of strong growth. With that backdrop, here is a strategic snapshot of each business unit.

#### Masan Consumer

We reset the organization's mindset and the fundamentals that made Masan Consumer the region's fastest growing consumer-company for the past decade: brand building, understanding our consumers, and breakthrough innovations. We ran the business as a “sales-driven” company and it resulted in single digit growth for the past 3 years.

What did we do to correct this? First, we stopped handing out free goods (“trade promotions”) and spent the first half of the

year clearing out the stock at the distributor and retailer level. Second, we started communicating to our consumers again by revitalizing our power brands through unique and differentiated TV commercials. Third, we launched 14 innovations into the market to provide consumers with a new and enjoyable experience across the portfolio. Fourth, we scaled up our technological platform, enabling us to track stock levels at our distributors. More importantly, we stopped wasting all of our time reading market research and guessing what our consumers want and need. Instead, we spent most of our time in the field and market to understand firsthand our consumers' big unmet needs.

It was a painful process, but a rewarding and necessary one. I truly admire and respect the transformational job Mr. Truong Cong Thang and our management did to revitalize the company from top to bottom. Our consumers are happier for it and as a result our growth and profitability are healthier.

We will keep going with our beliefs: power brands, innovation, and technology to better serve our consumers.

#### **Masan Nutri-Science**

Conventional wisdom would have told us to cut losses and stop investing through the livestock crisis. We did the opposite as we have strong conviction that this is the time to solidify our market leadership position. What we did will bring much more long-term value compared to the short-term savings. Our pig

feed market share has increased from 30% to 35% currently. The return metrics are not overly impressive at this stage, but when the livestock market rebounds, the returns will justify our upfront investments. We are not out of the woods yet. There will be more pain. Luckily, we have great business managers that will operate smartly and manage risk appropriately, but at the same time not compromise the end goal: a dominant feed market position.

Conventional wisdom also would have told us to put our meat plans on hold. But if we stopped, someone else would be stepping up and filling the void of providing our consumers safe-for-health, affordable, fresh meat products. The opportunity will not be there forever. The future and vision of Masan Nutri-Science is in meat. This is where we can build a true and unique brand and serve consumers directly. Meat will de-risk our business from livestock cycles and transform our financial model. Our meat journey will truly kick start at the end of 2018 when we launch our first branded fresh meat products.

A big thank you to Mr. Pham Trung Lam and our management team for being bold. The decisions they made were not easy, but ultimately the right ones.

We will keep going with our beliefs: providing Vietnamese people with quality and affordable meat.

#### **Techcombank and Masan Resources**

Both of these businesses were outperformers and delivered record financial

performance in 2017. Had we not maintained our conviction during their respective periods of growing pains, we would not be realizing the big payoffs today.

Techcombank has emerged as a differentiated and champion consumer "financial life" platform. Despite our recent success and transformation, the vision is still not complete. There are over 60 million citizens that do not have access to formal financial services. Our strategic plan to invest in technology starting today to offer these services to everyone is much more exciting and rewarding. This investment will position us to grow efficiently for the foreseeable future as we drive financial inclusion. It is the right strategy, but it will come down to superb execution.

Masan Resources is starting to generate strong profitability and is expected to deliver strong free cash flows over the medium-term. Obviously, we have benefited from the recent rebound in commodity prices, mainly tungsten. We believe current price levels will hold due to China's environmental policies forcing tungsten mines to shut down production, resulting in a primary supply deficit. Going forward, we will seek strategic partnerships to accelerate our transformation from a "miner" into a value-added, global downstream tungsten industrial player. This will de-risk the business and enable us to produce stronger cash flows across commodity cycles.

We hope our shareholders are happy with the strategic benefits of letting these platforms

develop. I am proud of and admire every Masaner for demonstrating our "Keep Going Long" philosophy each and every day, and it is because of your dedication we are starting to bear fruit.

#### **2018 and future outlook**

We are excited that each business is starting to deliver on its underlying growth potential simultaneously. We are also excited to drive shareholder value: for every one percent in topline growth, we will deliver 2-3 percent profit growth. We will do this by paying down our debt since most of our major investments have been made and by cutting out the fat to reduce our operating costs. You will see this reflected in our 2018 financial results.

There are always market and execution risks for any business strategy. We will monitor them carefully and navigate them to the best of our abilities. We are positioned to do so as we have learned a lot through the "growing pains." We do not know everything, but we will keep learning and applying them to win big.

#### **"Keep going" as an entrepreneur**

Our top leaders often contemplate and debate what is the right organizational model for us going forward. Do we scale back our entrepreneurial spirit and become more professionalized?

I have given much thought to this critical question and what it means for our future. What we are ultimately debating is whether we should stop doubling the bet and instead be content with stable but not explosive growth.

We have concluded that we want Masan to always live and breathe our entrepreneurial spirit. Masan was founded on this spirit and principle and this way of life has made us into who we are today. From the day we change our DNA, it will only be a matter of time before we become irrelevant.

Exploring our potential, Vietnam's growth potential, is what excites us as people and what drives us to constantly innovate and reinvent ourselves. We will continue to build a young and hungry talent pool that possess this entrepreneurial spirit. We have launched the "Masan Young Entrepreneurs (MYE)" program to build and cultivate the next generation of leaders, who will determine our future.

We recognize that we need to combine this spirit with professional expertise and superb risk management. We are no longer the start-up we were 22 years ago. We understand the need for checks and balances across the organization and to have a platform to manage the downside as much as we believe in the upside.

#### **"Keep going" with our real purpose not just business rewards**

We have shared our long-term business philosophy and how our entrepreneurial spirit

will make our vision a reality. However, we believe it is fundamentally more important to share why we started Masan in the first place and why we want to keep it going.

The pioneers that started this journey wanted to show that a group of Vietnamese people could build something that symbolized the true potential and value of Vietnam. We wanted to create something our families could be proud of, our future generations could be proud of, and something long-lasting and special that could always grow alongside our country.

Our purpose has not changed, but it has evolved into something larger. How can we build a Vietnamese company alongside Vietnam that is admired and respected globally? This is a challenge that our MYEs passionately want to tackle and it will be interesting to see how it plays out. But as long as we "keep going" for our 90 million Vietnamese consumers, I am sure we can do this for us and with our country.

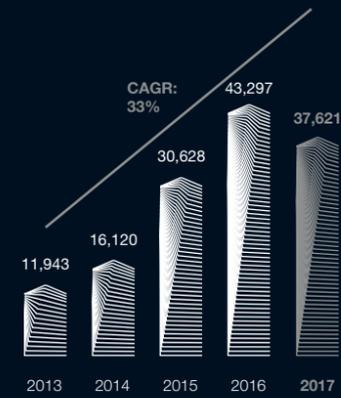
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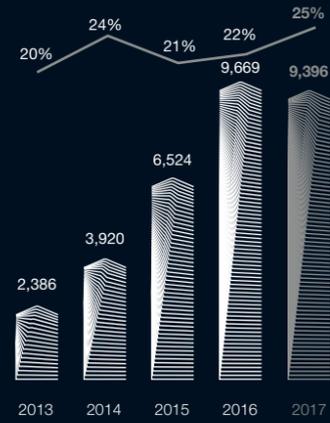
Nguyen Dang Quang  
*Chairman of the Board*

# 2017 Scorecard

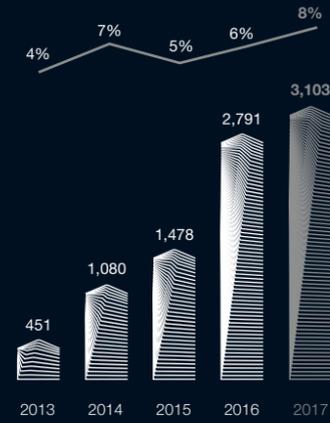
**Masan Group's consolidated net revenue**  
(VND BILLION)



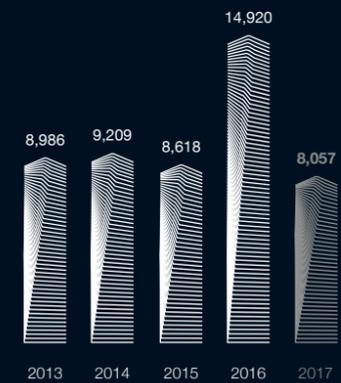
**EBITDA<sup>1</sup> (VND BILLION)**  
& **EBITDA margin (%)**



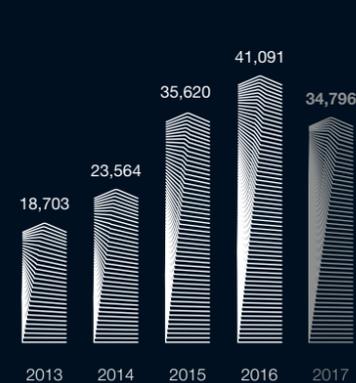
**NPAT POST-MI (VND BILLION)**  
& **NPAT POST-MI margin (%)**



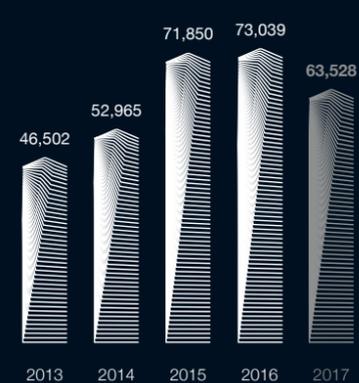
**Cash balance<sup>2</sup>**  
(VND BILLION)



**Total debt**  
(VND BILLION)



**Total assets**  
(VND BILLION)



1. EBITDA is MSN's consolidated net profit after tax, with net financial expense, tax, depreciation and amortization added back. MSN's consolidated EBITDA is lower than the total contributions from its business segments due to holding company level expenses. The earnings contribution of Techcombank, an associate, is included given its materiality to MSN's financial results.  
2. Includes short-term investments.

## Keep going... with Vietnam

As an emerging economy, Vietnam can be a challenging and an uncertain place to build a sustainable business. Masan has experienced, to our benefit and also to our detriment, Vietnam's volatility and economic cycles. But we are a Vietnamese company and we believe in our country's potential. Vietnam is one of the world's fastest growing economies with a compelling domestic consumption story supported by one of the world's youngest and largest population (15th according to the United Nations). But at Masan, investing in and growing with Vietnam is not just the right business decision, but a matter of national pride, reflecting our deep commitment to our people. We want to create something our families could be proud of, our future generations could be proud of, and something long-lasting and special that could always grow alongside our country.





## Keep going... with the Masan Way

The “Masan Way” is our consumer-centric execution model to build leading businesses in Vietnam. Across our organization, we believe in investing in innovation, distribution that reaches all corners of Vietnam, brands consumers trust and love, doing “fewer and bigger,” and an entrepreneurial team who puts consumers at the center of everything they do. In an ever-evolving market, it is often tempting to chase short-term gains. Our commitment to the Masan Way means that we have missed out on many easy opportunities to make money. But nothing sustainable is ever easy and many of our strategic mistakes were the results of us deviating from our principles and beliefs. This is why we will “keep going” with the Masan Way.

## Keep going... for future leaders

With a young population and a market economy that is only a few decades old, Vietnam requires more professional talent than is available to maximize its potential. This is why Masan is proud of and grateful for the people we have. We are led by a team of professionals who exemplify our entrepreneurial spirit and commitment to the Masan Way. We have successfully recruited, developed and retained experienced talent from all over the world to accelerate our growth. However, looking ahead, we feel strongly that it is our responsibility to develop and nurture the next generation of Vietnamese leaders, not only to make Masan the destination of choice for young talent, but also to show the world that "Vietnam can do". They will determine our future.





## Keep going... with our consumers

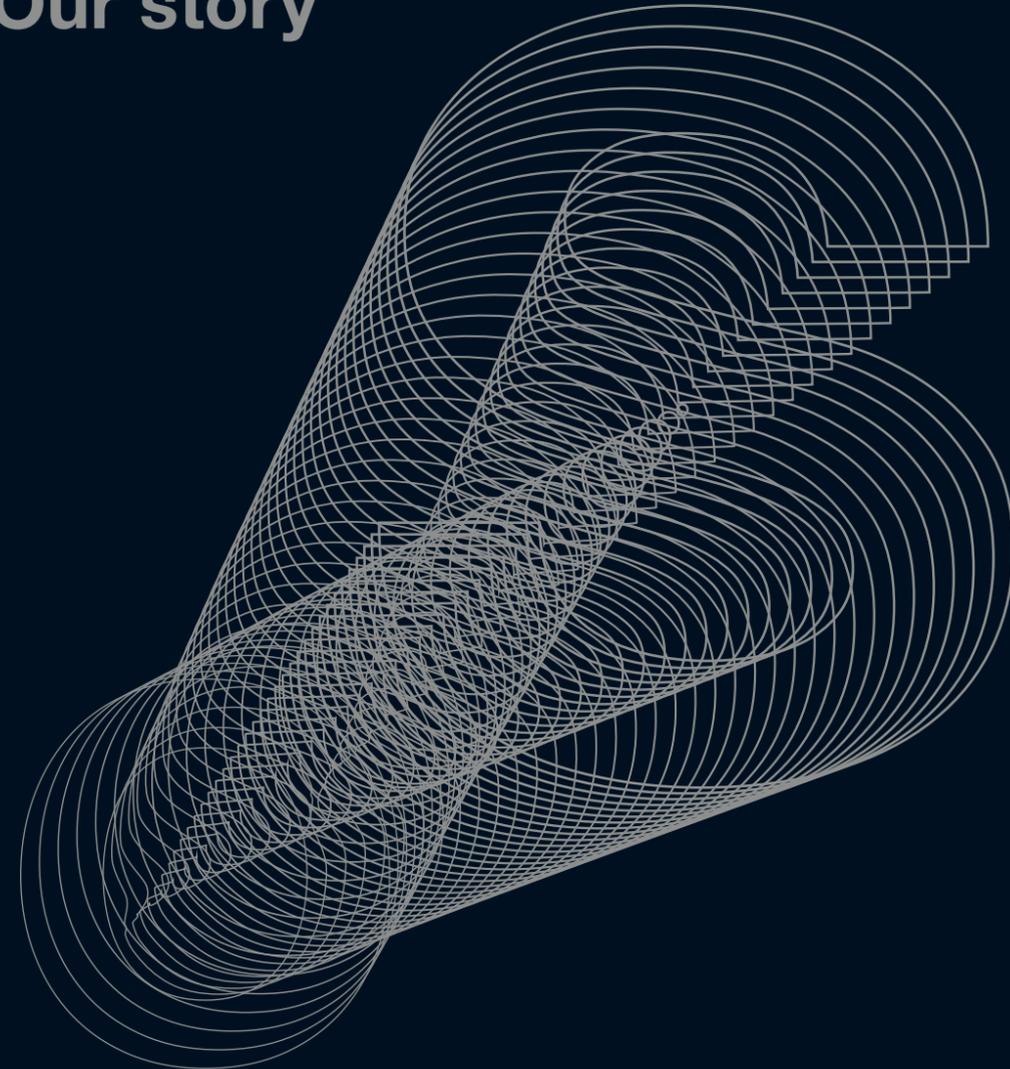
Nearly 70% of Vietnam's GDP is consumption-related. This opportunity, however, largely reflects how much more consumers must pay on a per capita basis for daily basic goods and services when compared to other economies in the region. Therefore, Masan believes we are "doing well by doing good" when we provide our consumers more value for their money by driving productivity and innovation. However, serving Vietnamese consumers will be increasingly more challenging as their needs and preferences change and evolve. As Vietnamese consumers achieve higher levels of disposable income and the country further urbanizes, Masan aims to keep going with our consumers and not stand still.

## Keep going... with our communities

Vietnam is a fast-growing economy but it is still far from being a rich country. As such, "doing well by doing good" is not just about our commitment to improving the lives of our consumers with superior products and services, but also about our positive engagement with the communities where we have operations. Managing multiple stakeholders or balancing the needs of "people, planet and profits" is always a complicated and challenging task. However, with 29 production and processing facilities spread across 18 provinces in Vietnam and a distribution network that reaches all corners of the country, Masan believes that being a responsible leader and a role model for good corporate citizenship is core to sustainable growth. We must "keep going" with our real purpose, not just business rewards.



# Our story



## Who we are

### A diversified consumer platform servicing the needs of 90 million Vietnamese consumers

Masan Group is one of Vietnam's leading private sector business groups and we believe in "doing well by doing good." Our mission is to provide quality products and services for Vietnam's population of over 90 million people, enabling them to get more value for their money on their daily basic needs. Today, our subsidiaries and associates operate in sectors that include packaged food and beverage, fresh food and protein, and financial services, which all together represent approximately 50% of consumer wallet share.

These businesses are Masan Consumer Holdings, a leader in some of Vietnam's largest consumer staple categories such as seasonings and convenience foods, with a fast-growing beverage business, and Masan Nutri-Science, one of the leading animal feed producers in Vietnam that has developed a feed-farm-food ("3F") model to provide consumers with traceable, hygienic, branded meat products, a US\$9 billion market opportunity.

Our other businesses include Masan Resources, one of the world's largest producers of tungsten chemicals and other strategic industrial minerals, and our associate, Techcombank, a leading joint stock

commercial bank in Vietnam with a technology driven retail strategy to capture the growth of financial inclusion.

We believe in a "**consumer-centric**" approach and deliver by building leading power brands to win the trust and loyalty of Vietnamese consumers, increasing productivity through innovation and technology as well as economies of scale, and focusing on fewer but bigger opportunities that can impact the most lives.

**Our objective is to be and be recognized worldwide as the pride of Vietnam by creating a winning, unique business model in Asia.**

### Doing fewer and bigger – Our beliefs

In a dynamic market with many opportunities, we believe in being disciplined and have recognized several important criteria of a successful and sustainable business in Vietnam. These include:

#### A passion to imagine and fulfill big unmet needs

Masan believes that value comes from scale and leadership in large opportunities that are underserved. We also believe that imagination and creativity are critical to not only envision such unmet needs, but to envision ways to fulfill them with innovation or new insights. We

do not simply want to do what others do or do what others do slightly better - we want to change the rules of the game.

Throughout our history, we have focused on large consumer categories, and have constantly redefined them to expand our addressable market, which today reaches US\$9 billion combined in Vietnam alone. This does not include our recent entry into Vietnam's animal-based protein market, where Vietnam spends approximately US\$9 billion on meat products per year, or our recently announced ambition to better serve the 250 million consumers of In-land ASEAN.

Together with our associated company, Techcombank, Masan operates in sectors of the economy. Packaged food and beverage, fresh food and protein, and financial services represent approximately 13%, 14%, and 22% of Vietnamese consumers' wallet share, respectively.

An example of an "unmet need" is the inefficient animal protein value chain in Vietnam. We believe it is wrong that Vietnamese consumers, who make on average one tenth the income of Americans, pay nearly double the price for meat products. Starting with the commercial animal feed business, we believe we can transform the productivity of the animal protein value chain to better serve consumers with branded meat products that are more

affordable, of higher quality, and safer. 2018 is expected to be a milestone year as we expect to begin selling fresh chilled meat products to consumers.

Vietnamese consumers also pay more for financial services and products as low financial inclusion means higher usage of informal financial channels. Our associate Techcombank is competing in a financial sector that is undergoing restructuring, where it is emerging as a leader in retail banking with a healthy balance sheet and a scalable technology platform.

In our tungsten mining and chemical processing business, we are also addressing a large market with opportunities for transformation. Globally, the industrial minerals we mine and process represent a total size of approximately US\$4 to 5 billion per annum, excluding copper. The unmet need in our resource business is evidenced by a desire from customers to buy large volumes from a single supplier conflict-free minerals and from an alternative source outside of China. The European Union has stated that tungsten and fluorspar are among the four “critical raw materials” for Europe (Critical Raw Materials for the E.U., July 2010) due to concentration of supply sources and importance to European industry. As Masan Resources ventures further downstream with industrial products, both the addressable market size and margins are expected to increase.

### Building scale and leadership

To win, we need to be big. Being a market leader of size allows us to compete successfully in an economy with a fragmented and small-scale local private sector, and where competition from multinational companies and state-owned enterprises is intense.

As one of Vietnam’s largest private sector companies, Masan has greater access to capital and professional talent, and the scale to invest in operating platforms, which leads to increased productivity, allowing us to make products more affordable for consumers. We build scale through focus and consolidation, growing our existing businesses organically and accelerating growth with acquisitions that fit within our sector focus. This enables us to harness economies of scale, be cost-competitive and earn high margins that allows us to reinvest in brands and product innovation.



As a result, today we have leading positions in most of the markets and/or categories where we compete. We are Vietnam’s number one player in seasonings (where we are the leader in fish sauce, soya sauce and chili sauce) and instant coffee. In convenience foods, we are the number one instant noodle producer in the premium segment which makes up most of the category’s profit pool.

Masan Nutri-Science was established with the aim of transforming the meat market in Vietnam by establishing a fully integrated 3F (Feed-Farm-Food) model. Today, we are the largest local Vietnamese animal protein company with leadership in external pig feed sales (market share of approximately 35% at the end of 2017). We are on track to develop an integrated 3F model with the commissioning of our pig farm in Nghe An (capacity of 230,000 to 250,000 porkers per year) and the groundbreaking of a new meat processing complex in Ha Nam (capacity to slaughter and process 1.4 million pigs per annum, equivalent to 140,000 tons

per annum). We believe that such scale across our 3F model is critical in driving the productivity within the animal protein value chain and achieving sustainable margins.

Masan Resources is now a globally significant player across several key industrial minerals, namely tungsten, fluorspar and bismuth. Our current market share is 36% of global tungsten supply outside of China. Masan Resources is exploring strategic opportunities to become a more integrated downstream tungsten processor.

Our associate Techcombank is one of the largest joint stock commercial banks in Vietnam with leadership position in residential mortgages, bancassurance, Visa and debit card transactions and wealth management products. Techcombank continues to invest to further enhance its technology platform and has been experiencing significant traction with its mobile and digital channels. As a result of its prudent approach to managing the banking sector downturn over the past few years, it is now on a path to market leadership as sector fundamentals improve.

### Cash flow generating businesses

Masan believes that sustainable growth in an emerging market like Vietnam requires building cash flow generating businesses. We do not engage in asset trading, such as purchasing land banks or participating in short-term speculation. We compete only in sectors with strong growth fundamentals, a proven private sector regional business model

and the potential to build a business of scale. Therefore, we have chosen to focus on the consumption-related sectors.

For the financial year 2017, we reported EBITDA of VND9,396 billion and a consolidated cash balance of VND8,057 billion, which includes short-term investments in the form of term deposits. In 2018, we forecast both net revenue and EBITDA growth to grow in excess of 20%, allowing us to achieve approximately 25% EBITDA margin.

### Disciplined capital allocation and track record of operationally turning around acquired platforms

Since our listing on the HOSE, we have raised nearly US\$3 billion in long-term capital to fund our strategic growth ambitions. We have demonstrated stringent capital allocation by using most of the proceeds to increase our ownership and invest in our existing businesses. Less than 20% of the capital we have raised has been deployed to acquire new businesses – Vinacafé Bien Hoa, Vinh Hao, a brewery, Saigon Nutri Food, Masan Nutri-Science, Quang Ninh Mineral Water, and VISSAN.

From 2008 to 2016, Masan delivered a net revenue CAGR of 42% with approximately half of the growth coming from acquisitions and the balance coming from organic initiatives. However, we do not acquire businesses in order to “buy revenue.” We invest in brands, people, technology, and distribution reach to accelerate our entry

## 2017 EBITDA of VND9,396 billion

Strong cash flows to invest across cycles

into new categories. After entry, we focus on driving the operational turnaround of the acquired business. We are proud that the brands and products we introduced and launched post acquisition today represent the majority of the revenue of our acquired businesses. In addition, we have been able to increase margins across the board post acquisition to deliver shareholder value.

In September 2017, Masan repurchased 100,665,722 shares, increasing its total treasury share count to 109,899,932 or 9.5% of its charter capital. The average repurchased share price was VND58,352 per share for a total consideration of VND5,874 billion. We believe that this initiative will provide flexibility for growth capital while minimizing dilution to existing shareholders.

### The Masan Way – Our approach to transformation

sustainable growth can be achieved only through building best-in-class systems and operating platforms. When we enter a sector, we develop a bespoke strategy and repeatable models to drive market leadership in each business line. This enables us to invest continually in best-in-class operating

platforms. Over the past several years, we have invested in power brands, innovation, distribution networks, production facilities and most importantly, talent.

**Brands that consumers admire and trust**

We have transformed our branded food and beverage and consumer-agri platforms to become market leaders across the categories they operate in with strong brand equity. Our approach to organically develop or acquire power brands which are trusted by consumers is in line with our belief of focusing on the consumers' daily basic needs.

Our seasoning products are market leaders in their respective categories. In instant noodles, we are number one in the premium segment. We are also market leader in the animal feed category based on external sales.

We have grown our food and beverage business to be what we believe is the market leader in almost all of our segments. We developed power brands by leveraging our deep understanding of the Vietnamese consumers and implementing best practices, resulting in what we believe is an unrivaled portfolio of distinct brands. In a market where consumer behavior is sensitive to price, we are proud to have transformed products that were previously considered commodities into power brands that can command customer loyalty across different price points while meeting the diverse needs of Vietnamese consumers.



Our key brands include: Chin-su, Nam Ngu and Tam Thai Tu for seasonings; Omachi, Kokomi, Komi, Cao Boi and Heo Cao Boi for convenience foods (which includes instant noodles, congee, processed meat); and Vinacafé, Wake-Up, Wake-Up 247, Kachi, Vinh Hao, Quang Hanh and Faith for non-alcoholic beverages. Our beer brand, Su Tu Trang is on track to being a VND1,000 billion business after only a few years since its launch.

Our associate, Cholimex Food Joint Stock Company, in which we acquired a significant stake at the end of 2014, also has well-known sauces and condiments brands with a strong presence in on-premise channels.

In 2017, our coffee business Vinacafé Bien Hoa received the “Vietnam Top Quality Product” award for 21<sup>st</sup> consecutive years by Vietnam Top Quality Product Association (formerly The Gioi Tiep Thi Newspaper). In the same year, Vinacafé Bien Hoa was

recognized as “Vietnam’s Famous Brand” by the Ministry of Science and Technology and International Trademark Association (INTA). Vinh Hao, our bottled mineral water brand with a heritage beginning in 1928 also received the “Vietnam’s Top Quality Product” award for the 21<sup>st</sup> consecutive time by Vietnam Top Quality Product Association.

We have also been able to apply our FMCG brand building model to our consumer-agri business. Three years after its launch, Bio-zeem today comprises over 60% of our animal feed sales. Bio-zeem is the brand for our feed products that carry a proprietary enzyme to strengthen a pig’s immune system and improve the feed conversion ratio. Our innovation has been supported by television advertising campaigns and direct brand activation activities with farmers. The strength of the brand was validated by our ability to grow our market share of the external pig feed market to 35% during a period of historically low livestock pig prices.

**35%**  
External pig feed market share<sup>1</sup>

Our associate Techcombank is also a strong and nationally recognized brand in the market. Techcombank is recognized as a trusted provider of financial services and products, especially by retail and SME clients. In 2016, Techcombank was awarded the “Best Mobile Bank in Vietnam” by The Asian Banker, and “Best Bank in Vietnam” by FinanceAsia.

**Innovation for the future**

Masan’s track record of building market leading brands would not have been possible without innovation that can deliver benefits to our consumers. More importantly, innovation underpins our efforts to enable consumers to pay less for their daily basic needs. For our efforts, Masan was recognized as the 20th most innovative growth company in the world by Forbes Magazine in 2015.

In our branded food and beverage business, we have an in-house Research and Development (“R&D”) team of approximately 75 employees, who work closely together with our marketing team to develop new innovative products. Our R&D team develops on average 30 products annually which we directly test with consumers. The R&D team has turned many innovative ideas into well-received products. Most recently, we developed and launched Omachi cup noodle with a whole 45 gram sausage, uplifting the instant noodles category to

1. Management estimates.  
2. Forbes 2015.

**Top 20**  
Most innovative growth company in the world<sup>2</sup>

becoming full meal solutions. Our Heo Cao Boi meatball utilizes heat-withstanding meat pack technology which helps retain taste without the use of preservatives. This know-how is critical as we try to grow the nascent processed meat category in Vietnam.

Seasonings are the essence of Vietnamese food culture and gastronomy. Masan aims to develop safe, delicious and affordable seasoning products because they are used every day and in nearly every meal by Vietnamese consumers. Our processing technology ensures that the soya sauce we produce does not contain 3-MCPD, a harmful chemical agent. Our Chin-su and Nam Ngu fish sauces are free of bacteria. In addition, we innovate to make our products delicious. We are proud that over 50 million Vietnamese consumers choose Nam Ngu

as their preferred fish sauce brand. In 2017, we refreshed our seasonings lineup with new breakthrough products such as Chin-su Vi Man Ma premium fish sauce and Nam Ngu Phu Quoc (fermented and bottled in the island of Phu Quoc), and Nam Ngu Golden Label fish sauce with 15 amino acids, suitable for both dipping and cooking. In early 2018, we introduced the new Tam Thai Tu premium soy sauce made from 7 natural ingredients among other innovative product launches.

In the beverages category, Vinacafé Bien Hoa was an early movers in serving consumers instant coffee made from 100% coffee beans and not soy beans while still delivering the dark, rich taste of Vietnamese coffee. Our R&D team also has been innovating to develop more products to address the much larger roast and ground coffee segment. Wake-up 247, our coffee-based energy drink, Vietnam’s first, had a breakthrough year in 2017 and will drive our growth in the energy drink segment.



Masan Nutri-Science delivered innovation in the meat value chain sector with the introduction of Bio-zeem. Working closely with global biotechnology firms, we developed an enzyme additive which improves intestinal health, enhances absorption capacity, boosts resistance, and reduces common diseases in pigs. As a result, Bio-zeem improved feed conversion ratios up to 6% according to internal studies, enabling farmers to sell their pigs 12 days sooner to market.

We have marketed Bio-zeem as a value-added feature that can be found in our range of animal feed products, giving us an edge in a traditionally commoditized market where farmers have been unable to differentiate products. These innovative efforts, along with our investment in brand building, are the reasons 95% of pig farmers switched to Bio-zeem after initial trial. Going forward, we aim to continue innovating across the entire meat value chain (3F) to drive productivity and deliver branded meat products to consumers.

In financial services, we believe that our emphasis on innovation and being ahead of the competition can also be seen at Techcombank, which is developing a “Consumer-Tech” model to better serve retail clients.

Our resource mining and value-added processing business has established itself as a high-tech, low cost tungsten chemical producer and has committed up to 1% of its tungsten revenues to R&D.

### Reaching consumers

We have the largest and deepest distribution network in Vietnam with the ability to reach Vietnamese consumers quickly and effectively. This is critical as up to 70% of Vietnam’s population is still rural and relies on general trade. Modern trade penetration has progressed slowly and the retail landscape remains highly fragmented.

For our consumer products, we have developed a nationwide distribution network with 300 distributors, covering approximately 190,000 points of sale for food and 130,000 points of sale for beverage. This network is one of the largest and deepest in Vietnam’s FMCG sector. We have enhanced our distribution capabilities over the past few years with the addition of more distributors for beverages and on-premise points of sale. This achievement makes our business one of the few in Vietnam with both a strong on and off-premise presence for food and beverage. Today, 98% of all Vietnamese households have a Masan consumer product in their homes.

We are also unique as a “one-stop” shop for our distributors because our wide product portfolio caters to the daily basic needs of Vietnamese consumers, allowing us to have loyal and close relationships with our distributors. Further, our strategically located distribution centers provide us with the ability to distribute food and beverage products within a single day to each distributor

nationwide. This also gives us the unique capability to test new products efficiently and be cost-effective across Vietnam. In 2017, we implemented a destocking initiative at the distributor level, which brings consumers fresher products.

At Masan Nutri-Science, we have over 1,200 salesmen to serve over 4,500 dealers nationwide. A large portion of the dealers are exclusive. We believe that we have further strengthened our nationwide distribution network following our investment in VISSAN, which has a nationwide network that reaches 130,000 points of sale and more than 1,000 supermarkets and convenience stores.

For financial services, Techcombank maintains a strong customer base and branch network. In 2017, the bank served over 5 million retail customers, over 114,000 corporate customers, and nearly 1,000 large corporations through its network of 315 branches and transaction offices and more than 1,100 ATMs. Altogether, the bank has one of the largest networks for a private joint stock commercial bank in Vietnam. Techcombank has also been an early mover in building a digital and mobile platform where transaction volumes have been growing strongly each year.

Our mineral and chemical products are sold to customers spread across different end-user segments and multiple continents to ensure a diverse exposure to end-user demand. For example, the fluorspar we



produce is sold to manufacturers in all major categories of fluoropolymers, fluorochemicals and aluminum fluoride across the major markets of Asia, the Middle East, North America and Europe. Another example is tungsten, which is ultimately used in a diverse range of industries including automotive, aerospace, consumer goods, mining, oil and gas exploration and production.

### Driving productivity with best-in-class facilities

We have built and operate 29 state-of-the art production and processing facilities in Vietnam that can be recognized as best-in-class not only in Vietnam, but globally. Through economies of scale, we aim to drive productivity that can enable us to meet the daily basic needs of consumers at more affordable price points

For consumer products, we currently operate production facilities at Binh Duong, Ho Chi

Minh City, Hau Giang, Phu Quoc, Hai Duong, Bien Hoa, Long Thanh, Binh Thuan, Phu Yen, Quang Ninh, and Nghe An. We have a network of world-class facilities that allow us to cut distribution costs, satisfy regional taste, increase productivity, and employ world-class production technologies. As a result, our products meet the highest standards for hygiene, safety, efficiency and quality. Notably, we were the first company in the world to engineer and build a fully automated fish sauce manufacturing line.

In early 2017, we inaugurated our US\$3 million Research and Development center in Binh Duong. With this investment, we are proud to have one of the largest Research and Development centers in Vietnam for food and beverage. The R&D center occupies a three-story building fully equipped with laboratories, cafeteria, trial rooms, and working areas.

As of December 2017, Masan is operating 13 world-class animal feed manufacturing facilities all over Vietnam. As a result of our focus on operational efficiencies, scale, and procurement practices, we have one of the highest gross margins in the animal feed industry, globally.

We have recently built a large scale pig farm on 223.7 hectares of land in Nghe An province, and plan to spend VND200 billion (accounting for 20% of the total investment) on environmentally friendly facilities such as a waste water treatment plant and a bio-gas electricity plant. We believe it will be the largest pig farm in the province.

In early 2018, we broke ground on a new meat processing complex with technology and equipment imported from Denmark. This technology is key to bringing fresh chilled meat to the market, a newer approach to selling meat products in Vietnam. The complex’s capacity is 1.4 million pigs per annum, equivalent to 140,000 tons per annum of meat products. The investment value is over VND1,000 billion and the complex is going to be built on 10 acres of land. We aim to start selling our first chilled meat products by end of 2018. Chilled meat is stored and distributed in refrigerators and is kept between 0-4°C during transportation. This technique minimizes bacteria growth and maintains natural freshness for meat products. Fresh chilled meat can be stored for up to 5 days before consumption.



In our resources business, we have built Vietnam's first international standard processing plant of scale, capable of producing four different minerals and metals from a single ore body. We believe the plant has the most modern and advanced tungsten processing line in the world, as it is the first new tungsten project of scale to be commissioned in over a decade. Through the partnership with our joint venture partner, H.C. Starck, a global manufacturer of technology metals, Masan brought proprietary technical know-how to Vietnam to go deeper in the tungsten value chain and compete globally. We process tungsten concentrate into higher-value tungsten chemicals, such as APT, BTO and YTO. By doing so, Masan is making Vietnam's resources more valuable.

#### A "consumer-centric" team

In a market where experienced talent is scarce, we have invested to build strong professional management teams at all levels in our organization. We believe in hiring professionals who have a mix of international experience and a track record of business execution in emerging markets through brand building, local distribution, and product innovation. Our management team has been instrumental in transforming Masan Group from a closely held private office with a wide portfolio of businesses and investments into one of Vietnam's largest private sector companies focused on fulfilling the big unmet needs of consumers.

The majority of executives at Masan Group have experience working in FMCG companies and this consumer-centric management approach extends into businesses that traditionally are not seen as being related to consumers, such as animal feed.

Most importantly, we believe in hiring professionals who demonstrate our entrepreneurial values and are project managers of transformative initiatives within a fast-growing organization. Our team is comprised of young, global, proven and flexible professionals who can execute on diverse projects to create maximum shareholder value. Our talents are also the Company's shareholders.

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## Vietnam's growth story

Masan Group's strategy is driven by our view of the business opportunities in Vietnam, forecasted to be Southeast Asia's fastest growing economy in the near future. Real GDP has grown by 6.81% in 2017, higher than the target of 6.7% set by National Assembly, and was the highest growth rate in the last 10 years according to the General Statistics Office (GSO). Growth is expected to be further supported by higher foreign direct investment and Vietnam's proactive participation in free trade agreements to further integrate Vietnam into the global economy. However, we believe Vietnam's true value lies in its domestic consumption potential.

### Domestic consumption potential

Vietnam's demographics and rising income levels support strong continued growth in domestic consumption. The country has just entered an anticipated 30-year era of "demographic dividend" with nearly 70% of its 90 million residents in the working age population and 56% of its residents under the age of 30. Over the next 10 years, the working age population is expected to grow by at least one million per year.

Vietnam's expanding workforce is expected to drive consumer spending. In addition, the combined effects of continuous economic growth, rapid urbanization, "demographic dividend," emergence of middle income

earners, and an expanding modern retail network, will fuel the growth of overall food consumption in the medium- to long-term. According to Nielsen, Vietnam's Consumer Confidence Index grew significantly in 3Q2017, boosting Vietnam's ranking to the top 5 most optimistic countries in the world.

Vietnam's food and beverage sector is expected to maintain double-digit growth rates for the near future, primarily due to increased domestic consumer demand fueled by a rise in disposable incomes. In addition, not only will consumers enjoy more branded food and beverage products, their diet will also shift from grains to more animal protein. As Vietnam's largest local feed producer that has made significant progress with its integrated 3F platform, Masan stands to benefit immensely.

### Vietnam's constraints drive our business model

In 2017, Vietnam experienced greater economic stability, although many challenges remain. The private sector while growing strongly, remains fragmented and small in scale as demonstrated by low revenues and market share. Private sector companies are further challenged by constrained availability of long-term capital, lack of professional expertise and competition from larger multinational companies. Masan Group manages these risks and addresses Vietnam's private sector constraints by building scale and creating leading operating platforms to weather financial cycles, and by consolidating and growing market share.



## Our history – A track record of transformation

Masan Group's first predecessor company was established in 1996 with sales of Asian foodstuff and other consumer goods in Eastern Europe. In our early days, we primarily focused on the Eastern European markets and some of our more popular products were sauces and instant noodles, which we began to manufacture in Vietnam when the export business grew. However, by 2000, we shifted our focus towards the domestic market and launched our premium sauce brand, Chin-su in 2002. Chin-su's success was followed by more successful brand launches such as Nam Ngu (Vietnam's most popular fish sauce) and Tam Thai Tu (Vietnam's most popular soy sauce).

In 2007, Masan entered the domestic convenience foods category with the launch of Omachi, a premium instant noodles brand. We have expanded our convenience foods portfolio with the introduction of Kokomi (mass market instant noodles) and Komi (instant congee), and today we are Vietnam's number two player in the overall category.

In 2008 the company was restructured and formally named Masan Group Corporation, comprising a fast growing food business and a 20% stake in Techcombank, which provided the company with greater scale



and exposure to Vietnam's emerging middle class story. Masan Group was subsequently listed on Ho Chi Minh Stock Exchange on 5 November 2009 under the symbol "MSN," and immediately became the sixth largest listed company in Vietnam based on market capitalization. During 2009, several prominent global investors such as TPG became shareholders.

In 2010, the Group acquired a controlling stake in the Nui Phao mine, one of the world's largest tungsten mines and established Masan Resources. Masan Group also increased its effective economic interest in Techcombank the same year.

In 2011, Masan Group entered the beverage segment by acquiring control of Vinacafé Bien Hoa, Vietnam's largest instant coffee producer. The company has since grown its beverage business where today it is not only Vietnam's largest instant coffee producer with the Vinacafé and Wake-up brands, but also the largest local mineral water company with brands such as Vinh Hao and Quang Hanh. In April 2011, KKR invested US\$159 million into Masan Group's branded food and beverage business. KKR subsequently increased its investment with an additional US\$200 million investment 2 years later.

2014 marked the first year of operations for Masan Resources with the commissioning

of the Nui Phao mine. In achieving this operational milestone, Masan Group became the first company in the world to commission a new tungsten project in over a decade. Masan Resources was listed on the UPCoM exchange in September 2015.

In September 2014, Masan Group launched Su Tu Trang, a mainstream beer brand which became the fastest growing beer brand in Vietnam during 2015.

In the first half of 2015, Masan Group established Masan Nutri-Science to enter into and transform Vietnam's animal protein value chain and ultimately better serve consumers with branded meat products. Masan Nutri-Science is currently Vietnam's largest local animal nutrition business and owns the Bio-zeem brand.

In December 2015, Singha, Thailand's first and largest brewer, announced the signing of a partnership agreement with Masan Group to become a major shareholder in Masan Group's branded food and beverage business and also a 33.3% direct shareholder in Masan Group's beer business. The deal

was the largest M&A transaction in Vietnam at the time and enabled both partners to better serve 250 million consumers in the In-land ASEAN region (Vietnam, Thailand, Myanmar, Cambodia, and Laos) with their combined branded food and beverage portfolio and distribution reach. Within a year after Singha's first investment, we launched Chin-su Yod Thong fish sauce in Thailand with their support.

In March 2016, in order to move towards a consumer-oriented business model and consolidate the animal protein space through brands, distribution and best-in-class practices, we acquired 14% stake in VISSAN, Vietnam's largest branded fresh and processed meat company. In June 2016, we increased our stake in VISSAN to 24.9%. This was followed by the ground breaking of our pig farm facility in Nghe An Province, which advanced our mission to establish a 3F model and drive the productivity of the animal protein value chain in Vietnam.

In April 2017, KKR, a leading global private equity firm, invested US\$150 million to purchase a 7.5% primary stake in Masan

Nutri-Science, and US\$100 million to purchase of secondary shares of Masan Group. This is KKR's second investment in Masan, the first being Masan Consumer with a US\$359 investment. KKR's latest investment validated Masan Nutri-Science' vision to build a leading branded meat business.

As summarized in this section, Masan has continuously delivered on transformational growth. While the summary in this section covers our key milestones, it does not completely illustrate Masan's disciplined but innovative approach to building businesses for long-term value creation or fully capture the unique entrepreneurial culture (the "Masanship") that has made our success possible. We hope that the other sections of the annual report give our readers greater insight into Masan and what we may achieve in the future.

For further details on our corporate history, please see the "General Corporate Information" section of this Annual Report.

# Sustainability Report



## “Keep going” with our real purpose, not just business rewards

Masan Group Corporation is one of Vietnam's largest private sector companies specializing in branded foods and beverages, the meat value chain, resources and financial services. Our objective is **to be and be recognized worldwide as the pride of Vietnam by creating a winning, unique business model in Asia.**

Our uniqueness is underpinned by our belief in applying a consumer-centric business model across all of our operating platforms and across various industries. By doing so, we can enable 90 million Vietnamese people to pay less for their daily basic needs. However, serving consumers with superior products is not enough to become the “pride of Vietnam”. We must “keep going with our real purpose, not just business rewards”. To do so, we must have a strategy on sustainability.

To build a sustainable business, we must act upon the four core values of **Win-win, Integrity, Leadership,** and most importantly, **Driving Change Sustainably.** We must always act in a manner that is environmentally, economically, and socially sustainable, adhering to the following principles:

- **Environmental Stewardship:** Encouraging a voluntary, progressive reduction in environmental impact throughout the lifecycle of our products by innovative solutions and

reduction in the amount of resources consumed, waste generated and emissions produced.

- **Social Responsibility:** Committing to a policy of proactive, voluntary and continual improvement over and above basic legal requirements so that we contribute in promoting and improving the health and quality of life of the community in which we operate, and our staff is recognized and encouraged by society and regulators.
- **Economic Development:** Contributing to economic growth through innovative delivery, based on sound science, up-to-date technologies and ethical standards for hygiene and specialty products for use across consumer, commercial and industrial applications.

Our corporate sustainability framework revolves around the harmonious interactions between people, planet and profit. We believe a sustainable company's goal is the delivery of long-term shared value in financial, environmental, social and ethical terms. Corporate sustainability has become our source for innovation and future growth across all businesses. For that purpose, we have established a Sustainability Committee to spearhead all sustainable practices at Masan and report its implementation across our businesses to the Board of Directors.

At Masan, the Sustainability Committee oversees, evaluates and advises on the Company's pursuit of best practices that improve environmental and social sustainability, enrich our customers' experiences, increase shareholder value, and lead to a better world.

Masan has taken on the responsibility in creating value for consumers since our establishment in 1996. Over the years, our business strategy has evolved into creating a sustainable business that combines sustained financial growth with sustainable operational practices. Sustainability has also helped us improve efficiency, minimize costs and wastes, optimize productivity and stakeholders satisfaction.

With this Report, we wish to deliver a holistic view of Masan's consolidated efforts to pursue sustainable business practices and foster greater shared value as the nature of our business dictates. We strongly believe that Masan is at the intersection of business goals and societal growth. With our fundamental belief to improve the lives of our consumers, we are on track to create a better future for ourselves as well as the society as a whole.

## “Doing well by doing good”

At Masan, we do not have a job; we have a purpose. Our passion is to imagine and fulfill the big unmet needs of Vietnamese consumers, allowing us to improve their spiritual and material lives each and every day. Over our 22-year history, we taken great strides in turning our passion into reality.

Each day, our team of approximately 10,000 employees work relentlessly to bring about the best products and services to fulfill the daily basic needs of 90 million Vietnamese at affordable prices. We are proud of what we have accomplished as briefly describe below.

- Revenue of VND37,621 billion in 2017
- Top 10 Food & Beverage Company in Vietnam (Vietnam Report)
- 98% of Vietnamese consumers use at least one Masan product (Kantar Worldpanel)
- Contributed VND5,000 billion to the State budget in 2017
- 29 facilities in 18 provinces in Vietnam

However, our relentless effort would be incomplete without addressing the importance of developing our people, contributing to our communities where we operate, giving back to society at large and reducing our environmental footprint.



### Innovation in products and processing

#### Innovation

At Masan, we believe in doing things differently. In order to fulfil our commitment, we do not bind ourselves with existing standards but use our imagination to explore how else we can create positive change. We have asked ourselves: How do we offer consumer staples to Vietnamese people at more affordable prices? How can children in rural areas enjoy the same nutritional food products as others in the cities? How do we offer clean meat with traceability? How can rural farmers gain access banking services without paying exorbitant fees? How do we bridge the productivity gap between Vietnam and the rest of the world?

Our approach to answering these questions is to place a premium on innovation and invest heavily in R&D with the aim to increase productivity while improving the quality of our products and services. At Masan Consumer Holdings, we were pioneers in making soy sauce without 3-MCPD, a chemical agent which has adverse health effects – and we were proactive with sharing our technological know-how with other manufacturers to raise industry standards. We have also developed innovations to make our fish sauce more savory and free from harmful bacteria. We are the first to introduce Omachi cup noodle with a 45g sausage included. This innovation makes a serving of instant noodles a more enjoyable and nutritious meal. In 2017 alone, MCH alone have launched 14 innovations.

With the same commitment to improving our products to benefit our customers, Masan Nutri-Science has developed Bio-zeem animal feed which boosts immunity to diseases and improves digestion for pigs. As a result, farmers can deliver their pigs to market 12 days earlier than standard feed. We followed up on this innovation with Bio-zeem Super, which is free of antibiotics while preserving the same feed conversion ratio, meat quality, and tolerance to diseases with verified results. In 2017, we launched Bio-zeem Mama which helps improve the number of piglets per sow and efficiency. In the second half of the year, we introduced Bio-zeem “Xanh”, our “value for money” pig feed product to support price sensitive farmers during a challenging period and Bio-zeem for chicken.

Masan Nutri-Science also aims to bring fresh chilled meat to the market, a new product in Vietnam. To do so, in early 2018, Masan Nutri-Science broke ground on its meat processing complex in Ha Nam

province. When commissioned, this new facility is expected to be able to process up to 1.4 million heads per annum. The project will utilize technology transferred from Denmark with equipment and materials that can meet the strict requirements of the U.S. Food and Drug Administration (FDA). Chilled meat is stored and distributed in refrigerators and is kept between 0-4°C during transportation. This technique helps minimize bacteria growth and maintain natural freshness for meat products. Fresh chilled meat can be stored for up to five days before consumption. The meat processing complex, our leadership position in animal feed, and our high-tech pig farm in Nghe An, together, will make Masan a leader in the meat value chain. By the end of 2018, consumers will soon be able to enjoy branded, safe, traceable and affordable fresh chilled meat from Masan.

Even at our more industrial business, Masan Resources, we have been increasing our economic output while using less natural

resources. To do so, we have upgraded our processing plant to improve production and processing recoveries by developing the most advanced technology applicable to our polymetallic ore body. We have also reduced our utilities consumption on a per unit basis to lower our environmental impact. Overall, Masan Resources aims to follow the highest environmental standards. A comprehensive environmental inspection in 2017 by regulators resulted in finding no material violations while identifying minor areas for improvements, which we will use to continuously improve our practices.

#### Responsible procurement

For our branded food and beverage business, our main input materials are the ingredients of our food products and packing materials. The principal raw materials used in production are anchovies, palm oil, dehydrated vegetables, soya, chillies, various flavoring and spices, flour, green coffee, sugar, powder cream, mineral water, gas and meat. In addition, packaging materials such as paper labels, plastic, glass, carton boxes, polypropylene, paper-based cups/bowls and plastic bags, are significant components in the production cost of our products.

The majority of raw materials used in the manufacture of our products are commodities. We usually apply take-or-pay contracts with fixed prices up to a year from suppliers. Costs from our imported raw materials take up to 80% of our total material cost (including raw materials we imported directly or through intermediaries). We have taken steps to reduce the impact

of rising commodity prices. These steps include working with our R&D team to find replacements with lower costs. In the past, we were able to transfer the cost increase to consumers. To ensure the traceability of raw materials, we require foreign suppliers to provide us with certificates of origin, analysis, non-genetic modification and plant quarantine and local suppliers to have certificates of food and hygiene safety, animal quarantine and good agricultural practices. Suppliers whose long-term performance record with us demonstrates reliability over time are considered “approved suppliers” and will continue to be engaged under annual contracts.

The main materials in Masan Nutri-Science’s finished products include rice bran, soybean meal, corn, rapeseed oil cake and meat powder from both domestic and foreign sources. Soybean meal and corn are imported from various countries in the world based on the quality and price offered by world’s leading suppliers. Rice bran is mostly procured from domestic suppliers. Materials purchased from abroad are based on agreements signed six months in advance with adjustments to price based on energy, protein and nutrient costs. Domestic materials are purchased by a central department and allocated to each factory. Short-term agreements and prices are usually reviewed weekly for market fluctuations.

Raw materials required for Masan Resources’ production comprise generic raw materials and specialized chemicals used in its processing operations. Generally, Nui Phao

Mining sources generic raw materials from domestic suppliers and specialized chemicals from international suppliers.

We believe in a partnership model to support our suppliers and ensure the sustainability of our sources. For example, in order to ensure the sustainability of our coffee business, Vinacafé Bien Hoa worked with the Dak Lak provincial authorities to hold training courses on sustainable coffee cultivation practices. Representatives from Vinacafé Bien Hoa also gave away coffee trees to coffee farmers in Kotam commune, Ea Tu Township. Masan believes Vietnamese coffee will develop up the value chain as farmers become more educated about cultivation methods, which in turn will improve efficiency and lead to increased income for local economy.

Masan has also worked closely with local fishermen to raise awareness of overfishing. Not only is this sound business practice as our fish sauce production must rely on a sustainable source of anchovies, but because we understand that overfishing will impact the ecology of our waters and the leave less resources for future generations.

#### Quality assurance

Vietnamese consumers are paying more attention to the quality and safety of the products they are consuming. We have approximately 300 quality assurance professionals at Masan Consumer alone to ensure that we are procuring the best materials and producing high quality final products.

This quality assurance team has developed a 4-step program to ensure the consistency of product quality and conformity of our quality standards. This 4-step program includes input materials quality checks, production and packaging monitoring, product inspections at warehouse and quality checks at distributors.

In order to maintain the quality and consistency of materials from suppliers, we review our suppliers every year. Our quality assurance team, along with other related departments such procurement, logistics (primarily warehousing), finance, and marketing work together to review each supplier’s quality criteria, namely price, production capability, delivery and fulfillment capability.

#### Safety

Our employees are our most valuable assets. We are committed to the well-being of our employees which is reflected by our safety track record. We are responsible for providing our employees with sufficient protective equipment, occupational safety and hygiene policies, and comfortable working conditions in the work place. We have also carried out extensive workshops in order to train employees positive safety habits not only for work but also for their daily activities.

Aside from training our employees for improve work performance, we also perform frequent inspection of high pressure and firefighting equipment across the entire facilities to ensure safety for every employee.

Our facilities conform to HACCP processing standards, have obtained ISO 9001 (quality



management system), ISO 22000 (food safety management system) and OHSAS 18001 certifications (occupational health and safety management systems certifications).

### Talent sustainability

We are proud to be one of the best places to work in Vietnam thanks to our long-term strategy to attract and retain talents to ensure sustainable growth. Our purpose has always been to improve the material and spiritual lives of Vietnamese consumers as well as our employees. The jobs Masan has created offer steady income to employees and indirectly contribute to social advancement, both on a local and national scale.

#### Job creation and recruiting

We have a clear strategy to approach and recruit the best talents in the industry and realize their potential. We regularly review our HR's practices and policies to ensure that a broad and diverse set of potential candidates is within reach. However, with all else being equal, priority for employment is first given to local community members, whether they are affected directly or indirectly by the project, followed by the residents of the district and province where our operations take place and then to other Vietnamese nationals, in order to maximize the economic benefits to the local community.

Masan also prioritizes the recruitment and development of young talents as we believe it is our purpose to develop Vietnam's next generation of leaders. "Masan Young Entrepreneurs," a flagship initiative of Masan Consumer for attracting fresh talents,



has been a staple of Masan Consumer's approach to recruiting potential candidates for future leadership roles. Candidates have an opportunity to work with senior management and gain hands-on knowledge and experience with leadership and business management.

#### Diversity and inclusion

To date, there are 29 Masan facilities operating in 18 provinces in Vietnam, including Phu Quoc, Can Tho, Vinh Long, Hau Giang, Tien Giang, Ho Chi Minh City, Binh Duong, Dong Nai, Binh Dinh, Binh Thuan, Phu Yen, Khanh Hoa, Nghe An, Hung Yen, Hai Duong, Hai Phong, Ha Nam and Thai Nguyen. In order to optimize growth at local levels, we prioritize recruiting local community members and train our staff to meet ever-changing business demands.

At Masan Resources, the percentage of our female workforce is among the highest in the mining industry (24%).

Moreover, members of the local population make up more than 74% of the total workforce as of 2017. In particular, there were 528 project-affected people (PAP) working for Masan Resources, accounting for 50% of the total number of employees, among which there were 127 employees from 6 different ethnic minorities such as Tay, Nung Dao, Cao Lan, San Chi, and San Diu.

#### Talent development and retention

At Masan, our approach to talent retention is clearly defined. We facilitate learning experience and leadership situations, create a performance-based culture, supplement technical with soft skills training and ensure our people's well-being.

We also have long-term plans to prepare our best employees for future executive roles through rigorous training programs. We constantly ask our employees to look at problems differently to realize their potential and maximize their growth opportunities.

While recruiting and retaining the best talents in the industry, we understand that sustainable growth in human resources comes from the physical, mental and emotional well-being of employees across all functions.

We reward our employees fairly and proportionally with their performance and contribution to our businesses. Our key talents are also shareholders, which promotes an entrepreneurial culture and long-term thinking.

#### Employees' welfare and training

Masan Group and our subsidiaries have a total of 9,601 employees as at 31 December 2017. The team is well trained with high qualifications. Our employees are classified as follows:

Qualification <sup>1</sup>	Percentage
Post graduate	1%
University graduate	39%
College graduate	11%
Intermediate college graduate	15%
High school graduate	17%
Secondary school graduate	16%
<b>Total</b>	<b>100%</b>

We invest in continuing education and training programs for qualified and/or applicable employees. These programs provide employees with opportunities to enhance their skills and knowledge. In addition, each of our facilities provides specific, localized instruction to employees, depending upon their roles.

1. Majority of employees having qualification from intermediate college or lower include employees working as direct employees of factories, warehouses, or as points of sale promotion employees, drivers or working in janitorial positions.

Employees who directly participate in the production and trade of foodstuffs also participate in training courses on hygiene and safety and obtain a certificate from the Vietnam Food Administration.

Masan Resources is one of our leading businesses in training, educating and providing development opportunities for employees. In 2017, approximately 2,300 employees attended training programs at both professional training centers and in-house training, which improved both professional and soft skills. Outstanding employees were elected by managers to attend short-term specialized training programs. As a result, in 2017, Masan Resources arranged 4,684 training hours, with 275 training topics, many of which can be applied to daily use.

Overall, we have organized approximately 36,100 training hours for over 5,100 employees covering overall knowledge and professional skills in 2017.

### Environment

At Masan, we care about our environmental footprint. We aim to ensure green practices across our all of our operations which we believe can be achieved without sacrificing business performance. Thorough waste treatment and sustainable resource usage are critical parts of our decision-making process and operations across all of our businesses, from the manufacturing of consumer products to processing minerals. Whenever a new project is under development, we take into account any potential adverse impact to the environment to develop mitigation and compliance plans before groundbreaking.

Our manufacturing processes produce waste water as well as other industrial waste which we treat and store in accordance with both local and international regulatory standards. To ensure compliance with applicable regulations, we have installed environmental protection equipment and facilities to treat and, if possible, recycle wastes, including solid, liquid and gaseous ones.

Our Legal and Compliance Department, together with our Safety, Health, and Environment Department are responsible for nation-wide compliance and monitoring of environmental laws and regulations.

In addition, the technical department of each of our operating subsidiaries carries out sample testing of waste discharge on a periodic basis to monitor compliance with relevant environmental laws and regulations.

We believe we are national leaders within our industries with regards to environmental practices.

#### Raising awareness

Our commitment to preserve the environment starts locally and emphasizes going green at the workplace first. We have planted trees around our factories and neighboring areas to keep the area green and provide fresh air.

Masan understands the importance of raising awareness among our employees and local people about climate change and the environment. Over the years, employees at Masan Resources have spearheaded the reforestation movement with the help of local

people to plant more trees and maintain the ecological balance of the area around our processing plant in Thai Nguyen.

Masan Resources has also provided more than 30 loudspeakers as well as broadcast stations and information centers to reach more than 3,000 households in neighboring communities. As a result, we are able to mitigate risk by providing transparent information about our best environmental practices while encouraging local residents to preserve and replenish resources, especially water.

Over the past two years, Masan Resources has planted an acre of trees south of the mining area. We aim to expand this green area to 10 acres within a year. These trees also hold economic value since they are suitable to be used as animal feed for surrounding households.

### Water

At Masan, one of our key priorities in environment protection is the preservation of water sources. With the assistance of advanced monitoring equipment, we are able to better track our water usage and replenish water sources more efficiently than ever before.

At Masan Consumer Holdings, we have invested in Dutch-designed waste water treatment plants at production facilities in Binh Duong, Hai Duong and Nghe An. All treated water results comply with Vietnam's highest standard of Class "A" and our facilities



have achieved ISO 14001 (environmental management). In the spirit of transparency, Masan Consumer's monitoring system reports online and on a real-time basis to the Department of Natural Resources and Environment of Binh Duong.

In 2017, Masan Nutri-Science used approximately 400,000 m<sup>3</sup> of water. We have also taken the initiative to invest VND200 billion to complete the most advanced water treatment system for pig farming in Vietnam. Not only will we be able to purify waste water to reach the highest standard of Class "A", we will also be able to re-circulate 70% of the treated water for farm use.

In 2017, Masan Resources took 8,789 water samples (of the total of 9,193 environmental samples, which also includes 111 soil and tailing samples, 53 solid waste samples and 240 air and emission samples). During the same period, Masan Resources built a new hazardous waste storage facility, installed

automated groundwater level monitoring equipment across its site, and finalized its plans to install automated wastewater and gas monitoring systems that can report results directly to the authorities.

Masan Resources has also implemented a strict waste management program to comply with Vietnam's environmental regulations. A total of 2,962 tons of general waste have been collected and transferred to contractors for treatment that included recycle waste, hazardous waste, industrial waste and domestic waste and sludge. This year we recycled and re-circulated 9,390 million liters of water, meeting 85% of the total water supply required by the processing plant.

This is in-line with our commitments, guided by the World Bank standards, to reduce reliance on extracted water, increase water reuse and continuously improve our waste-water management capabilities.

### Clean and renewable energy

Vietnam is a coastal country and we are acutely aware of the importance of minimizing our carbon footprint to combat climate change. As such, energy saving or resource optimization should be a priority for any business of scale that wishes to grow sustainably.

At Masan Consumer Holdings, we use biogas created from husk and sawdust to supplement our energy needs at all of our facilities. Biogas is not only an environmentally friendly and cost-effective energy source, but also results in job creation and income for local people. We have made great efforts in lowering our energy requirements, reducing our energy usage from 15% to 40% depending on different products as compared to 2013. Over 75% of our energy for production are made from renewable sources. Altogether, we have reduced by 28% of our electricity usage, saving around VND30 billion a year.

In 2017, we upgraded the heat exchange and cooling systems at our production lines for seasonings as well as the compressed air machines at the plastic bottling lines. As a result, we reduced our gas and electricity consumption. The company also installed a new soy sauce hydrolysis system at our Binh Duong facility that is equipped with the latest high-tech pollution control system in Southeast Asia. Our standards for air quality post-hydrolysis of soy sauce are much higher than the current standards in Vietnam.

At Masan Nutri-Science, we improved our boiler and grinder's efficiency, and switched

to using LED lamps to save energy. Masan's high-tech pig farm in Nghe An is considered to be Vietnam's most environmentally advanced, able to produce biogas from its operations and generate enough electricity to be self-sufficient.

### Corporate social responsibility

Masan believes in improving the livelihoods of members of the communities where we have operations and partnering with local residents.

In 2017, we have contributed over VND5,000 billion to the State budget, fulfilling our legal obligation as a private sector leader. In addition to being one of the largest tax payers in the provinces where we have operations, we have been working directly with local people to promote job creation and improve their quality of life. Simultaneously, we believe in giving back to the communities where we have operations through sustainable initiatives that empower people who are experiencing a variety of challenges.

### Healthcare

We pay special attention to the health of our community, especially to financially disadvantaged patients who cannot afford their treatment fees.

In 2017, Masan Consumer worked with Ho Chi Minh City Sponsoring Association of Poor Patients and Nguyen Trai hospital to organize the "Bring back the light for cataracts-ridden patients" program. Through this program, 200 financially disadvantaged patients across the country are now able to see again.

Contributed over  
**VND5,000 billion**  
to the State budget in 2017

Masan Nutri-Science also provided monetary support to The Disabled People, Orphan and Poor Patient Association of Quang Nam to organize 69 cataract surgeries and 27 heart surgeries for poor patients in Quang Nam province.

### Education

Education plays an important role in poverty reduction and Masan has been a consistent provider of scholarships and education programs. Towards this end, in 2017, we did the following activities:

- Masan Consumer Holdings sponsored scholarships for 300 students with excellent records and students from disadvantaged backgrounds in Phu Quoc island;
- Masan Nutri-Science donated VND1 billion to the Saigon Times Foundation – Pham Phu Thu scholarship program. Since its involvement in this program, MNS has provided 400 scholarships for disadvantaged students in many parts of Vietnam, namely Ben Tre, Long An, Hau Giang, Ha Nam, Quang Nam, Nghe An and Thai Nguyen provinces;
- Masan Resources donated 30 scholarships for students whose homes were damaged or destroyed by the floods in 2017; and

- Overall, as an organization, we continue to contribute to the improvement of classrooms and educational infrastructure across Vietnam.

#### Natural disaster relief

Throughout our history, Masan has been very active in philanthropic programs to support victims of natural disasters all across Vietnam. 2017 was a particularly challenging year as Vietnam was hit by a level 15 typhoon (Damrey) that caused billions of dollars in damages and lost of life.

In 2017, Masan supported victims of natural disasters with the following activities:

- Masan Nutri-Science donated 900 care packages totaling VND600 million for victims affected by Typhoon Damrey;
- Masan Group employees pooled more than VND1 billion of their personal money to support affected colleagues and their families who suffered from the storms in Central Vietnam; and
- Masan Resources donated 200 mattresses to boarding schools in De Xu Phinh, La Pan Tan, Lao Chai and Che Tao communes; and donated 60 beds and 40 mattresses to Nam Pam middle-high school, Muong La district.

#### Community development

Masan believes in developmental projects and infrastructure that empower people who are experiencing a variety of challenges (ranging from disabilities, poverty, and



homelessness) for the long-term. To that end, we have invested heavily on educational opportunities, construction of housing and infrastructure, vocational training, and mentoring. We would like to highlight the following achievements from the recent years:

- At Masan Resources, we have built three resettlement areas including Nam Song Cong, Hung Son 3 and Dong Bong with full infrastructure such as water supply, electricity, telephone lines and sewer systems in place. These are homes to more than 1,200 families affected by Nui Phao's operations. After the initial construction, we continued to build and upgrade schools, hospitals, cultural centers, churches, and playgrounds;
- Economic restoration – at Nui Phao, we have prioritized the recruitment of local people, directly or through third party

suppliers who would employ them. Currently, more than 50% of people living in the affected area are working for the company. We have also empowered and encouraged micro-entrepreneurship by supporting the establishment of four local businesses in garment and agriculture, with the addition of two more businesses in 2017. These businesses help create jobs and generate income for the local people;

- Local entrepreneurial support – since 2013, in cooperation with the Vietnam Bank for Social Policies, we have provided 180 families affected by the Nui Phao project preferential micro-loans to jumpstart their businesses, mostly to fund investment in agriculture, services and retail businesses;
- In 2017, Masan Consumer Holdings worked closely with the Social Security

program at Phu Quoc Island, Kien Giang province to spearhead a variety of social programs. We built 5 homes for impoverished families and “Vietnam Heroic Mothers.” We also financed VND300 million to purchase fishing tools for 69 fishing families;

- In 2017, Masan Consumer Holdings collaborated with the Nam Phuong Foundation in the “Creating Bridges” program, in which we donated VND500 million to build a brand new bridge at Mang Thit Commune, Vinh Long province. The Nam Phuong Bridge has been in use since January 2018; and
- Masan Nutri-Science donated VND1.25 billion to purchase cows for impoverished cow farmers in Loc Giang and An Ninh Tay communes, Long An province. Cow farming is a big part of Long An's economy.

#### Corporate governance

Masan Group is committed to good governance, best-in-class policies and procedures and corporate transparency. In addition to oversight from our major institutional investors and the governance committees prescribed by Vietnam law, such as our Board of Directors, Supervisory Board and Management Board, we have the following committees to ensure higher governance standards:

- Corporate Governance Committee** – This committee is chaired by an independent member of our Board of Directors, and also includes our Legal Counsel and Group CFO. This committee periodically engages third parties to evaluate its governance practices to identify and monitor the company's compliance with governance regulations and provide recommendations to improve Masan's governance practices and policies.

#### Strategy & Development Committee

— This committee is chaired by the Company's CEO and is comprised of the CEOs, other key executives of our subsidiaries, Group CFO, Group HR, and Head of Strategy and Development. This committee develops and approves the short and long-term strategy and objectives of the various businesses and the overall Company, including setting key performance indicators and monitoring them. This committee enhances accountability within our company and ensures that the performance of our businesses and people are measured as objectively as possible. Currently the Internal Audit department reports to this committee.

- Sustainability Committee** — This committee reports to the Board of Directors and is comprised of the CEOs of Masan's key subsidiaries other senior executives. The role of the committee is to review, make recommendations, and approve Masan's goals, policies, and programs relating to its sustainability and environmental practices. In furtherance of its role, the committee will provide support to the company in its efforts to both achieve its sustainability goals but also to leverage the activities that support these goals to differentiate the company and its brands in the marketplace.

Masan is currently developing a robust Internal Audit function with the assistance of international advisors to further build out its risk management platform.



## Awards in 2017 and early 2018

Our commitment to sustainable business practices over the years have led to third party recognition by both domestic and international agencies:

- Masan Group was ranked 5th in “Top 500 Private Companies in Vietnam” and ranked 6th in “Top 500 Profitable Companies” in 2017 by Vietnam Report.
- Masan Group was recognized as “Company with Best Finance in 2017” by the Institute of Business Studies and Development (INBUS), Vietnam Association of Accountants and Auditors (VAA) and Dien Dan Doanh Nghiep newspaper.
- Vietnam Investment Review and AVM Vietnam awarded Masan Group the “Best M&A Deal in 2017” for KKR’s combined US\$250 million investment in Masan Group and Masan Nutri-Science.
- Masan Consumer was ranked 2nd in “Top 10 Food and Beverage Companies” in 2017 by Vietnam Report.
- Masan Consumer was awarded “Vietnam Top Quality Product” in 2018 for its quality food and beverage products.
- Masan Consumer’s Omachi convenience food brand was awarded “Top 10 Trusted Product and Services” in 2017 by Vietnam Economic Times.
- Vinacafé Bien Hoa was awarded “Vietnam’s Famous Brand” by the



- Ministry of Science and Technology and International Trademark Association (INTA). Vinacafé Bien Hoa has received the “Vietnam Top Quality Product” award for 21 consecutive years from Vietnam Top Quality Product Association.
- Vinacafé Bien Hoa was awarded “Top 10 Food Companies” in 2017 by Vietnam Report.
- Vinh Hao Mineral Water received many awards for brand and product quality such as “Vietnam Golden Star,” “Top 100 Power Brands.” It has also been awarded “Vietnam Top Quality Product” for 21 consecutive years by Vietnam Top Quality Product Association.
- Quang Hanh Mineral Water was awarded “Top 100 Beverage Company” in 2017 by Vietnam Report and “Vietnam Top Quality Product” by Vietnam Top Quality Product Association.
- ANCO and Proconco were also recognized as “Vietnam Top Quality Product” in 2018.
- Masan Resources was awarded “Top 500 Largest Companies in Vietnam” and “Top 500 Fastest Growing in Vietnam” by Vietnam Report, “Pioneer Company in the 21st Century” by Businessmen Newspaper and “Top Golden Brand in Asia-Pacific” by Asia-Pacific Economy Magazine.
- Masan Resources was awarded “Excellent Company in Thai Nguyen” by the People’s Committee of Thai Nguyen and as “Environment-friendly and National Green Growth Company” by the Ministry of Resources and Environment.

## Looking forward

At Masan, sustainability means harmonious co-existence and interaction between our various stakeholders and the environment. Our belief in “Doing well by doing good” exemplifies our commitment to sustainable business practices and has underpinned our remarkable achievements over the course of our corporate history.

For us, success is not only measured by our financial results but also by the positive social impact we create. Our sustainable business practices are a natural extension of our mission to improving the lives of over 90 million Vietnamese consumers.

Keep going with our business strategy means keep going with and for our people, communities and Vietnam’s socio-economic development.



TECHCOMBANK

Nhìn bạn vẫn  
tròn đầy năng lực

“Chiến sĩ Điện Biên”  
Cả đời, anh là niềm tự hào của Māsān!

MASAN GROUP

It's  
VĨNH HẠO  
SINCE 1928  
time

Keep going!



**Management  
Report**



## Macro overview

Vietnam's economy in 2017 continued to be one of the best performers globally with GDP growth of 6.81%, higher than the target of 6.7% set by National Assembly and the highest growth rate in the last 10 years according to the General Statistics Office (GSO). Growth is expected to be further supported by higher foreign direct investment and Vietnam's proactive participation in free trade agreements to further integrate Vietnam into the global economy. However, we believe Vietnam's true value lies in its domestic consumption potential.

Vietnam's demographics and rising income levels support strong continued growth in domestic consumption. The country has just entered an anticipated 30-year era of "demographic dividend" with nearly 70% of its 90 million residents in the working age population and 56% of its residents under the age of 30. Over the next 10 years, the working age population is expected to grow by at least one million per year.

Vietnam's expanding workforce is expected to drive consumer spending. In addition, the combined effects of continuous economic

## Vietnam – Top 5 most optimistic countries in the world<sup>1</sup>

growth, rapid urbanization, "demographic dividend," emergence of middle income earners, and an expanding modern retail network, will fuel the growth of overall food consumption in the medium- to long-term. According to Nielsen, Vietnam's Consumer Confidence Index grew significantly in 3Q2017, boosting Vietnam's ranking to the top 5 most optimistic countries in the world.

Vietnam's food and beverage sector is expected to maintain double-digit growth rates for the near future, primarily due to increased domestic consumer demand fueled by a rise in disposable incomes. In addition, not only will consumers enjoy more branded food and beverage products, their diet will also shift from grains to more animal protein. As Vietnam's largest local feed producer that has made significant progress with its integrated 3F platform, Masan stands to benefit immensely.

Concerns around Vietnam's usual macroeconomic risks were largely abated in 2017. With the strengthening economy and recovery in the real estate sector, the banking sector appears to be emerging from the financial crisis, as evidenced by overall credit growth of 18.2% in 2017 and the financial system's bad debt ratio declining from 11.9% to 9.5% (National Financial Supervision Commission). Inflation rate was controlled at 3.5% (lower than the target of 4%) as the Vietnamese dong continued to remain stable against the US dollar. The VND/US\$ exchange rate increased on average only 1.4% over the same period in 2016.

Overall, Masan is well positioned to benefit from Vietnam's improving macroeconomic outlook, especially from growing consumer confidence in Vietnam, as a market leader with a portfolio of basic consumer staple products including food, beverages, meat and consumption finance (through its interest in Techcombank).

1. Nielsen.

## Performance overview and outlook



"2017 marks the end of Masan's phase of experiencing major growing pains. But throughout this challenging period, we relentlessly executed on our bottom-up operational plans, strengthened our operating platforms and refocused on our medium to long-term growth strategy. The fundamentals of our businesses are not fully reflected in our 2017 financial results, but it is starting to converge. 2018 will be a key turning point as each of our businesses start to deliver on its underlying growth potential."

Nguyen Dang Quang, Chairman and CEO.

We believe 2017 financial performance does not fully reflect business and growth fundamentals given one-time initiatives and historically low pig livestock prices. Masan Consumer Holdings ("MCH") experienced a decline in net revenue and earnings as it reduced the inventory days at its distributors. Masan Nutri-Science ("MNS") suffered a drop in sales due to the hog price crisis. These headwinds to our topline results were offset by significant growth in Masan Resources ("MSR") due to higher volumes and prices. For the full year 2017, our consolidated net revenue declined to VND37,621 billion from VND43,297 billion in 2016, representing a 13% decrease, mainly due to the aforementioned reasons.

EBITDA declined by 2.8% from VND9,669 billion in 2016 to VND9,396 billion in 2017, driven by a decline in net revenue and higher SG&A in branded food and beverages and consumer-agri, but offset by higher contributions from mineral resources and financial services. Reported net profit after tax post minority interest increased from VND2,791 billion in 2016 to VND3,103 billion in 2017, representing an 11.1% growth. However, normalizing net profit after tax post minority interest by removing the one-time VND932 billion gain from the sale of convertible bonds of TCB, Masan earnings were down 22.3% to VND2,170 billion in 2017.

MCH 2017 net revenue declined by 8.8% to VND13,526 billion, compared to VND14,826 billion in 2016, which takes into account over VND1,000 billion in distributor stock level reduction. By selling less to our distributors and allowing them to sell their existing stock

to consumers, MCH was able to cut back on promotion expenses and invest more into building brands. Objectives behind de-stocking distributor level inventory were to improve route to market efficiency and reduce reliance on trade promotions. Sales for the second half of 2017 stabilized while growth categories (bottled beverages, processed meat, and beer) demonstrated greater momentum. MCH saw a recovery in instant noodles sales (up 16.3% in 2H2017 versus down 18.7% in 1H2017) and significant improvement in beer sales as well, where sales in 2H2017 started to match the run-rate monthly sales to consumers in FY2016. Strong growth in energy drinks (up 54.9% YoY) and processed meat (up ~6x YoY) validated MCH's entry into new growth categories. On the back of a more sustainable distribution model that allows for greater marketing to support its innovation pipeline, MCH is expected to achieve VND17,900 to VND19,500 billion in sales which would result in an annual growth of over 30% on the low end.

MNS was adversely impacted by historically low hog prices during FY2017, as hog prices traded below VND30,000, a decline of more than 30% compared to prices in December 2016. As a result, the pig feed market was estimated to have declined from 6.3 million tons to 3.4 million tons within 12 months, contributing to MNS' net revenue declining by 23.5% in 2017 to VND18,690 billion. During this period, MNS made strategic investments to support farmers and dealers through loyalty programs and also launched a "value for money" product range called "Bio-zeem Xanh." As a result of these initiatives, MNS

was able to grow its exit market share to 35% by the end of 2017, despite the challenging market. Masan expects the animal feed market to eventually recover in 2018 but does not expect to match the sales figures achieved in 2016. However, MNS aims to achieve a strategic milestone in 2018 with the sale of fresh chilled meat at the end of the year.

MSR delivered record results in 2017 on the back of higher commodity prices and increased operational efficiency. MSR delivered a 33.5% increase in net revenue from VND4,049 billion in 2016 to VND5,405 billion in 2017. Stricter production conditions globally and the return of broad based demand helped drive prices upwards. Average 2017 tungsten prices were up by nearly 31% as compared to average 2016 prices, helping net profit after tax post minority interest to grow 88.0% to VND206 billion in 2017. For FY2018, MSR forecasts net revenue to reach between VND7,300 to VND8,000 billion and earnings to reach between VND600 to VND1,000 billion. Strategically, the resources business continues to explore opportunities to become a further integrated downstream, industrial tungsten business of global scale.

In 2017, our associated company, Techcombank, delivered a substantial boost to our earnings, contributing VND2,044 billion to the Company's consolidated earnings, as the bank more than doubled its net profit. The bank continues to implement its strategy of becoming a "Consumer-Tech Bank" by building out its retail franchise, underpinned by one of the strongest and cleanest balance sheets in Vietnam. Techcombank's focus on fee income and its strong retail franchise helped the bank

deliver return on average equity of 30.7% ROE in 2017. In 2018, Masan expects the bank to continue to deliver earnings growth.

During 2017, our consolidated balance sheet was strengthened as our consolidated gross debt to EBITDA ratio improved from 4.2x at the end 2016 to 3.7x at the end of 2017. Gross financial debt declined by 15% to VND34,796 billion as at the end 2017, the lowest debt level in two years. Reducing debt is a strategic priority to enhance profitability margins to mid-teen levels and build a more sustainable balance sheet. Masan aims to achieve a debt to EBITDA ratio of 3x by the end of 2018 with a medium-term target of 2x. We believe these targets are achievable as the high capex phase of our businesses have largely passed and EBITDA is expected to grow by double digits for the foreseeable future.

Looking forward, Masan aims to deliver more than 20% growth in net revenues to reach between VND45,150 to VND47,000 billion for FY2018. Reported net profit post-minority interests is expected to reach between VND3,400 to VND4,000 billion during the same period. On a normalized basis, this would reflect a higher than 50% growth compared to 2017. Growth rates could be challenged by continued low pig prices affecting demand for our feed products and expected higher soft commodity prices which could put a downward pressure on margins. Within the branded food and beverage business, growth could be impacted by lower than expected success of new product launches and innovations. However, full year earnings may also improve as Masan pays down expensive debt and further increases its stake in subsidiaries to reduce minority interests.

Masan Group's targeted revenue in 2018

from **VND45,150** to **VND47,000 billion**

With Vietnam's macroeconomic outlook improving and the investments in our business platforms starting to show results, Masan is now well-positioned to benefit from Vietnam's growing consumer potential and the larger In-land ASEAN opportunity. However, the way forward is not guaranteed and there will be plenty of challenges. Vietnam, as a frontier market, is expected to experience its fair share of economic volatility, and we also anticipate more competition, especially from foreign companies. However, after emerging from a period of "growing pains" and now starting to see the desired benefits from our multi-year efforts, we feel confident that the path that we have chosen has been validated and that we have developed the right platform to grow across cycles. While the road has not always been smooth, our commitment to the values and beliefs that have guided us throughout our 22-year history has proven to be successful and we will continue on with them. This is what we mean with "keep going..."

## Business environment

Masan Group's existing business operations are focused primarily on Vietnam and its performance and quality of assets depend substantially on the Vietnamese economy. During 2016, Masan introduced its first seasoning brand "Chin-su Yod Thong" in Thailand, as part of a broader strategy to enter "In-land ASEAN", comprising of Vietnam, Thailand, Myanmar, Cambodia, and Laos. Hence, going forward, economic environment in Vietnam and In-land ASEAN overall may significantly impact Masan's operations, in addition to a variety of external factors, including economic developments throughout Asia and the rest of the world. In addition, various macroeconomic factors including but not limited to personal expenditure and consumption patterns, inflation levels, interest rates, commodity price levels, debt service burden of consumers or businesses and general availability of credit, as well as factors such as the spread of disease, large-scale acts of war, terrorism or any other adverse social, geographic or political incidents may affect Masan's business operations adversely.

In 2018, Vietnam's economy is expected to continue expanding, supported by growing domestic consumption on the back of higher disposable incomes, expanding middle class, higher rate of urbanization and a banking system with stronger asset metrics.

Internationally, expected increase in soft commodity prices during 2018 may adversely impact margins for Masan's consumer focused businesses. Rising geo-political concerns, especially in the South China Sea, and possibility of trade wars and protectionism may affect Vietnam's export growth leading to slower economic growth. As occurred in 2017, natural disasters may adversely impact Vietnam's agricultural sector, dampening consumers' spending power and affecting overall growth. Strong demand-side pressure and any unexpected depreciation of the Vietnamese Dong against the U.S. Dollar could make it more expensive to import goods, and push up overall prices for goods and services.

### Vietnam's meat sector

Total meat consumption in Vietnam is estimated at US\$9 billion. Processed meat represents approximately 1% of total meat consumption, which is significantly lower than other Asian countries, such as China, where the proportion is approximately 14%. As income levels rise, protein consumption in Vietnam is expected to increase, and with greater focus on safety, health and branding, we expect to see a move towards packaged meat. The meat sector in Vietnam is fragmented, providing an opportunity for a leader to establish trends in this category.

Pig farming plays an integral part in Vietnam's meat sector, as 70% of meat consumed in Vietnam is pork. Between 2013 and 2016, Vietnam's local hog population grew at an annual pace of 11%, leading to a supply of 54 million pigs, according to International Livestock Research Institute. Domestic pork demand accounts for around 75% of Vietnam's pork output, while the rest of the output is exported to neighboring markets.

China imports large numbers of Vietnam's live hogs through documented and undocumented trade along the Vietnamese border with China's Guangxi and Yunnan provinces. Vietnam's hog exports to China nearly doubled from approximate daily sales of 17,000 hogs in 2013 to around 33,000 hogs by early 2016. The increase added up to 12 million live hogs in sales for the entire 2016.

Due to a dramatic increase in the Chinese hog imports, Vietnamese swine farms rushed to increase the sow herd and overlooked previous incidents when the borders were closed due to various reasons, though mainly for inferior meat quality. Vietnam's sow population was 3.7 million sows in 2014, and peaked at 4 million animals within two years.

In mid-2016, China reduced hog trading with Vietnam, and ex-farm price plummeted to approximately VND40,000 per kilogram in December 2016 and lower than VND30,000 during 2017.

As a result, many small-scale farms decided to reduce their sow numbers or even stop replenishing their sow inventory and halt production until the price recovered. Medium and large-sized farms were generally better placed to withstand these difficult times as they have lower break-even price and stronger financial backing.

Going forward in 2018, hog prices are expected to recover driven by the market demand supply returning to normalcy. It is also worth noting that semi-industrial and industrial farms will account for a larger share of total hog supply in the coming years and this shift may occur more quickly than expected.

Production of meat in Vietnam is driving the demand for animal feed. The Vietnamese feed market has a positive outlook, with pig farming and poultry farming among the largest segments by revenues. Though during 2017, pig feed market is estimated to have declined from 6.3 million tons to 3.4 million tons due to severe decline in hog prices.

The severity of the pig feed market decline caused a drop in revenues for Masan Nutri-Science in 2017, in addition to the farmers using non-commercial feed to save costs. During this period, Masan made investments to support farmers with vaccination/ educational programs to help improve meat quality in Vietnam. Additionally, Masan helped dealers by introducing



loyalty programs, leading to an exit market share of 35% by December 2017. Masan also launched value-for money product “Bio-zeem Xanh” to win-back and convert farmers using homemade feed.

Fresh chilled meat sales are expected to start in 4Q2018, and the pig farm in Nghe An has commenced operations. This farm can produce approximately 250,000 pigs per year, when fully ramped up, which can be further used for processing into fresh chilled meat products for end consumers. With the license for a meat processing complex in Ha Nam, Masan is nearing completion of its feed-farm-food platform, to serve Vietnamese consumers with traceable, branded fresh chilled meat.

### Vietnam's consumer sector

Vietnam's consumer market is structurally poised to grow due to rising disposable incomes, demographic shifts and greater commitment from large consumer companies towards product development, marketing and

distribution is resulting in a few key industry shifts. Thanks to improved living standards, Vietnamese consumers have become more health-conscious in order to increase longevity and to create a better life in their later years. Moreover, as scandals regarding environmental pollution, toxic toys, personal care products and pesticide-contaminated food have made headlines, there has been a heightened sense of concern about personal safety and ultimately greater care in food consumption patterns.

Under the mounting pressure of fast-paced lifestyles, with time becoming a luxury, many old habits that had been based on a more leisurely pace of life are now being gradually replaced by products and services that promise speed and convenience. The emergence of a tech-savvy generation of consumers has further aided the growing demand for comfort-oriented services. Sales of ready-to-cook meals are on the rise as they save considerable time and effort required in preparation of traditional meal.

The markets for most food and beverage products have been consolidating over the last few years, driven by: (i) higher disposable income in the hands of consumers and resultant focus on product quality, (ii) greater awareness of health and safety issues and (iii) greater investments in product development, marketing and distribution by large players. The share of the top five players has been increasing in key segments, while the share of unbranded players has fallen drastically.

In recent years, there have been several scandals related to the quality and safety of products from unreliable origin. Many of these scandals are reported to be linked to China, and as a result consumers have started to prefer locally manufactured goods to inexpensive Chinese imports. After five years of the government initiated campaign to promote local goods, domestic products are rising in popularity and gaining wider acceptance.

Vietnam's demographics present an excellent opportunity for the rise in domestic consumer demand and is expected to persist through the next 30 years. There are other trends allied to these demographic realities, which will influence consumer behavior, including: (i) higher numbers of women in the workforce, (ii) increasing urbanization, (iii) busier lifestyles and (iv) greater exposure to marketing. These could result in structural changes in the consumer market, including: (i) greater demand for convenience foods, (ii) greater focus on quality and health aspects of products, (iii) consolidation and greater preference for branded products and (iv) demand for new products and variants.

### Sauces, condiments and dressings

According to Euromonitor, sauces, condiments and dressings market was estimated to be VND23.7 trillion as of December 2017, and is expected to grow 4% value CAGR till 2022. Increasing hectic lifestyles, especially common for millennials living in big cities such as Ho Chi Minh City and Hanoi drove the growth for this sector, as many young consumers do not want to spend extra time on cooking meals. In response to this trend, many manufacturers introduced new products to meet consumer needs. In order to boost consumption, industry players guided consumers by displaying clear usage instructions on product packaging, in addition to introducing different pack sizes to increase adoption.

Seasonings' net revenue in 2017 declined by 11% compared to FY2016. This is a result of VND579 billion worth of distributor level stock reduction. With less trade promotion which partially impacted the net selling price for consumer, Masan experienced a sales decline in the economy segment where consumers are more price sensitive. However, mainstream and premium segments remain stable or have performed better. New launches in 2017 included “Nam Ngu Phu Quoc” (launched in 2Q2017), “Nam Ngu Nhan Vang” (launched in 4Q2017) and “Chin-su Man Ma” (launched in 4Q2017). All of these products are more premium and are part of Masan's strategy to up-trade its consumer base.

### Convenience foods

According to Euromonitor, the rice, pasta and noodles food segment in Vietnam

experienced robust growth between 2010 and 2017 with sales volume CAGR of 4.0%, reaching nearly VND28 trillion in size. For the next 5 years, this market is expected to grow 3% value CAGR.

Due to the growing health and wellness trend, players are expected to pay more attention to their research and development regarding health issues, to satisfy consumers' demand for nutritious packaged food. Producers of packaged food perceived to be less healthy, such as instant noodles, may need to be more innovative to not only change consumer mindsets but also to add additional nutritional benefits to their products to spur consumption.

Convenience foods, Masan's worst performing branded food and beverages category in 2016 returned to growth despite a reduction in distributors' stock of approximately VND140 billion in 2017. While 2017 net revenue was flat, the 8% growth in sales during 2H2017 YoY reflects solid recovery in contrast to the de-growth of 18.7% in 1H2017. Return to growth in 2H2017 has been supported by innovations such as Kokomi Dai. In addition, Omachi products have also been performing better, supported by instant noodles with meat and the recent launch of Omachi cup format.

### Processed meat

For Vietnamese consumers, quality and hygiene are two most important factors when buying meat products. This was due to previous cases of hygiene scandals in the country, as food safety and hygiene were increasing concerns of consumers, especially younger Vietnamese who were

more knowledgeable about companies and manufacturing processes.

Processed meat currently represents less than 1% of Vietnam's meat consumption as compared to approximately 14% in China. While still a relatively new category for Masan, processed meat is a high potential growth driver, as Masan currently sells only snack sausages under the "Heo Cao Boi" umbrella brand. In December 2017, we launched Heo Cao Boi 3-Minute Meat Ball to broaden the umbrella brand's processed meat portfolio and cover in-home meal solutions.



**Beverages**

The beverage industry is primarily divided into two categories; hot drinks and soft drinks. Hot drinks include coffee, tea and other hot drinks which consist of chocolate, malt based drinks among others. Soft drinks include bottled water, carbonates, concentrates, juices, ready-to-drink coffee, ready-to-drink tea, Asian specialty drinks and sports and energy drinks.

**Coffee**

According to Euromonitor, coffee segment was worth VND25 trillion in 2017. The market is expected to grow annually by 9 % (CAGR 2018-2021). Vietnam is expected to register strong GDP growth and lower unemployment levels, which would support consumer confidence in spending. More consumers would also have to juggle hectic lifestyles, fuelling the need for convenience products like instant hot drinks. Coffee is expected to be the biggest beneficiary of this trend.

Domestic manufacturers lead due to their established presence, which sees a majority

of Vietnamese consumers remaining loyal to them with strong trust in the quality of the product offered. Domestic manufacturers continued to invest strongly in product innovations as a bid to offer local consumers the most updated product portfolios to meet evolving needs.

Masan's coffee category (excluding Wake-Up 247, which is covered under beverages) experienced over VND200 billion in de-stocking. As a result sales in FY 2017 (include export) declined by 19% compared to FY2016. Key to our coffee category is the Wake-up brand, which decreased by only 7.5% in FY2017. In 4Q2017, Masan re-launched the Wake-up brand to revitalize the brand image, and upgrade the portfolio and support its efforts to expand nationwide. The re-launch of Wake-up will upgrade it from one popular product in the economy segment into an umbrella brand playing across different price points, which is expected to improve its brand image and distribution coverage.

**Soft drinks**

According to Euromonitor, soft drinks market comprising bottled water, carbonates, juices, energy drinks and ready-to-drink products was worth nearly VND92 trillion in 2017, and is expected to grow 13% value CAGR till 2022. Vietnamese consumers are increasingly becoming health conscious and prefer healthy drinks which has continued to drive the growth of the soft drinks market. This saw increased preference towards healthier alternatives such as ready-to-drink tea, juice and bottled water. Another growth river is demand for energy drinks from people working in the blue-collar sector like manufacturing, agriculture and transportation. International players continue to hold higher market shares in the soft drinks market, due to their branding and product innovation initiatives. Domestic players are expected to continue increasing volume share and narrow the gap between off-trade value shares, as they have a strong knowledge of the tastes of local consumers and their desire to seize a higher share of growing consumer incomes.

Net revenue for Masan's beverages segment was VND2,045 billion, growing by 24.5% YoY compared to FY2016, mainly driven by the 54.9% increase in energy drinks to VND1,225 billion in FY2017. This growth in energy drinks was driven by increasing Wake-up 247's availability (from 50,000 points of sale to 75,000). Given its importance as a growth pillar, Masan Consumer Holdings, through its subsidiary Masan Beverages, launched a tender offer for all of the shares of Vinacafé Bien Hoa (owner of the brand), resulting in its ownership increasing from 68.5% to 98.5% in February 2018.

**Overview of the beer market in Vietnam**

With a population of more than 90 million consumers and a beer-drinking culture, Vietnam is attractive to both foreign and domestic manufacturers, due to the industry's expected growth potential. The key consumers of beer remain Vietnamese males in the working age group. Nevertheless, more and more women are increasingly consuming beer due to social and work-related events, yet their overall numbers remain much lower than men due to health and beauty concerns. On-trade channel continues to be the largest channel for beer consumption, as the culture of drinking beer at parties, festivals and gatherings continues to grow, supplanted with easy availability of beer at foodservice outlets, bars/pubs etc.

Both domestic and foreign beers makers are expected to intensify efforts in the near future to gain market share, driven by new innovative products, especially lighter beers, supported by marketing and advertising efforts. Thanks to the strong beer consumption culture in

Vietnam, beer category is expected to grow to nearly 4.8 billion liters by 2020, growing at nearly 6% per annum.

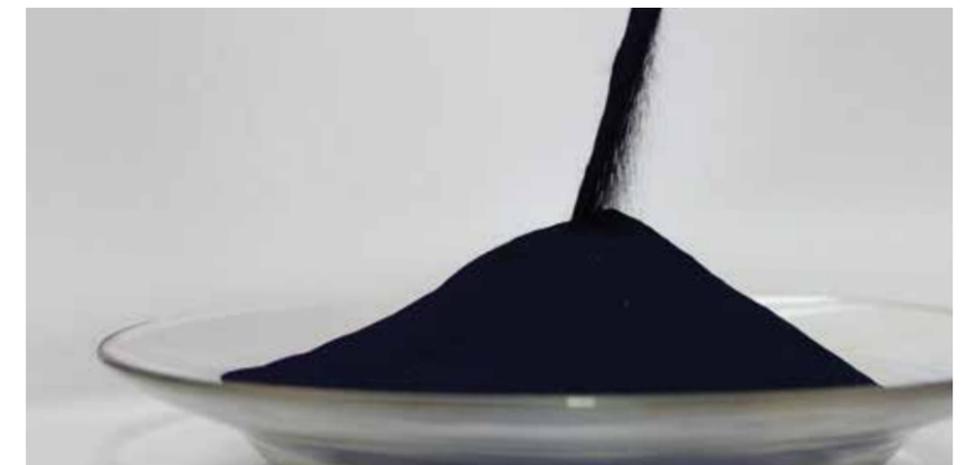
During 2017, Masan focused on beer festivals and the re-launch of the Su Tu Trang brand, which were validated by the steady increase in monthly sales to consumers to nearly match last year's volumes. Re-launched brand is better received in urban areas, with Ho Chi Minh City region now accounting for approximately 19% of total volume sales in 2H2017 vs. approximately 13% in 2H2016. This consumer reception better positions Masan's beer platform to enter into more premium segments.

**Global Tungsten sector**

The need to rebalance the tungsten market in 2014 and 2015 led to state-owned Chinese producers cutting production and several high cost mines in Europe and US either shutting down or being put on care and maintenance indefinitely. Through these actions the tungsten market was close to balancing in

the second half of 2016. During 2017, China's announcement of tightening environmental standards resulted in increased pressure on China based miners and processors, as well as broader waste management businesses. The prospects of increasing costs resulted in further tightening in China's up and mid-stream tungsten supply segment through increasing production cuts. Nui Phao, Masan resource's flagship project in Northern Vietnam, is one of the lowest cost tungsten producers in the world and has already made significant investments to be best-in-class with regards to environmental practices.

On the demand-side, growth is believed to be slowly returning across many end-use sectors, this is based on increasing order-book and the number of inbound enquiries being received from existing and new clients. This is consistent with the rebounding capital expenditures being witnessed in the oil and gas and manufacturing sectors, as well as broad-based indicators showing growth in a variety of commodity and industrial sectors. With the above trends expected to continue,



and with little to no signs of new forms of supply entering the market in 2018, the global tungsten market is expected to remain structurally tight.

Prices have reflected above demand/supply dynamics with average 2017 Ammonium Para-Tungstate LMB low prices up 31.3% in 2017, compared to average prices in 2016.

Masan is a globally significant player in the tungsten market, with a 36% ex-China market share globally. Masan's resources business recorded revenue of VND5,405 billion in FY2017, up 33.4%, compared to VND4,049 billion over the same period last year. Prices for all of MSR's primary products increased significantly compared to last year, with tungsten and fluorspar benchmark prices both increasing more than 30% year-on-year. The company's global brand recognition (on the back of high quality, reliability and brand building initiatives) began to show results as realized pricing on tungsten and fluorspar sales increased over the year and are expected to increase further in the coming year.

### Vietnam's banking sector

The Vietnamese banking industry is still in an early stage of development. Although the Government has taken a number of steps to liberalize and modernize the industry, many business transactions still occur outside the banking system, and it is common for people to maintain their savings in cash or gold. The SBV estimates that only 31% of the Vietnamese population has bank accounts. The Government has strengthened regulation of credit institutions in recent years and permitted expanded foreign investment in the banking

sector to instill greater public confidence in the nation's banks and mobilize this untapped source of capital. At the same time, the Government has enacted various measures designed to improve the health and stability of the banking system, including controlling credit growth and raising capital requirements.

Masan is currently a financial investor of Techcombank with an effective economic interest of 25.2%. Masan believes in the long-term growth prospects of the banking sector in Vietnam considering that the penetration level of financial products, such as bank accounts, credit cards, and mortgages is very low. Techcombank has outlined a clear growth strategy focused on serving the retail consumers in Vietnam. Driving cash consolidation through transaction payments, building a cost effective model to reach rural consumers and leveraging customer data to build a bespoke risk management model would be the central themes of this strategy going forward. Techcombank is further poised for market leadership as sector fundamentals improve with an aim to be the champion retail bank in Vietnam with the highest NIM's and sustainable ROE's.

### Factors affecting our business and results of operations

We are a holding company whose material assets are the shares of the companies that we hold, primarily i) Masan Consumer Holdings ("MCH"), which currently holds our interests in branded food and beverage businesses such as Masan Consumer ("MSC") and Masan Brewery ("MB"); ii) Masan Nutri-Science ("MNS"), which holds interests in animal

feed companies, Vietnamese-French Cattle Feed JSC ("Proconco"), and Agro Nutrition International JSC ("ANCO"), and an associate stake in Vietnam Meat Industries Limited ("VISSAN"); iii) Masan Resources ("MSR"); and iv) our associate company Techcombank ("TCB"). Thus, risks that affect the businesses of these companies could also affect our business, financial condition, results of operations and prospects.

We own an 85.7% stake in MCH, with the balance being owned by Singha as of 31 December 2017. Events that affect MCH's business, financial condition, results of operations and prospects will directly affect our business, financial condition, results of operations and prospects.

MCH further owns a 66.7% economic interest in Masan Brewery as of 31 December 2017, with the balance owned by Singha. The entire stake is held through shares and we consolidate this percentage of the company as a subsidiary on our financial statement. Events that affect MB's business, financial condition, results of operations and prospects will directly affect our business, financial condition, results of operations and prospects.

In April 2017, Kohlberg Kravis Roberts & Co. L.P. ("KKR") through its company named VN Consumer Meat II Pte. Ltd. invested VND3,405 billion into Masan Nutri-Science to acquire an equity interest of 7.5%. As a result, our ownership in Masan Nutri-Science decreased from 89.4% to 82.4% as of 31 December 2017. In January 2018, MNS sold a 0.8% of MNS secondary shares to PENM Partners, a Danish fund, reducing our

economic interest to 81.6%. The entire stake is held through shares, and we consolidate this percentage of the company as a subsidiary on our financial statement.

MNS further has a 100% stake in ANCO and a 75.2% stake in Proconco, while the rest of the stake in Proconco is owned by state owned enterprises in Vietnam. ANCO further owns a 100% stake in our recently commissioned pig farm in Nghe An Province in Northern Vietnam, 100% stake in under-construction meat processing complex in Ha Nam province, and a 24.9% equity stake in VISSAN, Vietnam's largest branded meat player. Events that affect MNS and its subsidiaries' business, financial condition, results of operations and prospects will directly affect our business, financial condition, results of operations and prospects.

We have a 95.9% economic interest in Masan Resources as of 31 December 2017 after the repurchase of 15,902,430 preference shares in December 2017. The entire stake is

held through shares and we consolidate this percentage of the company as a subsidiary on our financial statement. Events that affect MSR's business, financial condition, results of operations and prospects will directly affect our business, financial condition, results of operations and prospects.

We have a 25.2% economic interest in Techcombank as of 31 December 2017. As we do not own a controlling stake in Techcombank, we account for our investment using the equity accounting method. Events that affect Techcombank's business and financial condition will in turn affect our net profit, impacting our business and financial condition.

Risk factors that may affect our businesses and financial results include regulatory, business, competition and operational risks, as well as other factors that may be beyond our control.

### Masan Group's subsidiaries and associates operate in industries that face

### significant competition and our market-leading positions may be challenged if our competitors make significant strides to capture market share.

Masan Consumer Holdings competes mainly on the basis of brand image, pricing, distribution network and product mix. The entrance of established foreign brands and companies has heightened the competitiveness of the consumer staple market in Vietnam. Competition may cause competitors to significantly increase their advertising expenditures and promotional activities or to engage in irrational or predatory pricing behavior, something which is already evident in the instant noodles category in Vietnam. MCH may be required to make substantially greater investments in research and development, as well as promotions and marketing. Such expenditures may lower our profit margins and thereby adversely affect our results of operations.

Specifically, and within MCH, Masan Brewery's current or potential competitors may offer products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. Our competitors may have greater financial resources, better purchasing economics, or lower cost bases than we do, which could provide a competitive advantage for them. There can be no assurance that we will be able to compete effectively against current or potential competitors. If we are unable to compete effectively, our business, financial condition, results of operations and prospects could be adversely affected.





Masan Nutri-Science is building a fully integrated 3F model (Feed – Farm – Food), where pig prices are a critical component for profitability. Pig prices dropped significantly during 2017 due to import restrictions from China, leading to oversupply, and affecting MNS sales and earnings. Furthermore, since the industry is fragmented, there can be no assurance that we will be able to compete effectively against current or potential competitors. Going forward, Masan Nutri-Science will operate a large scale pig farm and will sell fresh chilled meat with sales expected to occur in 4Q2018. Hence, hog prices and other factors affecting the pig market overall in Vietnam may also affect our business operations.

Masan Resources operates the largest tungsten mine in the world and deep processing chemical products, where majority of its revenues are derived from exports. The company will compete with global producers of tungsten, fluorospar, bismuth and copper, including producers from China, in the world mineral markets, primarily on the basis of quality, price,

transportation cost and reliability of supply. There can be no assurance that Nui Phao's competitors will not seek to sell higher-grade chemical products, significantly reduce their prices to gain market share, discover more readily accessible mine sites or have a more reliable supply.

Techcombank may face tougher competition from both local and foreign financial institutions as a result of Vietnam joining the World Trade Organization in 2007. The State Bank of Vietnam also allows foreign banks to operate in Vietnam through local branches. As the State Bank of Vietnam continues liberalizing the banking sector, Techcombank may also face greater competition from other local banks, which may result in a material adverse effect on our business, financial condition, results of operations and prospects.

**Masan Group is dependent on a continued ability to recruit or retain appropriately skilled personnel for its key management positions**

Although Masan Group is not dependent on any one member of our respective Boards of Directors, Supervisory Boards, Management Boards or senior management teams, our success depends to a significant extent on their skills, capabilities and efforts, as well as our ability to recruit and retain them and other appropriately skilled personnel. Due to intense competition in Vietnam, we face a continuing challenge in recruiting and retaining a sufficient number of skilled professionals. A loss of key personnel may have a material adverse effect on our business, financial condition, results of operations and prospects.

**Masan Group's business outlook is directly tied to the economic prospects of Vietnam and In-land ASEAN**

Our business outlook is directly tied to the economic prospects of Vietnam and In-land ASEAN, comprising of Vietnam, Thailand, Myanmar, Laos and Cambodia. Thus, if these economies experience an economic recession, it will materially impact us in the future.

**The financial results of Masan Resources will be influenced by commodity price movements**

The Nui Phao project is now operational and sells value-added products of tungsten, as well as fluorospar, bismuth and copper. The price at which the output is sold will be dependent on global demand-supply and pricing for these products. Global commodity prices have been adversely affected over the last year on account of global growth concerns, especially in China and Europe. Any volatility in global prices for the minerals we sell would impact our resource business.

## Financial statements

### CONSOLIDATED INCOME STATEMENT

Figures in VND million	2017 Audited	2016 Audited
Total Revenue	38,980,236	45,100,176
Less Sales Deductions	(1,359,590)	(1,803,112)
<b>Net sales</b>	<b>37,620,646</b>	<b>43,297,064</b>
Cost of Goods Sold	(25,988,836)	(30,366,979)
<b>Gross profit</b>	<b>11,631,810</b>	<b>12,930,085</b>
Selling Expenses	(5,290,872)	(4,970,503)
General & Administrative Expenses	(1,912,357)	(1,936,381)
Financial Income	1,404,660	769,194
Financial Expenses	(3,695,584)	(3,291,226)
Share of Profit in an Associate	2,044,230	979,938
<b>Net Operating Profit</b>	<b>4,181,887</b>	<b>4,481,107</b>
Results of Other Activities	(43,250)	(34,704)
<b>Profit Before Tax</b>	<b>4,138,637</b>	<b>4,446,403</b>
Tax	(530,947)	(673,906)
<b>Net Profit</b>	<b>3,607,690</b>	<b>3,772,497</b>
<b>Attributable to</b>		
Minority Interests	505,026	981,053
<b>Equity Holders of the Company</b>	<b>3,102,664</b>	<b>2,791,444</b>

**CONSOLIDATED BALANCE SHEET**

Figures in VND million	December 31, 2017 Audited	December 31, 2016 Audited
<b>Current assets</b>	<b>15,144,937</b>	<b>22,876,206</b>
Cash and Cash Equivalents	7,417,111	13,148,938
Short-term Investments	640,069	1,771,012
Net Operating Receivables	1,105,174	1,254,640
Other Receivables	1,141,926	1,022,415
Inventories	4,333,097	5,389,531
Other Current Assets	507,560	289,670
<b>Long term assets</b>	<b>48,383,585</b>	<b>50,162,832</b>
Long-term Receivables	1,453,961	1,817,067
Fixed Assets	29,829,534	29,821,492
Tangible Fixed Assets	23,768,050	23,317,266
Finance Lease Tangible Fixed Assets	4,487	17,947
Intangible Fixed Assets	6,056,997	6,486,279
Construction in Progress	1,838,001	2,356,227
Long-term Investments	11,338,355	12,240,702
Other Long-term Assets	3,923,734	3,927,344
<b>Total assets</b>	<b>63,528,522</b>	<b>73,039,038</b>

Figures in VND million	December 31, 2017 Audited	December 31, 2016 Audited
<b>Current liabilities</b>	<b>15,532,987</b>	<b>17,898,443</b>
Short-term Debt	9,166,273	8,618,340
Current Account Payable	2,105,255	2,427,338
Advance from Customers	240,945	86,812
Tax Payable	384,958	546,109
Payroll Payable	25	204,231
Accrued Expense	2,801,126	3,456,392
Other Payable	834,405	2,559,221
<b>Long term liabilities</b>	<b>27,770,340</b>	<b>34,827,970</b>
Long-term Debt	25,630,003	32,472,398
Other Long-term Liabilities	2,140,337	2,355,572
<b>Total liabilities</b>	<b>43,303,327</b>	<b>52,726,413</b>
<b>Equity</b>	<b>20,225,195</b>	<b>20,312,625</b>
Chartered Capital	11,573,740	7,680,757
Capital Surplus	6,855,539	10,649,796
Other Capital	(9,426,958)	(9,426,958)
Treasury Shares	(6,518,087)	(641,110)
Differences in Forex Revaluation	2,431	(1,874)
Retained Earnings	12,350,048	7,015,545
Minority Interest	5,388,482	5,036,469
<b>Total resources</b>	<b>63,528,522</b>	<b>73,039,038</b>

## PERFORMANCE HIGHLIGHTS

	31 December, 2017	31 December, 2016
Current Ratio	1.0x	1.3x
Quick Ratio	0.7x	1.0x
Total Debt/EBITDA	3.7x	4.2x
Total Debt/Total Assets	0.5x	0.6x
Inventory Turnover	5.3x	6.2x
Days Inventory (days)	61	65
ROAE	17.4%	17.7%
ROAA	5.3%	5.2%
Net Sales/Total Assets	59.2%	59.3%
EBIT Margin	17.2%	16.2%
EBITDA Margin	25.0%	22.3%
Net Margin	9.6%	8.7%

## Management discussion and analysis of financial results

This section details management's insights regarding full year financial performance of the Group. While key line items are based on audited numbers, certain segmental and category numbers are based on management accounts.

## REVENUE

Figures in VND million	2017 Audited	2016 Audited
Revenue by categories		
Masan Consumer Holdings ("MCH")	13,525,516	14,825,581
Masan Nutri-Science ("MNS")	18,690,485	24,422,665
Masan Resources ("MSR")	5,404,645	4,048,818
<b>Total</b>	<b>37,620,646</b>	<b>43,297,064</b>

Net revenue decreased by 13.1% to VND37,621 billion in 2017 from VND43,297 billion in 2016. The decrease in consolidated net revenue was primarily driven by a 23% drop in Masan Nutri-Science's revenues to VND18,690 billion in 2017 from VND24,423 billion in 2016. In early 2017, China banned the import of live pigs from Vietnam leading to a prolonged hog price crisis with average hog prices below VND30,000 per kilogram during 2017. However, average hog prices were higher than VND30,000 per kilogram nationwide in mid-January 2018 for the first time since late 1Q2017, signaling a potential market recovery. In addition, MNS launched "Bio-zeem Xanh" in November 2017, MNS' "value for money" product, which is expected to drive the conversion of home-made feed users as they up-trade to more productive branded commercial products. Despite the challenging pig market and lower revenues, our pig feed exit market

share of MNS increased from 30% at the end of 2016 to 35% at the end of 2017.

In 2017, MCH successfully transformed its distribution model from a "push" to a "pull" model. The objectives of this transformation were to i) improve route to market efficiency and ii) reduce reliance on trade promotion to free up resources for investing in brand building activities. MCH lost nearly VND1,200 billion in revenue in 2017 with the effort to reduce stock balance at the distributors' level from over VND2,200 billion at the end of 2016 to nearly VND1,000 billion at end of 2017. As a result, MCH's net revenue declined by 9% to VND13,526 billion in 2017 from VND14,826 billion in 2016. However, MCH has demonstrated strong growth fundamentals in 1Q2018 and is on track to deliver greater profitability after transforming its distribution model.

MSR reached a record revenue of VND5,405 billion due to significant price increases across all commodities coupled and higher volumes. As a result, MSR delivered a 33% growth in revenue in 2017 from VND4,049 billion in 2016.

## Cost of goods sold

Cost of goods sold, as a percentage of net revenue, decreased to 69.1% in 2017 from 70.1% in 2016. In absolute terms, this represents a 14.4% decrease from VND30,367 billion in 2016 to VND25,989 billion in 2017. The decrease is mainly due to the decrease in cost of goods sold at MSR from 72.8% in 2016 to 68.7% in 2017. Commodity price recovery during 2017 increased revenue which improved gross margins for the resources business. For other businesses, cost of goods sold decreased in absolute terms mainly due to lower net revenues.

**GROSS PROFIT**

Figures in VND million	2017 Audited	2016 Audited
Segment Gross Profit		
Masan Consumer Holdings	5,897,461	6,493,420
Masan Nutri-Science	3,991,222	5,280,238
Masan Resources	1,743,127	1,156,427
<b>Total</b>	<b>11,631,810</b>	<b>12,930,085</b>

Gross profit decreased by 10.0% from VND12,930 billion in 2016 to VND11,632 billion in 2017 due a 13.1% decline in sales, especially due to lower sales at Masan Nutri-Science, the lowest gross margin business within the Group, offset by higher gross margin at MSR. As a result, Masan's gross profit margin increased to 30.9% in 2017 from 29.9% in 2016. Higher gross margin at MSR was due to higher commodity prices, while gross margin at MNS slightly decreased by 0.2% from 21.6% in 2016 to 21.4% in 2017. This was due to lower revenue in 2017 and product mix as our value-for-money brand, "Bio-zeem Xanh" (introduced in November 2017), began contributing more to sales. MCH's gross margin was slightly lower, down by 0.2% from 43.8% in 2016 to 43.6% in 2017, mainly due to higher raw material prices, but partially offset by lower beer sales (which has a lower gross margin).

**Selling expenses**

Selling expenses in 2017 increased by 6.4% to VND5,291 billion from VND4,971 billion in 2016. Selling expenses, as a percentage of net revenue, increased from 11.5% in 2016 to 14.1% in 2017. This is mainly driven by higher selling expenses at MCH mainly due to the

implementation of the de-stocking initiative. As a percentage of net revenue, selling expenses at MCH increased from 19.2% in 2016 to 23.9% in 2017. This increase was due to lower revenue but higher selling expenses in 2017 due to the de-stocking initiative to clear stock at the distributors' level as mentioned above. At MCH, trade promotion as a percentage of sales increased from 8.2% in 2016 to 10.7% in 2017. Selling expenses at MNS also increased due to higher support for farmers and dealers during the pig price crisis. Going forward, the Company forecasts selling expenses as a percentage of sales to reduce significantly given one-time nature of most of the initiatives mentioned above.

**General and administration expenses**

General and administration expenses decreased by 1.2% to VND1,912 billion in 2017 from VND1,936 billion in 2016. General and administration expenses as a percentage of net sales increased from 4.5% in 2016 to 5.1% in 2017. The increase in general and administration expenses was mainly driven by lower sales in 2017 and higher depreciation and amortization due to new production facilities coming into operations in 2017.

**Financial Income**

Financial income increased by 82.6% to VND1,405 billion in 2017 from VND769 billion in 2016. The increase was mainly driven by the financial gain of VND932 billion from the sale of Techcombank's convertible bonds, offset by the decrease in interest income from deposits due to lower cash balance during 2017, which was mainly due to: i) dividend payments; ii) share buyback; and iii) de-leveraging initiatives.

**Financial expenses**

Financial expenses increased by 12.3% to VND3,696 billion in 2017 from VND3,291 billion in 2016, driven mainly by the increase in interest payments for outstanding bonds. In 2017, Masan Group issued a VND3,000 billion bond with an interest coupon of 9%. Also during 2017, the average interest rate increased from 8% to 9% due to the floating rate terms of many of our bonds. In absolute terms, interest expense increased from VND3,112 billion in 2016 to VND3,435 in 2017.

**Share of profit in associates**

Share of profit in associates largely comprises of Masan Group's share of the

profits of Techcombank, proportionate to our equity interest. Share of profit in associates doubled in 2017 to VND2,044 billion from VND980 billion in 2016. The improvement was primarily due to a higher contribution from Techcombank, as profit doubled in 2017 compared to 2016.

**Net profit after tax**

In 2017, the Group reported net profit after tax decreased by 4.4% to VND3,608 billion from VND3,773 billion in 2016. Excluding one-off financial gain from sale of Techcombank's convertible bonds in 2017, net profit after tax decreased by 6.7% to VND2,627 billion. Net profit margin (excluding one-off gain) as a percentage of sales decreased from 8.7% in 2016 to 7.1% in 2017. This is mainly driven by lower revenues due to challenges faced in 2017 as discussed above. Higher selling expenses incurred to support farmers and dealers and higher trade promotion to clear stock at distributors' level also reduced 2017 profitability.

**Cash and cash equivalents**

Cash and cash equivalents of the Group, including short-term investments, decreased to VND8,057 billion as of 31 December 2017 from VND14,920 billion as of 31 December 2016. This is mainly due to lower revenue and earnings and several material cash outflows such as payment of Masan Group dividend declared in 2016, share buyback and debt repayment, offset by cash inflows from primary capital raised at MNS from KKR and the sale of Techcombank's convertible bonds.

**Inventories**

Inventories decreased from VND5,390 billion as of 31 December 2016 to VND4,333 billion as of 31 December 2017. This decrease was mainly driven by MNS inventory decreasing by 46% from VND3,414 billion as of 31 December 2016 to VND1,850 billion as of 31 December 2017. MNS ended 2016 with high raw materials inventory as it anticipated revenue growth in 2017, which did not occur. The decrease in inventories in MNS in 2017 was only partially offset with increases at MCH and MSR, leading to a 20% consolidated decrease in inventories for the Group. Both MCH and MSR reserved a higher inventory balance in 2017 compared to 2016 mainly due to the expected recovery in sales after the completion of de-stocking initiative and the recovery of tungsten prices.

**Fixed assets**

As of 31 December 2017, fixed assets amounted to VND29,830 billion compared to VND29,821 as of 31 December 2016. There was no significant CAPEX spent during the year except for capital investments to build out MNS platform and to install equipment to increase the tungsten recovery rate at MSR.

**Investments in associates**

Investments in associates represent 25.2% effective economic interest in Techcombank, ANCO's 24.9% equity stake in VISSAN and Masan Consumer's 32.8% equity stake in Cholimex Food Joint Stock Company, as of 31 December 2017. Investments in associates also include various associate investments by Proconco.

**Total assets**

Total assets decreased by 13.0% to VND63,529 billion as of 31 December 2017 compared to VND73,039 billion as of 31 December 2016 due to the decrease in cash as explained previously and the decrease in investments in associates resulting from the sale of Techcombank's convertible bonds.

**Borrowings**

As of 31 December 2017, short-term and long-term borrowings decreased by 15.3% to VND32,796 billion from VND41,091 billion as of 31 December 2016. The decrease in borrowings was mainly due to ongoing efforts to pay down expensive bonds in 2017. Bond principle reduced by VND5,200 billion from VND31,900 billion at year-end 2016 to VND26,700 billion at year-end 2017. The reduction in debt is one of the key drivers for the decrease in cash during 2017. Financial interest savings due to debt reduction will be recognized in the following years. Balance sheet optimization with gross debt reduced by 15% has helped improve the consolidated debt to EBITDA ratio from 4.2x as of the end of 2016 to 3.7x as of the end of 2017.

**Owners' equity**

Owners' equity as of 31 December 2017 was VND20,225 billion compared to VND20,313 billion as of 31 December 2016. This was mainly driven by the net effects of the additional net profit contributed in 2017, the increase in capital due to KKR capital injection and the decrease in equity from the share buyback completed in November 2017.

## 2018 financial outlook

Management estimates consolidated net revenue to grow by approximately 20-25% to VND45,150 to VND47,000 billion on the back of high double-digit growth across all operating businesses.

MCH's net revenue is forecasted to grow in excess of 20% due to a strong innovation pipeline, greater investments in brand building and a more robust and healthy distribution network.

MNS' net revenue is forecasted to be relatively flat as hog prices are expected to recover only after 2Q2018 and the value-for-money Bio-zeem range grows as a percent of MNS' overall sales. MNS is on track to launch its branded fresh meat products in 4Q2018 which is expected to drive the revenue

and profit margin growth of the MNS in the medium-term.

MSR's net revenue is forecasted to grow in excess of 30% driven by a strong tungsten price environment and processing higher volumes of value-added tungsten products.

Selling, general and administration expenses ("SG&A") as a percent of sales in 2018 is forecasted to decline by over 350 basis points compared to 2017. One-off investments at MCH to unwind the distributor stock level has been completed and MNS one-time investments to support farmers and distributors has also been completed.

Net profit after tax post minority interest (excluding one-off financial gain from sales

of Techcombank's convertible bonds) is expected to reach VND3,400 to 4,000 billion (an increase of 57% to 89% on a normalized basis) in 2018 driven by higher sale across our businesses and lower SG&A as a percentage of sales.

There is further potential upside as the Company plans to reduce earnings impact from minority interest of strategic growth assets (e.g., tender offer for Vinacafé Bien Hoa) and as we explore avenues to further accelerate our deleveraging initiative.

Based on our current business operations, our current financial position and general market conditions, we believe the following information below reflects a fair estimation of our financial performance for 2018:

	Plan 2018 (VND billion)		Actual 2017 (VND billion)	Growth Rate	
	Low End	High End		Low End	High End
Net Sales	45,150	47,000	37,621	20%	25%
EBITDA	11,150	11,900	9,396	19%	27%
Net Profit after Tax and Minorities (VAS)	3,400	4,000	3,103	10%	29%

### 2018 balance sheet outlook

Management estimates capital expenditures will wind down going forward, supporting free cash flow generation. For 2018, capital expenditures are expected for the build out of the 3F platform at MNS, which

includes ramping up the Nghe An pig farm and building the Ha Nam meat processing complex. Some CAPEX may be expected in MCH to increase raw fish sauce production capacity and potentially some beer capacity, while MSR requires mainly maintenance capex going forward.

With an expected increase in operating cash flows going forward, the Group will prioritize paying down debt to build a more sustainable balance sheet and improve net margins. Management targets a gross debt to EBITDA ratio of approximately 3x by the end of 2018 and 2x in the long term.



# Financial Report



This Financial Report is consolidated audited financial statements. For separate audited financial statements, please find in the below links: <http://masangroup-cms-production.s3-ap-southeast-1.amazonaws.com/iblock/40c/40c0204c4a340e13f0bdd8d65728774e/69819f54167f08ad3b4956ced4ae2757.pdf>

## Masan Group Corporation corporate information

### Business Registration Certificate No.

0303576603

31 August 2017

The Company's Business Registration Certificate has been amended several times, the most recent of which is dated 31 August 2017. The Certificate and its amendments were issued by the Department of Planning and Investment of Ho Chi Minh City. The initial Business Registration Certificate No. 4103002877 was dated 18 November 2004.

### Board of Directors

Dr Nguyen Dang Quang

Chairman

Mr Ho Hung Anh

Vice Chairman

Ms Nguyen Hoang Yen

Member

Mr Nguyen Thieu Nam

Member

Mr Lars Kjaer

Member

Mr Dominic Edward Salter Price

Member

### Board of Management

Dr Nguyen Dang Quang

Chief Executive Officer

Mr Nguyen Thieu Nam

Deputy Chief Executive Officer

Mr Michael Hung Nguyen

Deputy Chief Executive Officer

Mr Nguyen Anh Nguyen

Deputy Chief Executive Officer

Mr Seokhee Won

Deputy Chief Executive Officer  
(until 27 February 2018)

Mr Le Trung Thanh

Deputy Chief Executive Officer  
(from 15 February 2017  
to 19 June 2017)

### Legal representative

Dr Nguyen Dang Quang

Chairman

Chief Executive Officer

### Registered Office

Suite 802, 8<sup>th</sup> Floor, Central Plaza

17 Le Duan Street

Ben Nghe Ward, District 1

Ho Chi Minh City

Vietnam

### Auditor

KPMG Limited

Vietnam

## Statement of the Board of Management's responsibility in respect of the consolidated financial statements

The Board of Management of Masan Group Corporation ("the Company") presents this statement and the accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2017.

The Board of Management is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the year ended 31 December 2017 in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. In preparing those consolidated financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Management is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the accounting records comply with the requirements of Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that they have complied with the above requirements in preparing these consolidated financial statements.

### Approval of The Consolidated Financial Statements

We do hereby approve the accompanying consolidated financial statements of the Group as at and for the year ended 31 December 2017, which were prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

On behalf of the Board of Management



Dr. Nguyen Dang Quang  
Chairman  
Chief Executive Officer  
Ho Chi Minh City, Vietnam  
8 March 2018

## Independent auditor's report

### TO THE SHAREHOLDERS

#### Masan Group Corporation

We have audited the accompanying consolidated financial statements of Masan Group Corporation ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Management on 8 March 2018, as set out on pages 74 to 137.

#### Management's responsibility

The Company's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Auditor's opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Masan Group Corporation and its subsidiaries as at 31 December 2017 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

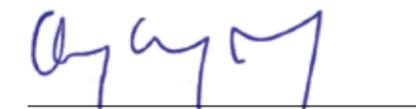
#### KPMG Limited's Branch in Ho Chi Minh City

Vietnam  
Audit Report No.: 17-01-392(b)



Ha Vu Dinh  
Practising Auditor Registration  
Certificate No. 0414-2018-007-1  
Deputy General Director

Ho Chi Minh City, 8 March 2018



Chong Kwang Puay  
Practising Auditor Registration  
Certificate No. 0864-2018-007-1

## Consolidated balance sheet

	Code	Note	31/12/2017 VND million	1/1/2017 VND million
<b>ASSETS</b>				
<b>Current assets</b>				
<b>(100 = 110 + 120 + 130 + 140 + 150)</b>	<b>100</b>		<b>15,144,937</b>	<b>22,876,206</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>7,417,111</b>	<b>13,148,938</b>
Cash	111		320,723	941,318
Cash equivalents	112		7,096,388	12,207,620
<b>Short-term financial investments</b>	<b>120</b>	<b>6</b>	<b>640,069</b>	<b>1,771,012</b>
Held-to-maturity investments	123		640,069	1,771,012
<b>Accounts receivable – short-term</b>	<b>130</b>	<b>7</b>	<b>2,247,100</b>	<b>2,277,055</b>
Accounts receivable from customers	131		1,221,821	1,295,848
Prepayments to suppliers	132		277,698	283,315
Other short-term receivables	136		864,228	739,100
Allowance for doubtful debts	137		(116,647)	(41,208)
<b>Inventories</b>	<b>140</b>	<b>8</b>	<b>4,333,097</b>	<b>5,389,531</b>
Inventories	141		4,347,552	5,416,696
Allowance for inventories	149		(14,455)	(27,165)
<b>Other current assets</b>	<b>150</b>		<b>507,560</b>	<b>289,670</b>
Short-term prepaid expenses	151		87,233	106,482
Deductible value added tax	152		389,953	171,398
Taxes receivable from State Treasury	153	16(a)	30,374	11,790

The accompanying notes are an integral part of these consolidated financial statements

	Code	Note	31/12/2017 VND million	1/1/2017 VND million
<b>Long-term assets</b>				
<b>(200 = 210 + 220 + 240 + 250 + 260)</b>	<b>200</b>		<b>48,383,585</b>	<b>50,162,832</b>
<b>Accounts receivable – long-term</b>	<b>210</b>	<b>7</b>	<b>1,453,961</b>	<b>1,817,067</b>
Receivable on long-term lending loans	215		96,400	369,700
Other long-term receivables	216		1,357,561	1,447,367
<b>Fixed assets</b>	<b>220</b>		<b>29,829,534</b>	<b>29,821,492</b>
Tangible fixed assets	221	9	23,768,050	23,317,266
Cost	222		29,897,094	27,576,775
Accumulated depreciation	223		(6,129,044)	(4,259,509)
Finance lease tangible fixed assets	224	10	4,487	17,947
Cost	225		67,300	67,300
Accumulated depreciation	226		(62,813)	(49,353)
Intangible fixed assets	227	11	6,056,997	6,486,279
Cost	228		8,112,958	7,989,536
Accumulated amortisation	229		(2,055,961)	(1,503,257)
<b>Long-term work in progress</b>	<b>240</b>		<b>1,838,001</b>	<b>2,356,227</b>
Construction in progress	242	12	1,838,001	2,356,227
<b>Long-term financial investments</b>	<b>250</b>	<b>6</b>	<b>11,338,355</b>	<b>12,240,702</b>
Investments in associates	252		11,321,627	12,219,056
Equity investments in other entities	253		21,646	21,646
Allowance for diminution in the value of long-term financial investments	254		(4,918)	-
<b>Other long-term assets</b>	<b>260</b>		<b>3,923,734</b>	<b>3,927,344</b>
Long-term prepaid expenses	261	13	2,990,882	2,869,569
Deferred tax assets	262	14	300,831	313,272
Goodwill	269	15	632,021	744,503
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>63,528,522</b>	<b>73,039,038</b>

The accompanying notes are an integral part of these consolidated financial statements

## Consolidated balance sheet

	Code	Note	31/12/2017 VND million	1/1/2017 VND million
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>43,303,327</b>	<b>52,726,413</b>
<b>Current liabilities</b>	<b>310</b>		<b>15,532,987</b>	<b>17,898,443</b>
Accounts payable to suppliers	311		2,105,255	2,427,338
Advances from customers	312		240,945	86,812
Taxes payable to State Treasury	313	16(b)	384,958	546,109
Payables to employees	314		25	204,231
Accrued expenses	315	17	2,801,126	3,456,392
Other short-term payables	319	18	803,374	2,527,993
Short-term borrowings and liabilities	320	19	9,166,273	8,618,340
Bonus and welfare funds	322		31,031	31,228
<b>Long-term liabilities</b>	<b>330</b>		<b>27,770,340</b>	<b>34,827,970</b>
Accounts payable to suppliers	331		78,525	88,335
Accrued expenses	333		-	37,164
Other long-term payables	337	18	26,728	30,935
Long-term borrowings, bonds and liabilities	338	19	25,630,003	32,472,398
Deferred tax liabilities	341	14	1,461,389	1,573,844
Provisions	342	20	573,695	625,294

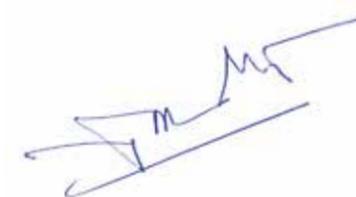
The accompanying notes are an integral part of these consolidated financial statements

Form B 01 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2017 VND million	1/1/2017 VND million
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>20,225,195</b>	<b>20,312,625</b>
<b>Owners' equity</b>	<b>410</b>	<b>21</b>	<b>20,225,195</b>	<b>20,312,625</b>
Share capital	411	22	11,573,740	7,680,757
Capital surplus	412	22	6,855,539	10,649,796
Other capital	414		(9,426,958)	(9,426,958)
Treasury shares	415	22	(6,518,087)	(641,110)
Foreign exchange differences	417		2,431	(1,874)
Undistributed profits after tax	421		12,350,048	7,015,545
- Undistributed profits brought forward	421a		7,015,545	7,014,072
- Net profit for the current year	421b		5,334,503	1,473
Non-controlling interest	429		5,388,482	5,036,469
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>63,528,522</b>	<b>73,039,038</b>

8 March 2018

Prepared by:



Doan Thi My Duyen  
Chief Accountant

Approved by:



Michael Hung Nguyen  
Deputy Chief Executive Officer  
Chief Financial Officer



Dr. Nguyen Dang Quang  
Chairman  
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements

For the year ended 31 December 2017

## Consolidated statement of income

	Code	Note	2017 VND million	2016 VND million
<b>Revenue from sale of goods</b>	<b>01</b>	<b>25</b>	<b>38,980,236</b>	<b>45,100,176</b>
<b>Revenue deductions</b>	<b>02</b>	<b>25</b>	<b>1,359,590</b>	<b>1,803,112</b>
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>25</b>	<b>37,620,646</b>	<b>43,297,064</b>
<b>Cost of sales</b>	<b>11</b>	<b>26</b>	<b>25,988,836</b>	<b>30,366,979</b>
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>11,631,810</b>	<b>12,930,085</b>
Financial income	21	27	1,404,660	769,194
Financial expenses	22	28	3,695,584	3,291,226
<i>In which: Interest expense</i>	23		3,435,322	3,112,480
Share of profit in associates	24	6	2,044,230	979,938
Selling expenses	25	29	5,290,872	4,970,503
General and administration expenses	26	30	1,912,357	1,936,381
<b>Net operating profit</b>				
<b>{30 = 20 + (21 - 22) + 24 - (25 + 26)}</b>	<b>30</b>		<b>4,181,887</b>	<b>4,481,107</b>
Other income	31		17,557	14,672
Other expenses	32		60,807	49,376
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(43,250)</b>	<b>(34,704)</b>
<b>Accounting profit before tax</b>				
<b>(50 = 30 + 40) (carried forward)</b>	<b>50</b>		<b>4,138,637</b>	<b>4,446,403</b>

The accompanying notes are an integral part of these consolidated financial statements

For the year ended 31 December 2017 (continued)

Form B 02 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2017 VND million	2016 VND million
<b>Accounting profit before tax</b>				
<b>(50 = 30 + 40) (brought forward)</b>	<b>50</b>		<b>4,138,637</b>	<b>4,446,403</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>31</b>	<b>630,961</b>	<b>892,321</b>
<b>Income tax benefit – deferred</b>	<b>52</b>	<b>31</b>	<b>(100,014)</b>	<b>(218,415)</b>
<b>Net profit after tax (60 = 50 - 51 - 52)</b>	<b>60</b>		<b>3,607,690</b>	<b>3,772,497</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		3,102,664	2,791,444
Non-controlling interest	62		505,026	981,053
<b>Earnings per share</b>				
Basic earnings per share (VND)	70	33	2,727	2,462
Diluted earnings per share (VND)	71	33	2,727	2,462

Prepared by:



Doan Thi My Duyen  
Chief Accountant

8 March 2018

Approved by:



Michael Hung Nguyen  
Deputy Chief Executive Officer  
Chief Financial Officer



Dr. Nguyen Dang Quang  
Chairman  
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements

For the year ended 31 December 2017 (Indirect method)

## Consolidated statement of cash flows

	Code	Note	2017 VND million	2016 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Accounting profit before tax</b>	<b>01</b>		<b>4,138,637</b>	<b>4,446,403</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		2,610,646	2,379,260
Allowances and provisions	03		169,358	124,986
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(9,246)	23,324
Profits from investing activities	05		(3,386,427)	(1,666,453)
Interest expense and other financial expenses	06		3,548,932	3,112,480
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>7,071,900</b>	<b>8,420,000</b>
(Increase)/decrease in receivables and other assets	09		(311,192)	224,311
Decrease/(increase) in inventories	10		1,031,669	(1,025,916)
(Decrease)/increase in payables and other liabilities	11		(1,032,082)	473,569
Increase in prepaid expenses	12		(27,996)	(105,699)
			<b>6,732,299</b>	<b>7,986,265</b>
Interest paid	14		(3,261,365)	(2,958,543)
Corporate income tax paid	15		(704,278)	(895,387)
Other payments for operating activities	17		(197)	(13,734)
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>2,766,459</b>	<b>4,118,601</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(2,111,023)	(2,920,583)
Proceeds from disposals of fixed assets and other long-term assets	22		10,763	13,292
Payments for granting loans and term deposits	23		(5,348,244)	(94,467,254)
Receipts from collecting loans and term deposits	24		6,752,487	101,946,046
Payments for investments	25		(522,403)	(25,071,491)
Proceeds from disposals of investments	26		3,874,973	218,701
Receipts of interest, dividends and others	27		477,399	1,116,662
<b>Net cash flows from investing activities</b>	<b>30</b>		<b>3,133,952</b>	<b>(19,164,627)</b>

The accompanying notes are an integral part of these consolidated financial statements

For the year ended 31 December 2017 (Indirect method – continued)

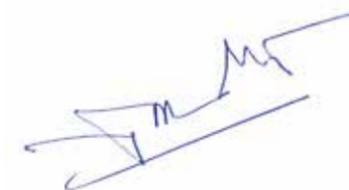
Form B 03 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2017 VND million	2016 VND million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of new shares and equity issued to non-controlling interest	31		3,512,651	15,579,566
Payments for repurchase of equity instruments and treasury shares	32		(5,877,224)	(908,037)
Proceeds from borrowings	33		24,017,010	29,017,143
Payments to settle borrowings and bonds	34		(30,558,296)	(23,625,559)
Payments to settle finance lease liabilities	35		(16,272)	(14,155)
Payments of dividends to shareholders and to non-controlling interest of subsidiaries	36		(2,712,948)	(177,474)
<b>Net cash flows from financing activities</b>	<b>40</b>		<b>(11,635,079)</b>	<b>19,871,484</b>
<b>Net cash flows during the year (50 = 20 + 30 + 40)</b>	<b>50</b>		<b>(5,734,668)</b>	<b>4,825,458</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>		<b>13,148,938</b>	<b>8,324,476</b>
<b>Effect of exchange rate fluctuations</b>	<b>61</b>		<b>2,841</b>	<b>(996)</b>
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)</b>	<b>70</b>	<b>5</b>	<b>7,417,111</b>	<b>13,148,938</b>

8 March 2018

Prepared by:

Approved by:



Doan Thi My Duyen  
Chief Accountant



Michael Hung Nguyen  
Deputy Chief Executive Officer  
Chief Financial Officer



Dr. Nguyen Dang Quang  
Chairman  
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements

For the year ended 31 December 2017

## Notes to the consolidated financial statements

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

### 1. REPORTING ENTITY

#### (a) Ownership structure

Masan Group Corporation (“the Company”) is a joint stock company incorporated in Vietnam.

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates.

#### (b) Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries and associates are described as follows:

#### Subsidiaries

No.	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
<b>Direct subsidiaries</b>					
1	MasanConsumerHoldings Company Limited (“MCH”)	Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	85.7%	85.7%
2	Masan Horizon Company Limited (formerly known as Masan Horizon Corporation) (“MH”)	Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	99.9%	99.9%
3	Masan Nutri-Science Corporation (“MNS”)	Investment holding	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	89.4%
<b>Indirect subsidiaries</b>					
1	Masan Brewery Company Limited (“MB”)	(i) Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	57.1%	57.1%
2	Masan Master Brewer Company Limited (“MMBr”)	(i) Beer and beverage trading	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	57.1%	57.1%
3	Masan Brewery PY One Member Company Limited (“MBPY”)	(i) Beer and beverage manufacturing	Hoa Hiep Industrial Park, Hoa Hiep Bac Ward, Dong Hoa District, Phu Yen Province, Vietnam	57.1%	57.1%

For the year ended 31 December 2017 (continued)

Form B 09 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)

No.	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
4	Masan Brewery HG One Member Company Limited (“MBHG”)	(i) Beer and beverage manufacturing	Song Hau Industrial Park, Dong Phu Ward, Chau Thanh District, Hau Giang Province, Vietnam	57.1%	57.1%
5	Masan Brewery Distribution One Member Company Limited (“MBD”)	(i) Beer and beverage trading	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	57.1%	57.1%
6	Masan Consumer Corporation (“MSC”)	(i) Trading and distribution	12 <sup>th</sup> Floor, MPlaza Saigon, 39 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	83.1%
7	Masan Consumer (Thailand) Limited (“MTH”)	(i) Trading and distribution	4 <sup>th</sup> Floor, Amnuay Songkhram Road, Tanon Nakornchaisri Sub-District, Dusit District, Bangkok, Thailand	82.4%	83.1%
8	Masan Food Company Limited (“MSF”)	(i) Trading and distribution	12 <sup>th</sup> Floor, MPlaza Saigon, 39 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	83.1%
9	Masan Industrial One Member Company Limited (“MSI”)	(i) Seasonings, convenience food manufacturing and packaging	Lot 6, Tan Dong Hiep A Industrial Park, Di An District, Binh Duong Province, Vietnam	82.4%	83.1%
10	Viet Tien Food Technology One Member Company Limited (“VTF”)	(i) Seasonings manufacturing	Lot III-10-Industrial Group III, Tan Binh Industrial Park, Tan Phu District, Ho Chi Minh City, Vietnam	82.4%	83.1%
11	Masan HD One Member Company Limited (“MHD”)	(i) Convenience food manufacturing	Lot 22, Dai An Industrial Park, Tu Minh Ward, Hai Duong City, Vietnam	82.4%	83.1%
12	Ma San PQ Corporation (“MPQ”)	(i) Seasonings manufacturing	Area 1, Suoi Da Hamlet, Duong To Ward, Phu Quoc District, Kien Giang Province, Vietnam	82.4%	83.1%
13	Nam Ngu Phu Quoc One Member Company Limited (“NPQ”)	(i) Seasonings manufacturing	Area 1, Suoi Da Hamlet, Duong To Ward, Phu Quoc District, Kien Giang Province, Vietnam	82.4%	83.1%
14	VinaCafé Bien Hoa Joint Stock Company (“VCF”)	(i) Beverage manufacturing	Bien Hoa Industrial Zone I, Bien Hoa City, Dong Nai Province, Vietnam	56.4%	56.9%
15	CDN Production Trading Corporation (“CDN”)	(i) Beverage trading and manufacturing	Lot C I.III-3+5+7, Long Thanh Industrial Park, Tam An Commune, Long Thanh District, Dong Nai Province, Vietnam	47.9%	48.4%
16	Vinh Hao Mineral Water Corporation (“VHC”)	(i) Beverage manufacturing and trading and packaging	Vinh Son Hamlet, Vinh Hao Commune, Tuy Phong District, Binh Thuan Province, Vietnam	72.9%	73.6%

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

No.	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
17	Kronfa., JSC ("KRP")	(i) Beverage manufacturing	Km37, National Road 27, Tan Son Town, Ninh Son District, Ninh Thuan Province, Vietnam	72.9%	73.6%
18	Masan Beverage Company Limited ("MSB")	(i) Beverage trading and distribution	12 <sup>th</sup> Floor, MPlaza Saigon, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	83.1%
19	Masan DN One Member Company Limited ("MDN") (*)	(i) Seasonings, convenience food manufacturing and packaging	Street No. 7, Hoa Khanh Industrial Park, Hoa Khanh Bac Ward, Lien Chieu District, Da Nang City, Vietnam	-	83.1%
20	Masan MB One Member Company Limited ("MMB")	(i) Seasonings, convenience food manufacturing and packaging	Area B, Nam Cam Industrial Park – Dong Nam Nghe An Economic Zone, Nghi Long Commune, Nghi Loc District, Nghe An Province, Vietnam	82.4%	83.1%
21	Masan HG One Member Company Limited ("MHG")	(i) Convenience food manufacturing and packaging	Song Hau Industrial Park, Dong Phu Ward, Chau Thanh District, Hau Giang Province, Vietnam	82.4%	83.1%
22	Saigon Nutri Food Joint Stock Company ("SNF")	(i) Convenience food manufacturing and trading	Lot K4, No. 2 Street, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam	82.4%	83.1%
23	Quang Ninh Mineral Water Corporation ("QNW")	(i) Beverage manufacturing and trading	Group 3A, Area 4, Suoi Mo, Bai Chay Ward, Ha Long City, Quang Ninh Province, Vietnam	54.2%	54.6%
24	Mapleleaf Company Limited ("MPL")	(ii) Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	99.9%	99.9%
25	Masan Resources Corporation ("MSR")	(ii) Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	96.0%	93.8%
26	Masan Thai Nguyen Resources Company Limited ("MRTN")	(ii) Investment holding	Suite 802, 8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, District 1, Ben Nghe Ward, Ho Chi Minh City, Vietnam	96.0%	93.8%
27	Thai Nguyen Trading and Investment Company Limited ("TNTI")	(ii) Investment holding	8 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	96.0%	93.8%

For the year ended 31 December 2017 (continued)

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No.	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
28	Nui Phao Mining Company Limited ("NPM")	(ii) Exploring and processing mineral	Ha Thuong Commune, Dai Tu District, Thai Nguyen Province, Vietnam	96.0%	93.8%
29	Nui Phao – H.C. Starck Tungsten Chemicals Manufacturing LLC ("NPHCS")	(ii) Deep processing of nonferrous metals and precious metals (tungsten)	Hamlet 11, Ha Thuong Commune, Dai Tu District, Thai Nguyen Province, Vietnam	49.0%	47.8%
30	Kenji Company Limited ("Kenji") (**)	(iii) Investment holding	6 <sup>th</sup> Floor, Me Linh Point Tower, 2 Ngo Duc Ke Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	-	89.4%
31	Shika Company Limited ("Shika") (**)	(iii) Investment holding	6 <sup>th</sup> Floor, Me Linh Point Tower, 2 Ngo Duc Ke Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	-	89.4%
32	Meiji Corporation ("Meiji") (**)	(iii) Investment holding	12 <sup>th</sup> Floor, MPlaza Saigon, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	-	89.4%
33	MNS Feed Company Limited (formerly known as Masan Nutri-Feed Company Limited) ("MNS Feed") (***)	(iii) Animal protein	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	82.4%	-
34	Agro Nutrition International Joint Stock Company ("ANCO")	(iii) Animal protein	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	82.4%	89.4%
35	Aqua Nutrition International Joint Venture Co., Ltd ("ANCO Vinh Long")	(iii) Animal protein	Area 4, Co Chien Industrial Park, Long Ho District, Vinh Long Province, Vietnam	82.4%	89.4%
36	Agro Nutrition International Binh Dinh One Member Limited Company ("ANCO Binh Dinh")	(iii) Animal protein	Lot B4.06, Nhon Hoi Industrial Park (Area A), Nhon Hoi District, Quy Nhon Town, Binh Dinh Province, Vietnam	82.4%	89.4%
37	Agro Nutrition International Thai Nguyen Limited Company ("ANCO Thai Nguyen")	(iii) Animal protein	Lot B5-B6, Trung Thanh Industrial Park, Trung Thanh District, Pho Yen Town, Thai Nguyen Province, Vietnam	82.4%	89.4%
38	Agro Nutrition International Tien Giang One Member Limited Company ("ANCO Tien Giang")	(iii) Animal protein	Lot 22-23B, Long Giang Industrial Park, Tan Lap 1 Ward, Tan Phuoc District, Tien Giang Province, Vietnam	82.4%	89.4%

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

No.	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
39	Agro Nutrition International Nghe An Company Limited ("ANCO Nghe An")	(iii) Animal protein	C Area, Nam Cam Industrial Park, South East Nghe An Industrial Zone, Nghi Xa Ward, Nghi Loc District, Nghe An Province, Vietnam	82.4%	89.4%
40	Agro Nutrition International Hau Giang One Member Limited Liability Company ("ANCO Hau Giang")	(iii) Animal protein	Tan Phu Thanh Industrial Park – Phase 1, Chau Thanh A District, Hau Giang Province, Vietnam	82.4%	89.4%
41	MNS Meat Company Limited (formerly known as Masan Nutri-Farm Limited Liability Company) ("MNS Meat")	(iii) Breeding swine	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	82.4%	89.4%
42	Masan Nutri-Farm (N.A) Limited Liability Company ("MNF NA")	(iii) Breeding swine	Con Son Village, Ha Son Commune, Quy Hop District, Nghe An Province, Vietnam	82.4%	89.4%
43	MNS Farm Company Limited ("MNS Farm") (***)	(iii) Breeding swine	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, District 1, Ben Nghe Ward, Ho Chi Minh City, Vietnam	82.4%	-
44	MNS Meat Processing Company Limited ("MNS Meat Processing") (***)	(iii) Meat processing	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, District 1, Ben Nghe Ward, Ho Chi Minh City, Vietnam	82.4%	-
45	MNS Meat Ha Nam Company Limited ("MNS Meat Ha Nam") (***)	(iii) Meat processing	Lot CN-02, Dong Van IV Industrial Park, Dai Cuong Village, Kim Bang District, Ha Nam Province, Vietnam	82.4%	-
46	Vietnamese – French Cattle Feed Joint Stock Company ("Proconco")	(iii) Animal protein	Bien Hoa I Industrial Zone, Bien Hoa City, Dong Nai Province, Vietnam	61.9%	67.2%
47	Proconco Can Tho Company Limited ("Proconco Can Tho")	(iii) Animal protein	Lot 13 and Lot 14, Industrial Park Tra Noc 1, Tra Noc Ward, Binh Thuy District, Can Tho City, Vietnam	61.9%	67.2%
48	Con Co Binh Dinh Company Limited ("Proconco Binh Dinh")	(iii) Animal protein	Lot A-2-5 and Lot A-2-6, Nhon Hoa Industrial Park, Nhon Hoa Ward, An Nhon Town, Binh Dinh Province, Vietnam	61.9%	67.2%
49	Proconco Hung Yen Manufacturing and Trading Company Limited ("Proconco Hung Yen")	(iii) Animal protein	Yen Phu Hamlet, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	61.9%	67.2%

For the year ended 31 December 2017 (continued)

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### Associate

No.	Name	Principal activity	Percentage of economic interests at	
			31/12/2017	1/1/2017
<b>Direct associate</b>				
1	Vietnam Technological and Commercial Joint Stock Bank ("Techcombank")	Banking	(****)	(****)
<b>Indirect associates</b>				
1	Cholimex Food Joint Stock Company ("Cholimex")	(iv) Seasonings manufacturing and trading	32.8%	32.8%
2	Thuan Phat Packing Joint Stock Company ("Thuan Phat")	(v) Packing manufacturing	25.0%	25.0%
3	Abattoir Long Binh Joint Stock Company ("Abattoir")	(v) Animal protein	25.0%	25.0%
4	Dong Nai Producing Trading Service Joint Stock Company ("Donatraco")	(v) Animal protein	21.3%	21.3%
5	Vissan Joint Stock Company ("Vissan")	(v) Food manufacturing and retailing	24.9%	24.9%

- (i) These entities are direct and indirect subsidiaries of MCH.  
(ii) These entities are direct and indirect subsidiaries of MH.  
(iii) These entities are direct and indirect subsidiaries of MNS.  
(iv) This entity is an indirect associate of MCH.  
(v) These entities are indirect associates of MNS.

The percentage of economic interests represents the effective percentage of economic interests of the Company both directly and indirectly in the subsidiaries and of its subsidiaries or indirect subsidiaries in the associates.

(\*) The Board of Director's Resolution No. 7/2017/NQ-HDQT-MS on 28 April 2017 of MSC resolved and approved to dissolve MDN. During the year, the dissolution process of MDN was completed.

(\*\*) In August 2017, Shika, Kenji and Meiji were merged to MNS.

(\*\*\*) In March 2017, the Department of Planning and Investment of Dong Nai Province issued the Business Registration Certificate No. 3603447499 approving the establishment of MNS Feed. MNS has 99.99% equity interest in MNS Feed.

In August 2017, the Department of Planning and Investment of Ho Chi Minh City issued the Business Registration Certificate No. 0314547548 approving the establishment of MNS Meat Processing. MNS Meat owns 100% equity interest in MNS Meat Processing.

In August 2017, the Department of Planning and Investment of Ha Nam Province issued the Business Registration Certificate No. 0700793788 approving the establishment of MNS Meat Ha Nam. MNS Meat Processing owns 100% equity interest in MNS Meat Ha Nam.

In December 2017, the Department of Planning and Investment of Ho Chi Minh City issued the Business Registration Certificate No. 0314805164 approving the establishment of MNS Farm. MNS Meat owns 100% equity interest in MNS Farm.

(\*\*\*\*) For Techcombank, see Note 6(b)(\*).

As at 31 December 2017, the Group had 9,601 employees (1/1/2017: 10,187 employees).

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### (c) Normal operating cycle

The normal operating cycle of the Group is generally within 12 months.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

### (b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

### (c) Annual accounting period

The annual accounting period of the Group is from 1 January to 31 December.

### (d) Accounting and presentation currency

The Company's accounting currency is Vietnam Dong ("VND").

The consolidated financial statements are prepared and presented in millions of Vietnam Dong ("VND million").

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

### (a) Basis of consolidation

#### (i) Common-control business combination

Business combination where the same group of shareholders

("the Controlling Shareholders") control the combining companies before and after the business combination meets the definition of business combination under common control because there is a continuation of the risks and benefits to the Controlling Shareholders. Such common control business combination is specifically excluded from the scope of Vietnamese Accounting Standard No. 11 *Business Combination* and in selecting its accounting policy with respect to such transaction, the Group has considered Vietnamese Accounting Standard No. 01 *Framework* and Vietnamese Accounting Standard No. 21 *Presentation of Financial Statements*. Based on these standards, the Group has adopted the merger ("carry-over") basis of accounting. The assets and liabilities of the combining companies are consolidated using the existing book values from the Controlling Shareholders' perspective. Any difference between the cost of acquisition and net assets acquired is treated as a deemed distribution to or contribution from shareholders and recorded directly in undistributed profits after tax under equity.

The consolidated statements of income and cash flows include the results of operations of the combining companies as if the group structure had been in existence from the Controlling Shareholders' perspective throughout the entire periods presented or where the companies were incorporated at a date later than the beginning of the earliest period presented, for the period from the date of incorporation to the end of the relevant reporting periods.

#### (ii) Non-common control business combination

Non-common control business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For the year ended 31 December 2017 (continued)

Under the purchase method, the assets and liabilities of the acquired entity are consolidated using their fair values. Cost of acquisition consists of the aggregate fair value at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group. Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. When the excess is negative, it is recognised immediately in the consolidated statement of income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations include any costs directly attributable to the combination, such as professional fees paid to accountants, legal advisers, valuers and other consultants to effect the combination. Transaction costs are capitalised into the cost of business combination. General administrative costs and other costs that cannot be directly attributed to the particular combination being accounted for are not included in the cost of the combination; they are recognised as an expense when incurred.

#### (iii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### (iv) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the

Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for in the consolidated financial statements using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### (v) Non-controlling interest ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group's share of net assets of the subsidiary and any consideration paid or received is recorded directly in undistributed profits after tax under equity, except where such difference arises from a transaction that is contractually linked to an issuance of shares or capital contribution at a premium or surplus in which case the difference is recorded in other capital.

#### (vi) Transactions eliminated on consolidation

Intra-group transactions, balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate.

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the annual rates at the end of the annual accounting period quoted by the commercial bank where the Company or its subsidiaries most frequently conduct transactions.

All foreign exchange differences are recorded in the consolidated statement of income.

#### (ii) Foreign operations

The assets and liabilities of foreign operations are translated to VND at exchange rates at the end of the annual accounting period. The income and expenses of foreign operations are translated to VND at exchange rates at the dates of transactions.

Foreign currency differences arising from the translation of foreign operations are recognised in the consolidated balance sheet under the caption "Foreign exchange differences" in equity.

### (c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### (d) Investments

#### (i) Held-to-maturity investments

Held-to-maturity investments are those that the management

of the Company or its subsidiaries has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at banks. These investments are stated at costs less allowance for doubtful debts.

#### (ii) Equity investments in other entities

Equity investments in other entities of which the Company or its subsidiaries have no control or significant influence are initially recognised at cost, which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the management of the Company or its subsidiaries before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

### (e) Accounts receivable

Accounts receivable from customers and other receivables are stated at cost less allowance for doubtful debts.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

For the year ended 31 December 2017 (continued)

The Group applies the perpetual method of accounting for inventories.

### (g) Tangible fixed assets

#### (i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use, and the costs of dismantling and removing the asset and restoring the site on which it is located. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure have resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure are capitalised as an additional cost of tangible fixed assets.

Mining properties comprise mine rehabilitation assets and fair value of mineral reserves from business combination.

#### (ii) Depreciation

*Machinery and equipment and fair value of mineral reserves from business combination directly related to mining activities*  
Machinery and equipment and fair value of mineral reserves from business combination which are directly related to mining activities are depreciated over the estimated mineral reserve on a unit-of-production basis. Mineral reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties.

*Machinery and equipment of a subsidiary directly related to production activities*

Tangible fixed assets of a subsidiary which are directly related to the deep processing of tungsten products are depreciated over its estimated useful lives on a units of production basis. The estimated total production quantity output over which tangible fixed assets are depreciated on a unit-of-production basis are as follows:

	31/12/2017	1/1/2017
ST plant	125,140 tonnes of tungsten	91,000 tonnes of tungsten
APT plant	120,265 tonnes of tungsten	86,215 tonnes of tungsten

In the current year, a subsidiary of the Group conducted review of its tangible fixed assets and identified innovating solutions to further debottleneck production and increase efficiency. Consequently, the production quantity output of the tangible fixed asset was increased above its previous capacity. This resulted in a change in the estimated total production quantity output for ST and APT plants.

The effect on the depreciation charge for the current year was to decrease the depreciation charge by VND34,443 million.

#### Others

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

■ mining properties	15 – 20 years
■ buildings and structures	4 – 30 years
■ leasehold improvements	3 – 5 years
■ office equipment	3 – 10 years
■ machinery and equipment	3 – 25 years
■ motor vehicles	3 – 10 years

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### (h) Finance lease tangible fixed assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Tangible fixed assets acquired by way of finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation on finance leased assets is computed on a straight-line basis over the estimated useful lives of items of the leased assets. The estimated useful lives of finance leased assets are consistent with the useful lives of tangible fixed assets as described in accounting policy 3(g).

### (i) Intangible fixed assets

#### (i) Land use rights

Land use rights comprise:

- those granted by the State for which land use payments are collected;
- those acquired in a legitimate transfer; and
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use right certificate issued by competent authority.

Land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over their useful lives ranging from 19 to 50 years.

#### (ii) Software

Cost of acquiring a new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible fixed asset. Software cost is amortised on a straight-line basis over 4 and 10 years.

#### (iii) Brand name

Cost of acquiring a brand name is capitalised and treated as an intangible fixed asset.

The fair value of brand name acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand name being owned. The fair value of brand name acquired in a business combination is recognised as an intangible asset and is amortised on a straight-line basis over a period ranging from 10 to 20 years.

#### (iv) Customer relationships

Customer relationships that are acquired by the Group in the acquisition of subsidiary are capitalised and presented as an intangible fixed asset.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject assets are valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of customer relationships is amortised on a straight line basis over their useful lives ranging from 5 to 20 years.

#### (v) Mineral water resources

Mineral water resources that are acquired by the Group in the acquisition of subsidiary are capitalised and presented as an intangible fixed asset.

Fair values of mineral water resources acquired in a business combination are determined using either the direct comparison method or the multi-period excess earnings method. The direct comparison approach estimates the value of mineral resources by comparing recent asking/transacted price of similar interests located in a similar area. In the multi-period excess earnings method, subject assets are valued after deducting a fair return on all other assets that are part of creating the related cash flows. The

For the year ended 31 December 2017 (continued)

fair value of mineral water resources are amortised on a straight line basis over their useful lives ranging from 10 to 37 years.

#### (vi) Mining rights

The mining rights is calculated based on the remaining exploitable reserves multiplied with the price as announced by the provincial authorities in accordance with the Decree No. 203/2013/ND/CP dated 28 November 2013 which became effective from 20 January 2014. Cost of mining rights is stated at an amount equal to the present value of mining rights fee and is capitalised and treated as an intangible asset. Amortisation of mining rights fees is computed on a straight-line basis over the period of the economic life of the mine reserves.

In accordance with Decree No. 158/2016/ND-CP dated 29 November 2016 ("Decree 158/2016") which became effective from 15 January 2017, mining rights is calculated based on the remaining exploitable reserves and the price to calculate the charge for granting mining rights which is defined under the prices to calculate the resource royalty in accordance with the law on resource royalty at the time of determining the charge for granting mining rights. The Ministry of Natural Resources and Environment ("MONRE") shall provide guidelines for the conversion method to determine the charge for granting mining rights in accordance with Decree 158/2016. Up to date, MONRE has provided neither guidelines for the new calculation method for prospective changes in estimates to be made nor a basis for reliable estimates to be made.

#### (vii) Technology

Technology that are acquired by the Group in the acquisition of subsidiary are capitalised and presented as an intangible fixed asset.

The fair value of technology acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject assets are valued after deducting a fair

return on all other assets that are part of creating the related cash flows. The fair value of technology is amortised on a straight line basis over their useful lives of 5 years.

#### (viii) Mineral water resources exploitation rights

Expenditure on obtaining exploitation rights for mineral water resources is capitalised and treated as an intangible fixed asset. Amortisation is computed on a straight-line basis over their useful lives ranging from 9 to 30 years.

### (j) Construction in progress

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed and mineral assets under development. No depreciation is provided for construction in progress during the period of construction, installation and commissioning stages.

Mineral assets under development comprise mineral reserve and related development costs acquired in a business combination and subsequent development expenditure. These assets are qualified for capitalisation when the mineral reserve to which they relate is proven to be commercially and technically viable. They are initially recognised at their fair value as part of business combination accounting and subsequent development expenditure are capitalised net of proceeds from the sale of ore extracted during the development phase. On completion of development, defined as the time when saleable materials begin to be extracted from the mine, all assets are reclassified to either "machinery or equipment" or "mining properties" in tangible fixed assets or in long-term prepaid expenses.

### (k) Long-term prepaid expenses

#### (i) Other mining costs

In accordance with the Letter No. 12727/BTC-TCDN dated 14 September 2015 from the Ministry of Finance which provides guidance that mining related costs could be recognised as long-term prepaid expenses under non-current assets.

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Other mining costs comprise of:

- Exploration, evaluation and development expenditure (including development stripping); and
- Production stripping (as described below in "Deferred stripping costs").

### *Deferred stripping costs*

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore body. Stripping costs incurred in the development phase of a mine (development stripping costs) are recorded as part of the cost of construction of the mine. All development stripping expenditure incurred during construction phase are transferred to other mining costs.

The costs of removal of the waste material during a mine's production phase (production stripping costs) are deferred where they give rise to future benefits:

- a) It is probable that the future economic benefits will flow to the Group;
- b) The component of the ore body for which access has been improved can be identified; and
- c) The costs incurred can be measured reliably.

Production stripping costs are allocated between inventory and long-term prepaid expenses in accordance with the life of mine strip ratio.

The life of mine strip ratio represents the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. These costs are recognised as long-term prepaid expenses where the current period actual stripping ratio is higher than the average life of mine strip ratio.

The development and production stripping costs are amortised over the life of the proven and probable reserves of the relevant components on a systematic basis.

### *(ii) Pre-operating expenses*

Pre-operating expenses are recorded in the consolidated statement of income, except for establishment costs and expenditures on training, advertising and promotional activities incurred from the incorporation date to the commercial operation date. These expenses are recognised as long-term prepaid expenses, initially stated at cost, and are amortised on a straight line basis over 3 years starting from the date of commercial operation.

### *(iii) Prepaid land costs*

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the terms of the leases from 42 to 50 years.

### *(iv) Land compensation costs*

Land compensation costs comprise costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease of 20 years.

### *(v) Printing axles and tools and supplies*

Printing axles and tools and supplies are initially stated at cost and amortised over their useful lives from 1 to 3 years.

Tools and supplies include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and supplies is amortised on a straight-line basis not more than 3 years.

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### *(vi) Goodwill from equitisation*

Goodwill generated from state-owned enterprise's equitisation is recognised as long-term prepaid expenses. Goodwill generated from state-owned enterprise's equitisation includes brand name value and potential development value. Brand name value is determined on the basis of actual costs incurred for creation and protection of trademarks, trade name in the course of the enterprise's operation for the period of five years before the valuation date (including establishment costs and expenditures on training, advertising and promotional activities incurred to promote and introduce the enterprise and its products and website costs). Potential development value is evaluated on the basis of profitability of the enterprise in the future taking into account the enterprise's profit ratio and interest rates of 5-year government bonds. Goodwill generated from the state-owned enterprise equitisation is amortised on a straight-line basis over ten years starting from the date of conversion from a state-owned enterprise into a joint stock company (date of first business registration certificate for a joint stock company).

### **(I) Goodwill**

Goodwill arises on acquisition of subsidiaries and associates in non-common control acquisition.

Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (gain from bargain purchase), it is recognised immediately in the consolidated statement of income.

Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis over 10 years. Carrying value of goodwill arising on acquisition a subsidiary is written down to recoverable amount where management determines that it is not fully recoverable.

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment and is not amortised.

### **(m) Trade and other payables**

Accounts payable to suppliers and other payables are stated at their costs.

### **(n) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### *Mining rights*

In accordance with the Law on Minerals No. 60/2010/QH12 dated 17 November 2010 ("Law on Minerals") which became effective from 1 July 2011, a subsidiary of the Company has an obligation to pay the government fees for mining rights grant. The mining rights fees is calculated based on the remaining exploitable reserves and the price to calculate the charge for granting mining rights in accordance with Decree 158/2016 as described in Note 3(i)(vi).

### *Mine rehabilitation*

The mining, extraction and processing activities of the Group give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning

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and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of the Ministry of Natural Resources and Environment ("MONRE") and the Group's environmental policies based on the Environment Impact Report. The timing of the actual closure and rehabilitation expenditure is dependent on the life and nature of the mine.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in mining properties and depreciated accordingly. The value of the provision is progressively increased over time as the effect of the discounting unwinds, creating an expense recognised in financial expenses.

Closure and rehabilitation provisions are also adjusted for changes in estimates. These adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the under-depreciated capitalised cost of the related assets, in which the capitalised cost is reduced to nil and the remaining adjustment is recognised in the consolidated statement of income.

### *Severance allowance*

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more ("the eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employee's compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their average salary for the six-month period prior to the end of the annual accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment

insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group are excluded.

### (o) **Bonds issued**

#### *Straight bonds*

At initial recognition, straight bonds are measured at cost which comprises proceeds from the issuance net of issuance costs. Any discount, premium or issuance costs are amortised on a straight-line basis over the terms of the bonds.

### (p) **Derivative financial instruments**

The Group holds derivative financial instruments to hedge its exposures to the risk of raw material price fluctuation. Derivative financial instruments are recorded in the consolidated balance sheet at cost on the date when the derivative contracts are entered into. Realised gains or losses from derivatives are recognised as financial income or financial expenses in the consolidated statement of income.

### (q) **Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of

For the year ended 31 December 2017 (continued)

deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (r) **Equity**

#### (i) *Share capital and capital surplus*

Ordinary shares are stated at par value. The difference between proceeds from the issuance of shares over the par value is recorded in capital surplus. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from capital surplus.

#### (ii) *Other capital*

Agreements to issue a fixed number of shares in the future are recognised based on their fair values at the dates of the agreements under other capital if there are no other settlement alternatives.

#### (iii) *Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity. When treasury shares are reissued subsequently, cost of the reissued shares is determined on a weighted average basis. Any difference between the amount received and the cost of the shares reissued is presented within capital surplus.

### s) **Revenue**

#### *Goods sold*

Revenue from sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. For sales of minerals, the sales price is usually determined on a provisional basis at the date of revenue recognition. Adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 30 and 60 days, but in some cases can be as long as 90 days. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. In cases where the terms of the executed contractual sales agreement allow for an adjustment to the sales price based on a survey of the goods by the customer, assay results issued by a third party are preferable, unless customer's survey is within executed contractual tolerance, then sales is based on the most recently determined product specifications.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or possible return of goods. Revenue from sale of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

### (t) **Financial income and financial expenses**

#### (i) *Financial income*

Financial income comprises interest income from deposits and loans, gains on disposals of investments, foreign exchange gains and realised gains from derivative financial instruments. Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

#### (ii) *Financial expenses*

Financial expenses comprise interest expense on borrowings and bonds, interest costs, foreign exchange losses and realised losses from derivative financial instruments. Borrowing costs are

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recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

### (u) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

### (v) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders (after deducting any amounts appropriated to bonus and welfare funds for the accounting period) of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

### (w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

### (x) Related parties

Parties are considered to be related to the Group if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

### (y) Share-based payments

Shares issued to employees at par value subscription price are recorded at their par value.

## 4. SEGMENT REPORTING

The Group has three reportable segments, as described below, which are the Group's strategic businesses. The strategic businesses offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic businesses, the Board of Management of the Company or its subsidiaries reviews internal management reports on a periodic basis.

The Group holds the following business segments through separate subsidiary groups:

- Food and beverage
- Meat value chain: breeding swine, animal protein and food manufacturing; and retailing
- Others: mining and processing; financial services

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### (a) Business segments

	Food and beverage		Meat value chain		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Segment revenue	13,525,516	14,825,581	18,690,485	24,422,665	5,404,645	4,048,818	37,620,646	43,297,064
Segment gross margin	5,897,461	6,493,420	3,991,222	5,280,238	1,743,127	1,156,427	11,631,810	12,930,085
Segment results	1,606,541	2,661,566	688,558	1,937,434	2,392,673	944,886	4,687,772	5,543,886
Net unallocated expenses							(1,080,082)	(1,771,389)
<b>Net profit</b>							<b>3,607,690</b>	<b>3,772,497</b>

In the Others segment, Segment Revenue and Segment Gross Margin arise from Mining and Related Processing activities. Other than Mining and Related Processing activities, included in Segment Results of the Others segment is Financial Services income from share of profit of Techcombank as disclosed in Note 6.

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	Food and beverage		Meat value chain		Others		Total	
	31/12/2017	1/1/2017	31/12/2017	1/1/2017	31/12/2017	1/1/2017	31/12/2017	1/1/2017
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Segment assets	13,520,910	18,198,152	13,997,847	18,168,377	34,865,084	35,231,122	62,383,841	71,597,651
Unallocated assets							1,144,681	1,441,387
<b>Total assets</b>							<b>63,528,522</b>	<b>73,039,038</b>
Segment liabilities	6,537,706	5,703,114	6,093,569	12,581,924	14,005,091	13,451,049	26,636,366	31,736,087
Unallocated liabilities							16,666,961	20,990,326
<b>Total liabilities</b>							<b>43,303,327</b>	<b>52,726,413</b>

	2017	2016	2017	2016	2017	2016	2017	2016
	VND million							
Capital expenditure	516,239	989,112	653,732	746,033	940,731	1,178,946	2,110,702	2,914,091
Unallocated capital expenditure					321	6,492	321	6,492
Depreciation	584,985	507,777	269,027	221,434	1,089,403	937,251	1,943,415	1,666,462
Unallocated depreciation					1,717	2,692	1,717	2,692
Amortisation	301,943	350,871	421,313	401,729	209,082	196,030	932,338	948,630
Unallocated amortisation					46,395	48,051	46,395	48,051

### (b) Geographical segments

For the years ended 31 December 2017 and 2016, the Group focuses mainly on the business operations in one geographical segment which is in Vietnam.

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### 5. CASH AND CASH EQUIVALENTS

	31/12/2017	1/1/2017
	VND million	VND million
Cash on hand	2,406	3,712
Cash at banks	313,283	937,228
Cash in transit	5,034	378
Cash equivalents	7,096,388	12,207,620
	<b>7,417,111</b>	<b>13,148,938</b>

Cash equivalents represented term deposits at banks with original terms to maturity of three months or less from their transactions dates.

### 6. INVESTMENTS

	31/12/2017	1/1/2017
	VND million	VND million
<b>Short-term financial investments</b>		
Held-to-maturity investments (a)	640,069	1,771,012
<b>Long-term financial investments</b>		
Investments in associates (b)	11,321,627	12,219,056
Equity investments in other entities (c)	21,646	21,646
Allowance for diminution in the value of long-term financial investments	(4,918)	-
	<b>11,338,355</b>	<b>12,240,702</b>

#### (a) Held-to-maturity investments

Held-to-maturity investments – short-term represented term deposits at banks with remaining terms to maturity of less than twelve months from the reporting date.

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### (b) Investments in associates

	31/12/2017					1/1/2017				
	% of equity owned over charter capital	% of voting rights over charter capital	Carrying value at equity accounted VND million	Allowance for diminution in value VND million	Fair value VND million	% of equity owned over charter capital	% of voting rights over charter capital	Carrying value at equity accounted VND million	Allowance for diminution in value VND million	Fair value VND million
Vietnam Technological and Commercial Joint Stock Bank ("Techcombank") (*)	20.0%	20.0%	8,910,399	-	(**)	19.5%	19.5%	9,807,843	-	(**)
Cholimex Food Joint Stock Company ("Cholimex")	32.8%	32.8%	249,392	-	(**)	32.8%	32.8%	249,392	-	(**)
Thuan Phat Packing Joint Stock Company ("Thuan Phat")	25.0%	25.0%	9,719	-	(**)	25.0%	25.0%	9,299	-	(**)
Abattoir Long Binh Joint Stock Company ("Abattoir")	25.0%	25.0%	7,252	-	(**)	25.0%	25.0%	7,545	-	(**)
Dong Nai Producing Trading Services Joint Stock Company ("Donatraco")	21.3%	21.3%	9,375	-	(**)	21.3%	21.3%	9,487	-	(**)
Vissan Joint Stock Company ("Vissan")	24.9%	24.9%	2,135,490	-	(**)	24.9%	24.9%	2,135,490	-	(**)
			<b>11,321,627</b>	-	(**)			<b>12,219,056</b>	-	(**)

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Movements of investments in associates during the year were as follows:

	Techcombank VND million	Cholimex VND million	Thuan Phat VND million	Abattoir VND million	Donatraco VND million	Vissan VND million	Total VND million
Opening balance	9,807,843	249,392	9,299	7,545	9,487	2,135,490	12,219,056
Share in post-acquisition profit of associates during the year	2,037,015	5,318	420	207	1,270	-	2,044,230
Dividends declared	-	(5,318)	-	(500)	(1,382)	-	(7,200)
Disposals	(2,934,459)	-	-	-	-	-	(2,934,459)
<b>Closing balance</b>	<b>8,910,399</b>	<b>249,392</b>	<b>9,719</b>	<b>7,252</b>	<b>9,375</b>	<b>2,135,490</b>	<b>11,321,627</b>

(\*) The Group's effective economic interest in Techcombank decreased from 30.4% to 25.2% as a result of the following transactions:

- Techcombank repurchased 172,353,345 treasury shares;
- Techcombank issued 70,000,000 new shares;
- Techcombank converted its convertible bonds to 207,722,849 ordinary shares; and
- The Group sold 11,715,646 convertible bonds issued by Techcombank and converted 10,583,247 convertible bonds issued by Techcombank to 77,345,729 ordinary shares.

In addition to the above transactions, the Group has entered into a forward agreement to sell 2,400,000 convertible bonds (equivalent to 17,539,920 shares after the conversion). This transaction will be closed subject to the terms of the agreement.

(\*\*) At the reporting date, the fair value of these investments was not available.

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### (c) Equity investments in other entities

Details of the Group's cost of equity investments in other entities were as follows:

	31/12/2017					1/1/2017				
	% of equity owned	% of voting rights	Cost VND million	Allowance for diminution in value VND million	Fair value VND million	% of equity owned	% of voting rights	Cost VND million	Allowance for diminution in value VND million	Fair value VND million
PTSC Dinh Vu Port Company	5.9%	5.9%	21,646	(4,918)	(*)	5.9%	5.9%	21,646	-	(*)

(\*) At the reporting date, the fair value of these investments was not available.

Movements of the allowance for diminution in value of long-term financial investments during the year were as follows:

	2017 VND million	2016 VND million
Opening balance	-	912
Increase in allowance during the year	4,918	-
Written back	-	(912)
<b>Closing balance</b>	<b>4,918</b>	<b>-</b>

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### (d) Transactions in subsidiaries for the year ended 31 December 2017 – transactions with non-controlling interest

#### (i) Transaction with non-controlling interest in MCH

In July 2017, MSC issued shares to certain employees under its employee share based payment plan after obtaining shareholders' approval at its Annual General Meeting, resulting in the following effects:

	VND million
Shares issued at par not subscribed by the Group, net of transaction costs	49,727
Net assets diluted	(82,108)
<b>Differences recorded in undistributed profits after tax</b>	<b>(32,381)</b>

From July to August 2017, QNW repurchased 20,600 treasury shares for total consideration of VND247 million, including transaction cost. As a result of this transaction, economic interest of MSB in QNW increased by 0.1% to 65.8%, resulting in the following effects:

	VND million
Consideration paid	(247)
Net assets acquired	449
<b>Differences recorded in undistributed profits after tax</b>	<b>202</b>

#### (ii) Transactions with non-controlling interest in MNS

In April 2017, Kohlberg Kravis Roberts & Co. L.P. ("KKR") through its company named VN Consumer Meat II Pte. Ltd. invested VND3,405,000 million to MNS to acquire equity interest of 7.5%. The issuance cost was VND42,641 million.

In addition, in April 2017, the Company sold 0.4% of its equity interest in MNS for a consideration of VND7,568 million.

In August 2017, Shika, Kenji and Meiji were merged to MNS.

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As a result of these transactions, economic interest of the Company in MNS were changed to 82.4% (1/1/2017: 89.4%) resulting in the following effects:

	VND million
Cash received from KKR, net off issuance cost	3,362,359
Net assets diluted	(827,121)
Proceeds from disposals of investments	7,568
Net assets diluted	(13,350)
Net assets diluted from merging Shika, Kenji and Meiji to MNS	(31)
<b>Differences recorded in undistributed profits after tax</b>	<b>2,529,425</b>

(iii) *Transactions with non-controlling interest in MSR*

On 25 January 2013, BI Private Equity New Market III K/S ("PENM II") subscribed for 15,902,430 mandatorily convertible preference shares in MSR for a cash consideration of VND520,709 million. The holders of these mandatorily convertible preference shares shall be paid fixed dividends ranging from 3.0% to 10.0% per annum on the principal amount and the preference shares are mandatorily convertible into ordinary shares within 4 years. The preference shares also confer onto PENM II the right to receive dividends declared to ordinary shareholders in proportion to their shareholding and are automatically converted to ordinary shares in the event of the liquidation of MSR.

As part of the agreement, MSR is able to exercise its right to convert or force convert the preference shares to ordinary shares according to the terms of the agreement.

In December 2017, MH acquired the above 15,902,430 mandatorily convertible preference shares from PENM II. As a result of this transaction, equity interest of MH and the Company in MSR increased from 93.8% to 96.0%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(521,230)
Net assets acquired	255,823
<b>Differences recorded in undistributed profits after tax</b>	<b>(265,407)</b>

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(e) **Significant transactions in subsidiaries in prior years**

In 2014, MCH granted the right to acquire certain equity interests in MCH for a subscription price of VND525,900 million to PENM III Germany GmbH & Co. Kg at a pre-agreed valuation which can be exercised after 4 years. MCH has the ability to settle the option by issuing new equity capital of MCH or the Company or its affiliates can transfer their equivalent interests in MCH's capital. This option was terminated in 2017.

*Transactions with non-controlling interest in MCH*

Pursuant to Agreement between Singha and MCH, Singha has the right to pay a second subscription amount of USD450 million in exchange for an additional 10.7% equity interest in MCH. The second subscription amount has not been made as of the date of issuance of these consolidated financial statements.

**7. ACCOUNTS RECEIVABLE – SHORT-TERM AND LONG-TERM**

As at 31 December 2017, a part of short-term receivables of an indirect subsidiary was pledged with banks as security for loans granted to that subsidiary (Note 19).

As at 31 December 2017, prepayments to suppliers of the Group amounting to VND80,360 million (1/1/2017: VND132,632 million) were related to construction in progress.

Loans receivable comprised of:

	31/12/2017 VND million	1/1/2017 VND million
<b>Receivable on long-term lending loans</b>		
Receivable from other loan investing activities (*)	96,400	369,700

(\*) Receivable on long-terms lending loans, as a result of the Group's cash management operations to maximise its financial interest income on its more liquid assets, are unsecured. The interest rate of these loans receivable is 6.5% per annum and is receivable on the maturity or repayment date of the related agreements, whichever earlier.

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Other receivables comprised of:

	31/12/2017 VND million	1/1/2017 VND million
<b>Other short-term receivables</b>		
Receivable from claims	635,371	503,533
Short-term deposits	31,927	13,623
Accrued interest receivable from deposits and other loan investing activities	17,112	33,837
Services receivable (**)	142,244	153,791
Advances	3,803	6,523
Others	33,771	27,793
	<b>864,228</b>	<b>739,100</b>
<b>Other long-term receivables</b>		
Long-term deposits	37,694	51,794
Accrued interest receivable from other loan investing activities	34	38,590
Others (***)	1,319,833	1,356,983
	<b>1,357,561</b>	<b>1,447,367</b>

(\*\*) Included in services receivable was VND142,244 million (1/1/2017: VND142,244 million) due from Masan Corporation, a related party, which was unsecured and is receivable on demand.

(\*\*\*) Others represented receivables from State Treasury for the land compensation cost of the Nui Phao Mining Project at Ha Thuong Commune, Dai Tu District, Thai Nguyen Province. The amount could be netted off with annual land rental fee.

Movements of the allowance for doubtful debts during the year were as follows:

	2017 VND million	2016 VND million
Opening balance	41,208	28,589
Increase in allowance during the year	87,225	20,073
Allowance utilised during the year	(11,477)	(58)
Written back	(309)	(7,396)
<b>Closing balance</b>	<b>116,647</b>	<b>41,208</b>

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## 8. INVENTORIES

	31/12/2017		1/1/2017	
	Cost VND million	Allowance VND million	Cost VND million	Allowance VND million
Goods in transit	489,062	-	998,780	-
Raw materials	1,975,130	(8,665)	2,800,811	(23,652)
Tools and supplies	716,875	-	640,308	-
Work in progress	153,612	-	152,539	-
Finished goods	876,484	(5,784)	761,800	(3,513)
Merchandise inventories	11,802	(6)	17,123	-
Goods on consignment	124,587	-	45,335	-
	<b>4,347,552</b>	<b>(14,455)</b>	<b>5,416,696</b>	<b>(27,165)</b>

As at 31 December 2017, certain inventories of the Group were pledged with banks as security for loans granted to subsidiaries (Note 19).

Movements of the allowance for inventories during the year were as follows:

	2017 VND million	2016 VND million
Opening balance	27,165	16,623
Increase in allowance during the year	36,903	63,172
Allowance utilised during the year	(37,475)	(48,250)
Written back	(12,138)	(4,380)
<b>Closing balance</b>	<b>14,455</b>	<b>27,165</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 9. TANGIBLE FIXED ASSETS

	Mining properties VND million	Buildings and structures VND million	Leasehold improvements VND million	Office equipment VND million	Machinery and equipment VND million	Motor vehicles VND million	Total VND million
<b>Cost</b>							
Opening balance	5,026,292	6,002,965	84,245	129,913	16,202,947	130,413	27,576,775
Additions	-	8,334	-	1,667	51,216	5,140	66,357
Transfers from construction in progress	-	1,089,995	-	10,654	1,233,011	204	2,333,864
Transfers to long-term prepaid expenses	-	(2,696)	-	-	-	-	(2,696)
Disposals	-	(4,106)	-	(335)	(39,670)	(19,837)	(63,948)
Written-off	-	(3,790)	-	(3,387)	(6,002)	(79)	(13,258)
Reclassifications	-	8,921	(54)	2,146	(11,579)	566	-
<b>Closing balance</b>	<b>5,026,292</b>	<b>7,099,623</b>	<b>84,191</b>	<b>140,658</b>	<b>17,429,923</b>	<b>116,407</b>	<b>29,897,094</b>

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	Mining properties VND million	Buildings and structures VND million	Leasehold improvements VND million	Office equipment VND million	Machinery and equipment VND million	Motor vehicles VND million	Total VND million
<b>Accumulated depreciation</b>							
Opening balance	508,422	685,874	36,075	66,718	2,915,172	47,248	4,259,509
Charge for the year	208,766	393,842	11,703	15,923	1,277,895	23,543	1,931,672
Disposals	-	(2,923)	-	(335)	(32,664)	(17,417)	(53,339)
Written-off	-	(3,790)	-	(3,341)	(1,588)	(79)	(8,798)
Reclassifications	-	5,135	(825)	441	(4,660)	(91)	-
<b>Closing balance</b>	<b>717,188</b>	<b>1,078,138</b>	<b>46,953</b>	<b>79,406</b>	<b>4,154,155</b>	<b>53,204</b>	<b>6,129,044</b>
<b>Net book value</b>							
Opening balance	4,517,870	5,317,091	48,170	63,195	13,287,775	83,165	23,317,266
<b>Closing balance</b>	<b>4,309,104</b>	<b>6,021,485</b>	<b>37,238</b>	<b>61,252</b>	<b>13,275,768</b>	<b>63,203</b>	<b>23,768,050</b>

Included in tangible fixed assets were assets costing VND914,253 million which were fully depreciated as of 31 December 2017 (1/1/2017: VND746,785 million), but are still in active use.

The carrying amount of temporarily idle equipment in tangible fixed assets amounted to VND11,532 million as of 31 December 2017 (1/1/2017: VND11,261 million).

As at 31 December 2017, tangible fixed assets with carrying value of VND615,689 million (1/1/2017: VND836,939 million) were pledged with banks as security for loans granted to the subsidiaries and VND13,425,997 million (1/1/2017: VND12,977,974 million) were pledged with banks as security for long-term bonds issued by a subsidiary (Note 19).

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 10. FINANCE LEASE TANGIBLE FIXED ASSETS

	Machinery and equipment VND million
<b>Cost</b>	
Opening and closing balance	67,300
<b>Accumulated depreciation</b>	
Opening balance	49,353
Charge for the year	13,460
<b>Closing balance</b>	<b>62,813</b>
<b>Net book value</b>	
Opening balance	17,947
<b>Closing balance</b>	<b>4,487</b>

A subsidiary of the Company leased laboratory equipment for metallurgical assay testing under a finance lease arrangement (Note 19).

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### 11. INTANGIBLE FIXED ASSETS

	Land use rights VND million	Software VND million	Brand name VND million	Customer relationships VND million	Mineral water resources VND million	Mining rights VND million	Technology VND million	Mineral water resources exploitation rights VND million	Total VND million
<b>Cost</b>									
Opening balance	332,769	380,790	2,413,459	3,074,214	412,698	588,373	669,433	117,800	7,989,536
Additions	-	3,073	-	-	-	-	-	-	3,073
Transfers from construction in progress	54,465	66,546	-	-	-	-	-	145	121,156
Written-off	-	(807)	-	-	-	-	-	-	(807)
<b>Closing balance</b>	<b>387,234</b>	<b>449,602</b>	<b>2,413,459</b>	<b>3,074,214</b>	<b>412,698</b>	<b>588,373</b>	<b>669,433</b>	<b>117,945</b>	<b>8,112,958</b>
<b>Accumulated amortisation</b>									
Opening balance	35,902	102,462	459,889	570,950	29,528	66,469	230,239	7,818	1,503,257
Charge for the year	10,211	51,312	151,400	143,838	21,935	30,550	138,143	6,081	553,470
Written-off	-	(766)	-	-	-	-	-	-	(766)
<b>Closing balance</b>	<b>46,113</b>	<b>153,008</b>	<b>611,289</b>	<b>714,788</b>	<b>51,463</b>	<b>97,019</b>	<b>368,382</b>	<b>13,899</b>	<b>2,055,961</b>
<b>Net book value</b>									
Opening balance	296,867	278,328	1,953,570	2,503,264	383,170	521,904	439,194	109,982	6,486,279
<b>Closing balance</b>	<b>341,121</b>	<b>296,594</b>	<b>1,802,170</b>	<b>2,359,426</b>	<b>361,235</b>	<b>491,354</b>	<b>301,051</b>	<b>104,046</b>	<b>6,056,997</b>

Included in intangible fixed assets were assets costing VND28,033 million which were fully amortised as of 31 December 2017 (1/1/2017: VND46,199 million), but are still in use.

As at 31 December 2017, intangible fixed assets with carrying value of VND540,047 million (1/1/2017: VND570,939 million) were pledged with banks as security for long-term bonds issued by a subsidiary (Note 19).

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 12. CONSTRUCTION IN PROGRESS

	2017 VND million	2016 VND million
Opening balance	2,356,227	5,480,035
Acquisition of a subsidiary	-	513
Additions during the year	2,006,997	2,660,537
Transfers to tangible fixed assets	(2,333,864)	(4,967,746)
Transfers to intangible fixed assets	(121,156)	(28,826)
Transfers to long-term prepaid expenses	(68,100)	(769,143)
Transfers to short-term prepaid expenses	(1,363)	(14,494)
Disposals	-	(4,583)
Written-off	(740)	(66)
<b>Closing balance</b>	<b>1,838,001</b>	<b>2,356,227</b>

As at 31 December 2017, construction in progress with carrying value of VND1,293,915 million (1/1/2017: VND1,678,197 million) were pledged with banks as security for long-term loans and bonds of the Company's subsidiaries (Note 19).

During the year, borrowing costs capitalised into construction in progress amounted to VND91,874 million (2016: VND200,407 million) (Note 35).

For the year ended 31 December 2017 (continued)

### 13. LONG-TERM PREPAID EXPENSES

	Other mining costs VND million	Pre-operating expenses VND million	Prepaid land costs VND million	Land compensation costs VND million	Printing axles, tools and supplies VND million	Goodwill from equitisation VND million	Others VND million	Total VND million
Opening balance	1,150,909	25,819	326,076	1,120,617	112,828	28,210	105,110	2,869,569
Additions	164,103	-	93,741	-	30,573	-	37,906	326,323
Transfers from other long-term receivables	-	-	-	37,189	-	-	-	37,189
Transfers from tangible fixed assets	-	-	-	-	-	-	2,696	2,696
Transfers from/ (to) construction in progress	10,029	-	2,433	(9,003)	29,061	-	35,580	68,100
Transfers to short-term prepaid expenses	-	-	-	-	(18)	-	-	(18)
Amortisation for the year	(86,347)	(21,725)	(8,494)	(67,497)	(59,346)	(3,134)	(66,238)	(312,781)
Disposals	-	-	-	-	(205)	-	-	(205)
Written-off	-	-	-	-	(51)	-	-	(51)
Reclassifications	-	-	(38)	-	(628)	-	666	-
Currency translation differences	-	-	-	-	60	-	-	60
<b>Closing balance</b>	<b>1,238,694</b>	<b>4,094</b>	<b>413,718</b>	<b>1,081,306</b>	<b>112,274</b>	<b>25,076</b>	<b>115,720</b>	<b>2,990,882</b>

As at 31 December 2017, prepaid land costs with carrying value of VND16,812 million was pledged with bank as security for loans granted to the Group (Note 19).

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 14. DEFERRED TAX ASSETS AND LIABILITIES

(i) *Recognised deferred tax assets and liabilities*

	31/12/2017 VND million	1/1/2017 VND million
Deferred tax assets:		
Accruals and provisions	268,901	306,554
Unrealised profits on intra-group transactions	21,639	6,718
Tax losses carried forward	8,299	-
Tangible fixed assets	1,992	-
Total deferred tax assets	300,831	313,272
Deferred tax liabilities:		
Tangible fixed assets	(678,204)	(719,720)
Intangible fixed assets	(783,185)	(854,124)
Total deferred tax liabilities	(1,461,389)	(1,573,844)
<b>Net deferred tax liabilities</b>	<b>(1,160,558)</b>	<b>(1,260,572)</b>

(ii) *Movements of temporary differences during the year*

	1/1/2017 VND million	Recognised in consolidated statement of income VND million	31/12/2017 VND million
Accruals and provisions	306,554	(37,653)	268,901
Unrealised profits on intra-group transactions	6,718	14,921	21,639
Tax losses carried forward	-	8,299	8,299
Tangible fixed assets	(719,720)	43,508	(676,212)
Intangible fixed assets	(854,124)	70,939	(783,185)
	<b>(1,260,572)</b>	<b>100,014</b>	<b>(1,160,558)</b>

For the year ended 31 December 2017 (continued)

### 15. GOODWILL

	2017 VND million
<b>Cost</b>	
Opening and closing balance	1,115,851
<b>Accumulated amortisation</b>	
Opening balance	371,348
Amortisation during the year	112,482
<b>Closing balance</b>	<b>483,830</b>
<b>Net book value</b>	
Opening balance	744,503
<b>Closing balance</b>	<b>632,021</b>

### 16. TAXES

(a) *Taxes receivable from State Treasury*

	31/12/2017 VND million	1/1/2017 VND million
Corporate income tax	11,266	398
Other taxes	19,108	11,392
	<b>30,374</b>	<b>11,790</b>

## Notes to the consolidated financial statements

### (b) Taxes payable to State Treasury

	31/12/2017 VND million	1/1/2017 VND million
Value added tax	74,263	161,055
Special consumption tax	28,963	52,489
Corporate income tax	223,576	284,519
Personal income tax	51,214	41,996
Other taxes	6,942	6,050
	<b>384,958</b>	<b>546,109</b>

Movements of taxes payable to State Treasury during the year were as follows:

	1/1/2017 VND million	Incurred VND million	Paid/Refund VND million	Net-off/ Reclassified VND million	31/12/2017 VND million
Value added tax	161,055	2,734,381	(635,410)	(2,185,763)	74,263
Special consumption tax	52,489	223,151	(250,499)	3,822	28,963
Import-export tax	-	334,878	(334,878)	-	-
Corporate income tax	284,519	630,961	(704,278)	12,374	223,576
Personal income tax	41,996	194,104	(184,886)	-	51,214
Other taxes	6,050	720,683	(719,791)	-	6,942
	<b>546,109</b>	<b>4,838,158</b>	<b>(2,829,742)</b>	<b>(2,169,567)</b>	<b>384,958</b>

### 17. ACCRUED EXPENSES

	31/12/2017 VND million	1/1/2017 VND million
Advertising and promotion expenses	832,210	842,533
Interest expense	575,153	571,195
Sales discounts and customer support fee	445,458	973,440
Bonus and 13 <sup>th</sup> month salary	254,661	239,235
Logistic expense	83,625	108,590
Accrual for construction work	73,915	136,537
Purchases not yet received invoices	19,961	36,370
Exhibition and market expenses	40,237	47,024
Information and technology expenses	14,910	17,931
Natural resource taxes and fees	145,840	230,261
Consultant fee	5,356	35,737
Others	309,800	217,539
	<b>2,801,126</b>	<b>3,456,392</b>

### 18. OTHER PAYABLES

	31/12/2017 VND million	1/1/2017 VND million
<b>Short-term</b>		
Trade union fees, social and health insurance	16,485	13,564
Short-term deposits	5,352	7,433
Dividends payable	559,400	2,452,085
Others	222,137	54,911
	<b>803,374</b>	<b>2,527,993</b>
<b>Long-term</b>		
Long-term deposits	24,726	28,470
Others	2,002	2,465
	<b>26,728</b>	<b>30,935</b>

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## Notes to the consolidated financial statements

### 19. BORROWINGS, BONDS AND FINANCE LEASE LIABILITIES

	31/12/2017 VND million	1/1/2017 VND million
<b>Short-term borrowings (*)</b>		
Short-term borrowings	7,273,764	7,947,513
Current portion of long-term borrowings and liabilities	1,892,509	670,827
	<b>9,166,273</b>	<b>8,618,340</b>
<b>Long-term borrowings, bonds and financial lease liabilities (**)</b>		
Long-term borrowings, bonds and financial lease liabilities	27,522,512	33,143,225
Repayable within twelve months	(1,892,509)	(670,827)
Repayable after twelve months	25,630,003	32,472,398

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### (\*) Short-term borrowings

	1/1/2017		Movements during the year			31/12/2017
	Carrying amounts and amounts within repayment capacity VND million	Additions VND million	Repayments VND million	Reclassifications from long-term borrowings and liabilities VND million	Unrealised foreign exchange gains VND million	Carrying amounts and amounts within repayment capacity VND million
Short-term borrowings	7,947,513	20,878,483	(21,534,069)	-	(18,163)	7,273,764
Current portion of long-term borrowings and liabilities	670,827	-	(584,232)	1,805,914	-	1,892,509
	<b>8,618,340</b>	<b>20,878,483</b>	<b>(22,118,301)</b>	<b>1,805,914</b>	<b>(18,163)</b>	<b>9,166,273</b>

Terms and conditions of outstanding short-term borrowings were as follows:

	Currency	Annual interest rate	31/12/2017 VND million	1/1/2017 VND million
Secured bank loans	VND	4.9% - 8.0%	999,595	1,258,930
Secured bank loans	USD	4.0% - 5.5%	1,225,254	831,418
Unsecured bank loans	VND	3.4% - 5.3%	4,358,636	5,121,089
Unsecured bank loans	USD	2.4%	86,340	165,395
Unsecured loans	USD	6.0%	603,939	570,681
			<b>7,273,764</b>	<b>7,947,513</b>

As at 31 December 2017 and 1 January 2017, the bank loans were secured by the following assets of the Group:

- (i) 100 million shares of MSR (1/1/2017: 120 million shares);
- (ii) a part of inventories and short-term receivables of an indirect subsidiary.

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## Notes to the consolidated financial statements

### (\*\*) Long-term borrowings, bonds and financial lease liabilities

	31/12/2017 VND million	1/1/2017 VND million
Long-term borrowings (a)	1,119,903	1,091,862
Convertible loans (b)	-	567,960
Straight bonds (c)	26,393,583	31,458,105
Finance lease liabilities (d)	9,026	25,298
	<b>27,522,512</b>	<b>33,143,225</b>

Terms and conditions of outstanding long-term borrowings and liabilities were as follows:

	Currency	Annual interest rate	Year of maturity	31/12/2017 VND million	1/1/2017 VND million
<b>a. Long-term borrowings</b>					
Secured bank loans (i)	VND	7.5% - 9.0%	2016 - 2021	323,478	293,512
Unsecured loan (ii)	USD	0%	2018	796,425	798,350
				1,119,903	1,091,862
<b>b. Convertible loan</b>					
Credit Suisse Ag	USD	10.8%	2017	-	567,960
<b>c. Straight bonds</b>					
(including issuance costs)	VND	7.0% - 9.8%	2018 - 2024	26,393,583	31,458,105
<b>d. Finance lease liabilities</b>					
	VND	14.0%	2018	9,026	25,298

#### (a) Long-term borrowings

As at 31 December 2017, long-term borrowings of the Group comprised of:

- (i) VND denominated loans amounting to VND323,478 million (1/1/2017: VND293,512 million), which were secured over certain fixed assets, certain construction in progress and long-term prepaid expenses with carrying value of VND615,689 million (1/1/2017: VND836,939 million) (Note 9), VND320,764 million (1/1/2017: VND3,809 million) (Note 12) and VND16,812 million (1/1/2017: nil) (Note 13), respectively.
- (ii) USD denominated loan of VND796,425 million (1/1/2017: VND798,350 million) (equivalent to USD35 million). In 2016, the Company entered into an agreement with MRC Ltd for MRC Ltd to subscribe for 12,000,000 shares of the Company at VND95,000 per share and the

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Company also entered into a loan agreement with MRC Ltd for an unsecured loan of USD35 million payable after two years of drawdown with 0% interest rate. In the event MRC Ltd sells any of the 12,000,000 shares above, subject to customary adjustments from dilutive events, the loan payable will be decreased proportionately. Lastly, MRC Ltd has signed an agreement to grant the Company a call option, pursuant to which the Company or its nominee shall be entitled, but not obliged, to purchase from MRC Ltd the Company's shares at VND112,000 per share, subject to customary adjustments from dilutive events. This option is only exercisable in the event that MRC Ltd serves a payment notice for the loan above that is due after two years of drawdown. The number of callable shares is calculated based on the amount of loan repaid over USD35 million multiplied by 12,000,000 shares, subject to customary adjustments from dilutive events.

#### (b) Convertible loan

The original loan from Goldman Sachs Group, Inc. through its company named Jade Dragon (Mauritius) Limited ("JD") represents a USD-denominated convertible loan, with a principal amount of USD30 million.

Among others, the agreement provides the following:

- (i) The interest rate of this loan has two portions: nominal interest rate and deferred interest rate. Deferred interest is not payable if the loan is converted. During the period from 15 December 2010 to 14 December 2012, the nominal interest rate and deferred interest rate were 2.0% per annum and 6.0% per annum respectively. During the period from 15 December 2012 to 14 December 2013, the nominal interest rate and deferred interest rate were 4.0% per annum and 4.0% per annum respectively. During the period from 15 December 2013 to 14 December 2015, the nominal interest rate and deferred interest rate were 6.0% per annum and 2.0% per annum respectively. The loan matured on 14 December 2015. The nominal interest rate is compounded daily and the deferred interest rate is compounded annually.
- (ii) The loan may be converted into shares by the lender at any time after two years from 15 December 2010 to the loan's maturity date.
- (iii) The conversion price was determined at VND65,000 per share, subject to customary adjustments from dilutive events.
- (iv) The Company also separately entered into an arrangement with Masan Corporation which undertakes the risks and obligations to subscribe to and pay a cash consideration of USD30 million plus the deferred interest for 9,000,000 shares under the convertible loan, subject to customary adjustments from dilutive events, in the event that the lender does not exercise the conversion option.

On 1 December 2015, this loan was amended with the maturity date on 14 December 2016. On 29 November 2016, this loan was amended with the maturity date on 14 December 2017. Credit Suisse Ag, Singapore Branch ("CSA") became the lender under the Credit Agreement between the Company and JD and CSA. All terms and conditions as described above that were agreed previously between the Company and JD are kept the same between the Company and CSA.

According to the Resolution of Annual General Meeting dated 24 April 2017, 13,685,900 shares, after consideration of dilution, were approved to be issued in the future to settle the loan upon the occurrence of conversion event.

In December 2017, the Company settled this loan by cash instead of issuing shares.

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## Notes to the consolidated financial statements

### (c) Straight bonds

The carrying amount of the bonds comprised the following:

	31/12/2017 VND million	1/1/2017 VND million
Straight bonds	26,700,000	31,900,000
Unamortised bond issuance costs	(306,417)	(441,895)
	<b>26,393,583</b>	<b>31,458,105</b>

- (i) VND6,000 billion (1/1/2017: VND6,000 billion) bonds with a maturity of 5 years at an interest rate of 8.0% per annum in the first year and 3.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were secured over 81.3 million shares (1/1/2017: 81.3 million shares) of MSC;
- (ii) VND2,100 billion (1/1/2017: VND2,100 billion) bonds with a maturity of 10 years at an interest rate of 8.0% per annum in 10 years. The bonds were guaranteed by Credit Guarantee and Investment Facility and secured over 80.3 million shares (1/1/2017: 80.3 million shares) of MSC;
- (iii) VND4,500 billion (1/1/2017: VND9,000 billion) bonds with a maturity of 5 years at an interest rate of 8.0% per annum in the first year and 3.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were guaranteed by the Company and secured over 129.6 million shares (1/1/2017: 129.6 million shares) of MSC;
- (iv) VND1,300 billion (1/1/2017: VND1,300 billion) bonds with a maturity of 5 years at an interest rate of 7.0% per annum in the first year and 1.5% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were secured over 3.5 million shares (1/1/2017: 3.5 million shares) of ANCO;
- (v) VND700 billion (1/1/2017: VND700 billion) bonds with a maturity of 5 years at an interest rate of 8.0% per annum in the first year and 3.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were secured over 12.7 million shares (1/1/2017: 12.7 million shares) of Proconco;
- (vi) VND8,100 billion (1/1/2017: VND8,100 billion) bonds with a maturity of 5 years at an interest rate of 8.0% per annum in the first year and 3.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods;
- (vii) VND1,000 billion (1/1/2017: VND1,000 billion) bonds with a maturity of 2 years at an interest rate of 8.0% per annum in the first year and 2.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were secured over 155.7 million shares (1/1/2017: 155.7 million shares) of MSR; and
- (viii) VND3,000 billion (1/1/2017: nil) bonds with a maturity of 2 years at an interest rate of 9.0% per annum. These bonds were unsecured.

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The secured bonds were also secured over certain fixed assets and construction in progress with total carrying value of VND14,939,195 million (1/1/2017: VND15,223,301 million) of indirect subsidiaries of the Company.

During the year, the Group complied with the loan covenants on the above borrowings and bonds.

### (d) Finance lease liabilities

The future minimum lease payments under non-cancellable finance leases are as follows:

	31/12/2017			1/1/2017		
	Payments VND million	Interest VND million	Principal VND million	Payments VND million	Interest VND million	Principal VND million
Within 1 year	9,399	373	9,026	21,931	2,720	19,211
Within 2 to 5 years	-	-	-	6,266	179	6,087
	<b>9,399</b>	<b>373</b>	<b>9,026</b>	<b>28,197</b>	<b>2,899</b>	<b>25,298</b>

## 20. PROVISIONS

	31/12/2017 VND million	1/1/2017 VND million
Provision for mining rights fee	500,451	561,742
Provision for mine rehabilitation	24,344	22,603
Provision for severance allowance	48,900	40,949
	<b>573,695</b>	<b>625,294</b>

Movements of provisions during the year were as follows:

	Mining rights fee VND million	Mine rehabilitation VND million	Severance allowance VND million	Total VND million
Opening balance	561,742	22,603	40,949	625,294
Provision made during the year	41,607	1,741	9,411	52,759
Provision used during the year	(102,898)	-	(1,460)	(104,358)
<b>Closing balance</b>	<b>500,451</b>	<b>24,344</b>	<b>48,900</b>	<b>573,695</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 21. CHANGES IN OWNERS' EQUITY

	Share capital VND million	Capital surplus VND million	Other capital VND million	Treasury shares VND million	Foreign exchange differences VND million	Undistributed profits after tax VND million	Equity attributable to equity holders of Company VND million	Non-controlling interest VND million	Total VND million
<b>Balance as at 1 January 2016</b>	7,467,179	9,631,106	(9,045,049)	-	-	8,561,380	16,614,616	10,494,430	27,109,046
Issuance of new shares (Note 22)	213,578	1,018,690	-	-	-	-	1,232,268	-	1,232,268
Repurchase of treasury shares	-	-	-	(641,110)	-	-	(641,110)	-	(641,110)
Equity transactions	-	-	(381,909)	-	-	-	(381,909)	-	(381,909)
Transactions with NCI	-	-	-	-	-	(2,060,328)	(2,060,328)	(6,165,737)	(8,226,065)
Business combination in CDN	-	-	-	-	-	-	-	1,381	1,381
Net profit for the year	-	-	-	-	-	2,791,444	2,791,444	981,053	3,772,497
Dividends declared	-	-	-	-	-	(2,276,524)	(2,276,524)	-	(2,276,524)
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(273,124)	(273,124)
Board of Directors' fees of subsidiaries	-	-	-	-	-	(427)	(427)	(1,154)	(1,581)
Currency translation differences	-	-	-	-	(1,874)	-	(1,874)	(380)	(2,254)
<b>Balance as at 31 December 2016</b>	<b>7,680,757</b>	<b>10,649,796</b>	<b>(9,426,958)</b>	<b>(641,110)</b>	<b>(1,874)</b>	<b>7,015,545</b>	<b>15,276,156</b>	<b>5,036,469</b>	<b>20,312,625</b>

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	Share capital VND million	Capital surplus VND million	Other capital VND million	Treasury shares VND million	Foreign exchange differences VND million	Undistributed profits after tax VND million	Equity attributable to equity holders of Company VND million	Non-controlling interest VND million	Total VND million
<b>Balance as at 1 January 2017</b>	7,680,757	10,649,796	(9,426,958)	(641,110)	(1,874)	7,015,545	15,276,156	5,036,469	20,312,625
Issuance of bonus shares	3,794,207	(3,794,207)	-	-	-	-	-	-	-
Issuance of new shares	98,776	(50)	-	-	-	-	98,726	-	98,726
Repurchase of treasury shares	-	-	-	(5,876,977)	-	-	(5,876,977)	-	(5,876,977)
Transactions with NCI (Note 6)	-	-	-	-	-	2,231,839	2,231,839	666,338	2,898,177
Capital contribution by NCI in a subsidiary	-	-	-	-	-	-	-	10	10
Net profit for the year	-	-	-	-	-	3,102,664	3,102,664	505,026	3,607,690
Dividends declared by subsidiaries	-	-	-	-	-	-	-	(820,263)	(820,263)
Currency translation differences	-	-	-	-	4,305	-	4,305	902	5,207
<b>Balance as at 31 December 2017</b>	<b>11,573,740</b>	<b>6,855,539</b>	<b>(9,426,958)</b>	<b>(6,518,087)</b>	<b>2,431</b>	<b>12,350,048</b>	<b>14,836,713</b>	<b>5,388,482</b>	<b>20,225,195</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 22. SHARE CAPITAL AND CAPITAL SURPLUS

The Company's authorised and issued share capital comprises of:

	31/12/2017		1/1/2017	
	Number of shares	VND million	Number of shares	VND million
<b>Authorised share capital</b>	1,157,373,974	11,573,740	768,075,674	7,680,757
<b>Issued share capital</b>				
Ordinary shares	1,157,373,974	11,573,740	768,075,674	7,680,757
<b>Capital surplus</b>	-	6,855,539	-	10,649,796
<b>Treasury shares</b>				
Ordinary shares	(109,899,932)	(6,518,087)	(9,234,210)	(641,110)

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividends as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements of share capital during the year were as follows:

	2017		2016	
	Number of shares	VND million	Number of shares	VND million
Balance at the beginning of the year	768,075,674	7,680,757	746,717,861	7,467,179
Issuance of bonus shares (*)	379,420,700	3,794,207	-	-
Issuance of new shares at par for cash	9,877,600	98,776	21,357,813	213,578
<b>Balance at the end of the year</b>	<b>1,157,373,974</b>	<b>11,573,740</b>	<b>768,075,674</b>	<b>7,680,757</b>

(\*) In December 2016, the Company's shareholders approved the issuance of bonus shares with the ratio of 50% of par value. The issuance was completed during the year.

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### 23. CONTINGENCIES

During the year, the Ministry of Natural Resources and Environment has finalised its inspection on a subsidiary's compliance with laws and regulations regarding environmental, mineral, land and water resource and issued an Inspection Conclusion as the result. The Inspection Conclusion identified certain areas for improvement related to the subject matters mentioned above and required certain amendments to the subsidiary's environment protection activities. Other than the immaterial administrative penalties, no penalties for environmental violations have been levied on the subsidiary.

Up to the date of issuance of these consolidated financial statements, the subsidiary has been having positive discussions with the Ministry of Natural Resources and Environment on the implementation process and method and feasibility of such amendments as they have been agreed. Since final amendments are subject to continued discussion and approval from competent authorities, the Group is unable to reliably quantify financial impact of the possible amendments. Accordingly, no provision has been recognised in these consolidated financial statements.

### 24. OFF BALANCE SHEET ITEMS

#### (a) Lease commitment

The future minimum lease payments under non-cancellable operating leases were as follows:

	31/12/2017 VND million	1/1/2017 VND million
Within 1 year	98,137	159,411
Within 2 to 5 years	91,649	150,453
More than 5 years	237,285	152,914
	<b>427,071</b>	<b>462,778</b>

#### (b) Capital expenditure

As at reporting date, the following outstanding capital commitments have been approved but not provided for in the consolidated balance sheet:

	31/12/2017 VND million	1/1/2017 VND million
Approved and contracted	634,291	766,264
Approved but not contracted	1,819,571	1,236,996
	<b>2,453,862</b>	<b>2,003,260</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### (c) Foreign currencies

	31/12/2017		1/1/2017	
	Original currency	VND million equivalent	Original currency	VND million equivalent
USD	2,871,933	65,062	23,054,371	523,806
EUR	334	9	345	8
SGD	314	5	338	5
THB	84,093,681	56,931	97,959,692	60,637
		<b>122,007</b>		<b>584,456</b>

### (d) Final sales pricing adjustment

As disclosed in Note 3(s), a subsidiary of the Group had the following commitments under sales contract to adjust the sales price of its product sold based on future quoted market price at the London Metal Bulletin ("LMB") at the agreed final pricing date. The revenue on provisionally priced sales is initially recognised based on the estimated fair value of the total consideration receivable at the date of transaction. Revenue will be adjusted at the final pricing date subsequent to this year end. Such adjustments are treated as changes in estimates due to the absence of a mechanism to reliably estimate future LMB quoted prices at the date of transaction.

Total revenue for the year ended 31 December 2017 that have been recognised on a provisional basis is VND65 billion (2016: VND112 billion).

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### 25. REVENUE FROM SALE OF GOODS

Total revenue represents the gross value of goods sold exclusive of value added tax.

Net revenue comprised of:

	2017 VND million	2016 VND million
Total revenue		
■ Sale of finished goods and others	38,980,236	45,100,176
Less revenue deductions		
■ Sales discounts	1,134,211	1,748,440
■ Sales returns	225,379	54,672
	1,359,590	1,803,112
	<b>37,620,646</b>	<b>43,297,064</b>

### 26. COST OF SALES

	2017 VND million	2016 VND million
Total cost of sales		
■ Finished goods sold and other sales	25,964,071	30,308,187
■ Allowance for inventories	24,765	58,792
	<b>25,988,836</b>	<b>30,366,979</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 27. FINANCIAL INCOME

	2017 VND million	2016 VND million
Interest income from:		
■ Deposits	345,442	579,836
■ Other loan investing activities	70,196	131,194
Gains on disposals of investments	931,646	-
Foreign exchange gains	50,898	51,421
Others	6,478	6,743
	<b>1,404,660</b>	<b>769,194</b>

### 28. FINANCIAL EXPENSES

	2017 VND million	2016 VND million
Interest expense on loans/bonds from:		
■ Banks	318,524	336,307
■ Bondholders and others	3,116,798	2,776,173
Foreign exchange losses	153,294	88,142
Others	106,968	90,604
	<b>3,695,584</b>	<b>3,291,226</b>

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### 29. SELLING EXPENSES

	2017 VND million	2016 VND million
Promotion and advertising expenses	3,344,380	2,882,343
Logistic expense	770,457	916,393
Staff costs	689,868	869,191
Exhibition expense	105,844	54,311
Marketing research expense	51,632	34,116
Other expenses	328,691	214,149
	<b>5,290,872</b>	<b>4,970,503</b>

### 30. GENERAL AND ADMINISTRATION EXPENSES

	2017 VND million	2016 VND million
Staff costs	515,241	606,130
Amortisation of fair value uplift of fixed assets arising in business combination	530,248	586,973
Amortisation of goodwill	112,482	111,350
Depreciation and amortisation	120,619	98,266
Research and development expenses	14,218	33,225
System lease line and IT services	111,601	130,959
Office rental	82,797	52,522
Outside services	99,288	141,632
Other expenses	325,863	175,324
	<b>1,912,357</b>	<b>1,936,381</b>

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 31. INCOME TAX

#### (a) Recognised in the consolidated statement of income

	2017 VND million	2016 VND million
<b>Current tax expense</b>		
Current year	599,980	876,837
Under provision in prior years	30,981	15,484
	630,961	892,321
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(100,014)	(218,415)
	(100,014)	(218,415)
<b>Income tax expense</b>	<b>530,947</b>	<b>673,906</b>

#### (b) Reconciliation of effective tax rate

	2017		2016	
	%	VND million	%	VND million
Accounting profit before tax	100.0%	4,138,637	100.0%	4,446,403
Tax at the Company's income tax rate	20.0%	827,727	20.0%	889,281
Effect of different tax rates in subsidiaries	(9.3%)	(386,264)	(12.5%)	(554,964)
Effect of consolidation transactions	2.8%	116,082	0.4%	17,931
Non-deductible expenses	1.8%	74,932	2.4%	108,066
Effect of share of profit in associates net of tax	(9.9%)	(408,846)	(4.4%)	(195,988)
Unrecognised deferred tax assets	8.8%	363,909	10.3%	455,256
Tax exempt income	-	-	(0.6%)	(28,031)
Under provision in prior years	0.7%	30,981	0.3%	15,484
Tax losses utilised	(2.1%)	(87,574)	(0.7%)	(33,129)
	<b>12.8%</b>	<b>530,947</b>	<b>15.2%</b>	<b>673,906</b>

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#### (c) Applicable tax rates

Under the prevailing corporate income tax law, the Company has an obligation to pay corporate income tax to the government at corporate income tax rate of 20% from 2016 onwards.

The Company's subsidiaries enjoy various tax incentives which provide some subsidiaries with further tax exemptions and reductions.

#### (d) Tax contingencies

The taxation laws and their application in Vietnam are subject to interpretation and change over time as well as from one tax office to another. The final tax position may be subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Vietnam that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, including on transfer pricing requirements and computation of corporate income tax. However, the relevant authorities may have differing interpretations and the effects could be significant.

### 32. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In addition to related party balances disclosed in other notes to these consolidated financial statements, the Group had the following significant transactions with related parties in accordance with Vietnamese Accounting Standards during the year:

Related party	Nature of transaction	2017	2016
		VND million	VND million
<b>Other related party</b>			
Vietnam Technological	Loans received	1,194,607	1,955,590
and Commercial Joint	Loans repaid	977,696	3,542,422
Stock Bank and its	Interest expense on loans received	202,160	160,555
subsidiaries	Bond proceeds received (*)	3,000,000	1,000,000
<b>Key management personnel</b>	Remuneration to key management personnel (**)	120,819	105,497

As at and for the year ended 31 December 2017, the Company and its subsidiaries have current and term deposit accounts at and overdraft transactions and agency transactions with Vietnam Technological and Commercial Joint Stock Bank and its subsidiaries at normal trading terms.

(\*) The bonds are listed and sold to a broader set of investors pursuant to an arrangement agreement.

(\*\*) No board fees were paid to the Board of Directors' members of the Company for the years ended 31 December 2017 and 2016.

For the year ended 31 December 2017 (continued)

## Notes to the consolidated financial statements

### 33. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 was based on the net profit attributable to ordinary shareholders of VND3,102,664 million (2016: VND2,791,444 million) of the Company and a weighted average number of ordinary shares outstanding of 1,137,586,245 shares during the year (2016: 1,133,768,236 shares).

For the purpose of calculating basic earnings per shares, shares that are issuable solely after the passage of time are treated as outstanding shares from the date that the right to the shares comes into existence calculated as follows:

#### (i) Net profit attributable to ordinary shareholders

	2017 VND million	2016 VND million
Net profit attributable to ordinary shareholders	3,102,664	2,791,444

#### (ii) Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at the beginning of the year	758,841,464	746,717,861
Effect of treasury shares held	(17,467,597)	(2,511,392)
Effect of shares issued for cash	3,734,545	5,277,494
Effect of shares to be issued solely after the passage of time	8,580,822	9,542,291
Weighted average number of ordinary shares during the year	753,689,234	759,026,254
Effect of bonus shares issued	383,897,011	374,741,982
Weighted average number of ordinary shares during the year	1,137,586,245	1,133,768,236

In February 2017, 379,420,700 of ordinary shares were issued as bonus shares to existing shareholders with the ratio of 50% of par value.

Issued ordinary shares at the beginning of 2016 has been adjusted to reflect the bonus shares issued in 2017.

#### (b) Diluted earnings per share

The Company has no dilutive potential ordinary shares.

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### 34. SHARE-BASED PAYMENT

The Group has an employee share-based payment plans to award shares based on the assessment of the performance of employees. The future issuance of shares under the plan has to be approved by the shareholders at Annual General Meeting.

In August 2017, the Company issued 9,877,600 shares to employees at par for cash.

### 35. NON-CASH INVESTING ACTIVITIES

	2017 VND million	2016 VND million
Cost of construction not yet paid	274,712	254,907
Interest expense capitalised into construction in progress	91,874	200,407
Depreciation and amortisation capitalised into construction in progress	438	4,731
Capitalisation of interest expense into borrowings	34,097	32,967

### 36. POST BALANCE SHEET EVENTS

In January 2018, the Company sold 0.8% equity interest in MNS to PENM III Germany GmbH & Co. Kg for a consideration of VND363 billion.

In February 2018, MSB, an indirect subsidiary of the Company, purchased additional 7,982,361 shares of VCF in order to increase its equity interest from 68.5% to 98.5%.

8 March 2018

Prepared by:

Approved by:



Doan Thi My Duyen  
Chief Accountant

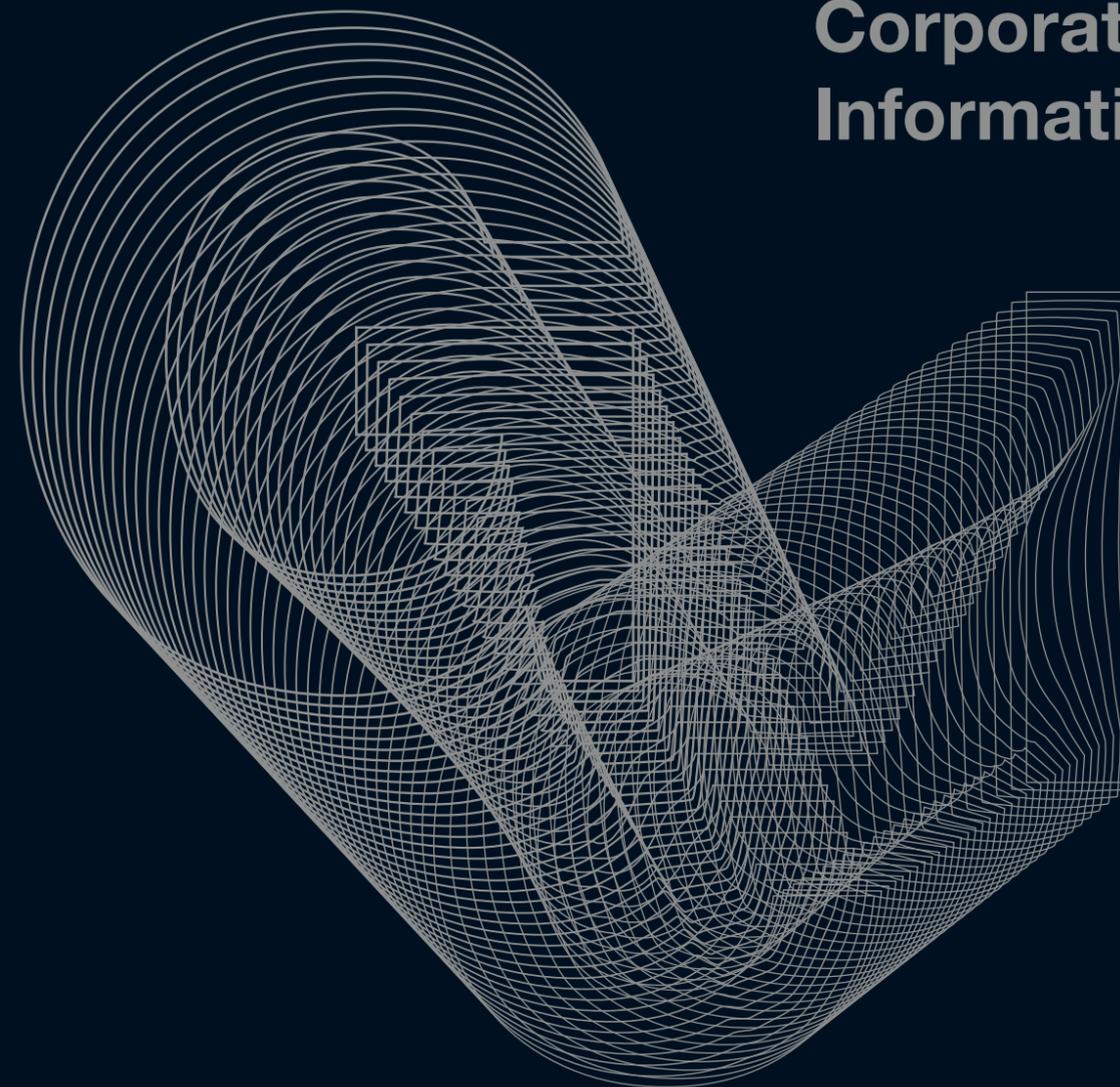


Michael Hung Nguyen  
Deputy Chief Executive Officer  
Chief Financial Officer



Dr. Nguyen Dang Quang  
Chairman  
Chief Executive Officer

**General  
Corporate  
Information**



## Masan Group's corporate history and structure

### CORPORATE HISTORY

Masan Group Corporation was incorporated in November 2004 under the name Ma San Shipping Corporation. We officially changed our name to Ma San Group Corporation in August 2009 and were successfully listed on the Ho Chi Minh Stock Exchange on 5 November 2009. Our name was formally changed to Masan Group Corporation in July 2015 in order to be consistent with our corporate brand and practice. While the listed entity was formally incorporated in 2004, Masan, through our majority shareholder and our underlying operating businesses and their predecessor companies, has been in existence as a business group for 22 years.

We are a holding company, with controlling stakes in Masan Consumer Holdings ("MCH"), Masan Nutri-Science ("MNS"), and Masan Resources ("MSR"), representing an economic interest of 85.71%, 82.39% and 95.9%, respectively, as of 31 December 2017. Our ownership percentage of Techcombank's charter capital is 20.0% as of 31 December 2017.

Key events in our company history include:

- Masan's first predecessor company, Viet Tien Industry-Technology-Trading Company, was established in 1996, as a manufacturer of seasonings in Ho Chi Minh City.

- Masan further developed its food trading business with the establishment of additional manufacturing entities such as Minh Viet Import – Export Company and Masan Industrial JSC, during the period of 2000 to 2002.
- In 2002, the Company shifted its focus from exports to the domestic market by introducing the sauce brand, "Chin-su." Chin-su's success was followed by the success of "Nam Ngu" and "Tam Thai Tu" in 2007.
- In November 2004, the corporate entity that was used to restructure the Group's businesses and holdings, formerly called Ma San Shipping Corporation, was originally established.
- In 2008, Masan Trading Corporation, the parent company that held Masan's interest in the packaged food sector, reached VND2,000 billion in sales.
- In 2008, with a vision to institutionalize our sectorial and execution strategy for the Group into a more scalable and professional platform, our shareholders recruited a professional management team comprising of executives with multinational backgrounds and track records of building businesses in emerging markets, first by appointing Madhur Maini as Chief Executive Officer in August 2008.
- In August 2009, the Company was renamed Ma San Group Corporation and was restructured to hold a 19.9% stake in Techcombank and a 54.8% stake in Masan Consumer.
- In September and October 2009, TPG, through its growth capital investment arm, TPG Growth, invested VND630 billion in the Company in the form of convertible bonds, which were fully converted into shares of the Company in June 2012.
- In October 2009, BankInvest, through one of its Private Equity New Markets Funds, invested in the Company and became a major shareholder, joining our Board of Directors.
- In October 2009, the Company increased its ownership in Masan Consumer to 76.6%.
- On 5 November 2009, we were officially listed on the Ho Chi Minh Stock Exchange at a listing price of VND36,000 per share and began trading under the symbol "MSN". At a closing price of VND43,200 per share on the listing date, the Company became the sixth largest company in Vietnam based on market capitalization.
- In December 2009, we raised VND360 billion in equity capital from House Foods Corporation Inc. of Japan.
- In May 2010, the International Finance Corporation, a member of the World Bank, provided us with a six-year VND760 billion partially convertible loan.
- In September 2010, the Company acquired a controlling stake in the Nui

Phao mine and established Masan Resources. Shortly thereafter, Mount Kellett invested a 20% stake in Masan Resources.

- In October 2010, the Company raised VND974 billion through a private placement of primary shares to Orchid Fund Private Limited, an investment fund of the Richard Chandler Corporation.
- In November 2010, Goldman Sachs provided the Company with a US\$30 million five-year convertible loan.
- In December 2010, the Company increased its effective ownership in Masan Consumer to 86.6%.
- In December 2010 and January 2011, the Company increased its economic stake in Techcombank to 30.6% following the purchase of Techcombank's convertible bonds.
- In April 2011, KKR invested US\$159 million in Masan Consumer for a 10% stake.
- In October 2011, Masan Consumer entered into the beverage sector by acquiring a 50.3% stake in Vinacafé Bien Hoa, the largest instant coffee maker in Vietnam. In February 2012, Masan Consumer increased its stake to 53.2%.
- In February 2012, the Company issued convertible instruments to Mount Kellett and the Richard Chandler Corporation.
- In May 2012, the Company raised US\$50 million through an issuance of a mandatory convertible loan, convertible into shares of the Company, to Kairos Capital Limited, an investment vehicle controlled by the Richard Chandler Corporation.
- In January 2013, the Company sold an additional 8.7% stake in Masan Consumer to KKR for US\$200 million, diluting the Group's stake in Masan Consumer to 77.7%.
- In February 2013, Masan Consumer acquired a 24.9% stake in Vinh Hao.
- In April 2013, Masan Consumer increased its ownership percentage in Vinh Hao to 63.5%.
- In July 2013, Nui Phao Mining and H.C. Starck established Nui Phao - H.C. Starck Tungsten Chemicals Manufacturing, a joint venture, for the production of value-added tungsten chemicals in Vietnam. The partnership with H. C. Starck was a key milestone, validating the mines' product and also de-risking the project with a globally-recognized customer for our tungsten.
- In December, 2013, Hoa Bang Lang Consultant Company Limited was renamed to Masan Consumer Holdings Company Limited, herein referred to as Masan Consumer Holdings, and also as MCH. MCH was restructured to be the primary holding company for Masan's branded food and beverage businesses.
- In March 2014, Nui Phao Mining successfully finished its commissioning.
- In May 2014, Masan Consumer established Masan Beverage as a wholly owned subsidiary, into which the company's interest in Vinacafé Bien Hoa and Vinh Hao was subsequently transferred.
- In September 2014, we acquired Phu Yen Beer and Beverage JSC, producer

of the "Su Tu Trang" beer brand. Masan Brewery Company Limited (formerly another investment holding subsidiary) was restructured to hold our beer interest and has been transferred to MCH. Under our management, the beer facility reached full production capacity with a trial launch in the Mekong Delta region. Phu Yen Beer and Beverage JSC were then converted into a single member company in 2015 under the new name Masan Brewery PY One Member Company Limited.

- During the end of 2014, Masan Consumer established several subsidiaries to expand its manufacturing footprint to increase capacity and to be closer to its customers. Work started on a new Nghe An manufacturing hub by Masan MB and the licensing and application process began for a site in Hau Giang.
- In December 2014, Masan Consumer Holdings completed a landmark 10-year bond issuance, which raised VND2,100 billion at an 8% fixed coupon rate. The bond was guaranteed by the Credit Guarantee and Investment Facility ("CGIF"), a trust fund of the Asian Development Bank, and was CGIF's first ever deal in Vietnam.
- In December 2014, Masan Consumer acquired a 32.8% stake in Cholimex Food. Masan Group also divested non-core businesses such as food packaging by the disposal of Minh Viet Packaging One Member Company Limited and other units where the Company did not have a controlling interest.

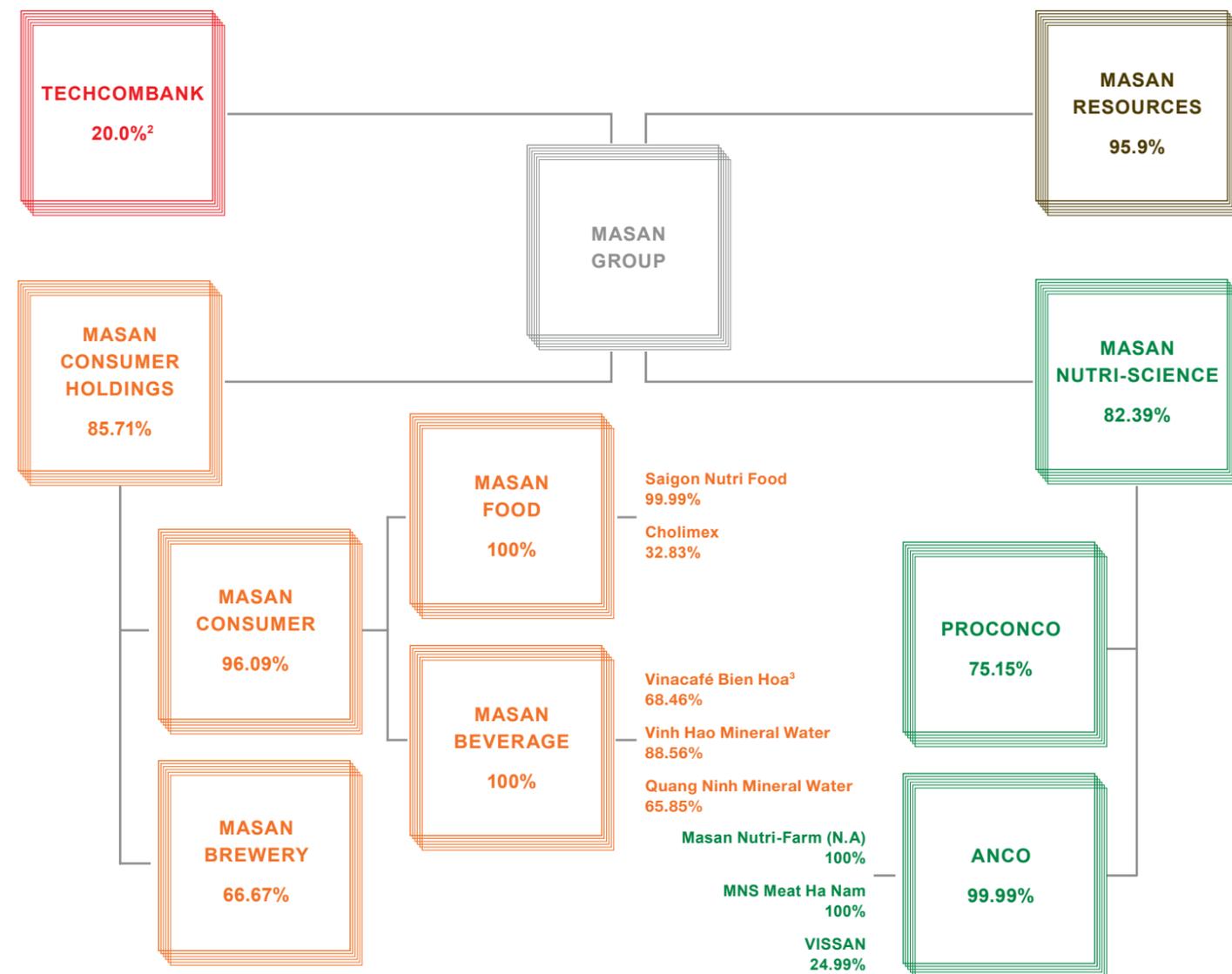
- In January 2015, Masan Consumer acquired a 99.99% stake in Saigon Nutri Food, a processed meat manufacturer, to go further into the animal-based protein sector.
- In April 2015, Masan acquired Sam Kim Limited Liability Company, the controlling shareholder of Proconco and ANCO. The acquired company was subsequently renamed Masan Nutri-Science. The acquisition of Masan Nutri-Science immediately made Masan Vietnam's largest local animal feed player with a leadership position in the pig feed segment. Masan Nutri-Science is the Company's first step to transform Vietnam's animal protein industry and ultimately reach consumers with branded meat products.
- In June 2015, MCH issued a five-year VND9,000 billion bond arranged by Vietcombank and mostly subscribed mostly by local banks. The transaction was part of our efforts to simplify our balance sheet, pay down more expensive debts, extend our debt maturity profile, reduce US\$ denominated liabilities, and increase our cash balance for further investments in the consumer sector. The issuance was the largest bond deal ever in Vietnam.
- In September 2015, Masan Resources was listed on the Hanoi Stock Exchange's UPCoM exchange, validating the success of the company's commissioning and ramp up, and becoming one of the largest companies to be listed on the northern bourse.
- In November 2015, Masan MB commissioned a manufacturing hub to produce fish sauce and instant noodles in Nghe An Province to increase capacity for growth and to get closer to our consumers.
- In December 2015, Masan Beverage acquired control of Quang Ninh Natural Mineral Water Limited, owner of the Quang Hanh brand which, together with Vinh Hao, made Masan Vietnam's largest local mineral water company and strengthened our bottled beverage platform
- In December 2015, MCH and Singha signed a partnership agreement to better serve the 250 million consumers of In-land ASEAN. Overnight, Masan's addressable market for its food and beverage platform more than doubled across all categories. As part of the partnership, Singha will have the right to invest up to US\$1.1 billion into MCH and our beer business, making the deal the largest corporate M&A deal in Vietnam's history. The first closing occurred the following month with the funding of US\$650 million.
- In December 2015, a day after the signing of the Singha deal, Masan Brewery quadrupled its brewery capacity with a new facility in Hau Giang.
- In January 2016, MCH increased its direct ownership in Masan Consumer to 96.7%. Masan Beverage increased its direct ownership in Vinh Hao to 84.2% and MNS increased its ownership in Proconco to 75.2%.
- In February 2016, Masan Beverage increased its direct ownership in Vinacafé Bien Hoa to 60.16%.
- In March 2016, ANCO acquired a 14% stake in VISSAN to become its strategic partner.
- In April 2016, Masan Beverage acquired additional 4.32% ownership in Vinh Hao to increase ownership to 88.56%.
- In May 2016, Masan Nutri-Science increased its direct ownership in ANCO from 70% to 99.99% and Vinacafé Bien Hoa acquired 85% ownership in CDN – a company in the single-serve coffee category.
- In June 2016, ANCO increased its stake in VISSAN to 24.94%, and Masan Nutri-Farm (N.A) was established.
- In July 2016, Masan Consumer Thailand was established and, a few months later, Masan and its strategic partner Singha introduced our first seasoning brand in Thailand, Chin-su Yod Thong fish sauce. This is the first step in our In-land ASEAN journey to better serve the region's 250 million consumers.
- In November 2016, Masan Nutri-Farm (NA) broke ground on high-tech pig farm in Nghe An, completing our 3F (Feed - Farm - Food) business model.
- In December 2016, Masan Beverage increased ownership in Vinacafé Bien Hoa to 68.46% through a tender offer.



- In December 2016, Masan Group through its wholly owned subsidiary, successfully completed the tender offer for shares of Masan Resources, increasing its indirect ownership in MSR from 74.39% to 95.9%, paving the way for the next round of strategic capital and growth.
- In January 2017, Masan Group paid a cash dividend to its shareholders with a dividend rate of 30% (VND3,000 per share).
- In January 2017, Masan Group completed the issuance of bonus shares for all shareholders (shareholders who hold 2 shares shall receive 1 bonus share).
- In January 2017, Masan Consumer was listed on UpCoM, a stock market managed by the Hanoi Stock Exchange.
- In April 2017, KKR entered into definitive agreements to invest US\$150 million to purchase 7.5% stake in Masan Group's branded meat platform, Masan Nutri-Science, to build the company into a leading branded meat business, and US\$100 million purchase of secondary shares of Masan Group from PENM Partners, an independent Danish private equity fund manager.
- In November 2017, Masan Group completed the buyback of 100,665,722 shares, increasing its total treasury shares to 109,899,932 or 9.50% of the Company's charter capital.
- In December 2017, Masan Beverage Company Limited, a subsidiary of Masan Consumer Corporation, launched a tender offer to acquire all of the shares in Vinacafé Bien Hoa Corporation to increase its current ownership from 68.5% to up to 100%. Masan Beverage was able to raise its stake to 98.49% after the tender offer was completed on 5 February 2018.
- In December 2017, Masan Horizon, a wholly owned subsidiary of Masan Group, purchased non-voting preference shares in Masan Resources for a total cash consideration of US\$22.9 million. Masan Group's indirect ownership in Masan Resources (including the non-voting preference shares) increased from 93.8% to 96.0%. The exit of Masan Resources' private equity stakeholder is expected to give the Masan Resources greater flexibility to raise strategic growth capital.
- In December 2017, Masan Group repaid its US\$30 million convertible loan originally lent by Goldman Sachs, effectively reducing its fully-diluted share count by an additional 13.6 million shares on an as-if-converted basis.
- In January 2018, PENM Partners invested US\$16 million to acquire secondary shares representing a 0.8% equity stake in Masan Nutri-Science Corporation from Masan Group.
- In February 2018, Masan Nutri-Science held a groundbreaking ceremony of its meat processing complex in Ha Nam province with the aim of providing fresh and chilled branded meat products to consumers.

As at 31 December 2017

# Corporate structure<sup>1</sup>



1. This chart does not include other subsidiary and intermediary holdings companies.  
 2. The Company holds 20.0% of Techcombank's charter capital directly and through wholly-owned subsidiaries. Based on Techcombank's number of outstanding shares, this ownership percentage is 25.2%.  
 3. As of 5 Feb 2018, this percentage is 98.49%.

## MASAN CONSUMER HOLDINGS

Masan Consumer Holdings was established to be the Group's primary platform to further invest in branded food and beverage opportunities and related sectors. Its core holdings include Masan Consumer and Masan Brewery.

Masan Consumer Holdings is one of Vietnam's largest local diversified FMCG companies. The company manufactures and distributes a range of food and beverage products, including soya sauce, fish sauce, seasoning, chili sauce, instant noodles, instant congee, instant coffee, instant cereals, bottled beverages, processed meat, and beer. Masan Consumer Holdings has grown its product portfolio and domestic distribution channels to establish a leading position in Vietnam's branded consumer food and beverage market. Its key brands include Chin-su, Nam Ngu, Tam Thai Tu, Omachi, Kokomi, Komi, Cao Boi, Vinacafé, Wake-Up, Vinh Hao, Quang Hanh, Faith and Su Tu Trang.

## MASAN NUTRI-SCIENCE

Masan Nutri-Science is Vietnam's largest fully-integrated ("Feed-Farm-Food" business model) branded meat platform, focused on driving productivity in Vietnam's animal protein industry and ultimately directly serving consumers with traceable, quality and affordable meat products, a US\$9 billion opportunity.

In 2017, Masan Nutri-Science sold over 2 million tons of animal feed through its national network of over 4,200 dealers and 13 feed facilities. By implementing an FMCG approach to the feed business, Masan Nutri-Science has developed the successful umbrella brand "Bio-zeem", allowing it to achieve 35% market share of the external pig feed market. With the success and cash flows of its feed business, Masan Nutri-Science has since gone on to develop an integrated branded platform with the commissioning of its large scale pig farm in Nghe An and the groundbreaking of its meat processing complex in Ha Nam, which is expected to start providing fresh and chilled meat for Vietnamese consumers by the end of 2018.

## MASAN RESOURCES

Masan Resources is one of the largest private sector mineral resource and chemical processing companies in Vietnam, currently operating the world-class Nui Phao polymetallic project in Northern Vietnam. Nui Phao is the largest tungsten mine in the world and the industry's first new tungsten project to be commissioned in over a decade. Masan Resources is also a globally significant producer of fluor spar and bismuth. Masan Resources' objective is to show the world that a Vietnamese company can lead the transformation of the global tungsten market and is strategically exploring opportunities and discussions to become a further integrated downstream tungsten business of global scale. This will enable MSR to deliver a consistent and strong financial profile across commodity cycles.

## TECHCOMBANK

Techcombank is currently one of the largest joint stock commercial banks in Vietnam in terms of total operating income, assets, loans, deposits, customers and distribution network. It has built industry-leading franchises in retail deposits, SME and retail lending. In the 25 years since its establishment, it has developed a diversified range of financial products and services to cater to the financial needs of Vietnam's emerging consumer class and budding private enterprises. Poised to emerge as one of the first local banks in Vietnam to complete its provisioning cycle after the country's banking crisis, Techcombank has both the platform and balance sheet in place to become a private sector champion.

## Capital structure<sup>1</sup>

FY2017 EBITDA <sup>2</sup> (VND billion)	9,396
Cash and Cash Equivalents (VND billion) <sup>3</sup>	8,057
Total Straight Debt (VND billion)	34,796
Net Debt (VND billion)	26,739
Number of issued shares	1,157,373,974
Number of issued shares excluding treasury shares	1,047,474,042
Charter Capital (VND billion)	11,574
Total Equity (VND billion)	20,225

- Balance sheet numbers are all as at 31 December 2017.
- EBITDA is MSN's consolidated net profit after tax, with net financial expense, tax, depreciation and amortization added back. The earnings contribution of Techcombank, an associate, is included given its materiality to MSN's financial results.
- Including short-term investments.

## Corporate governance

Approval	General Meeting of Shareholders	
Validation	Board of Directors	Supervisory Board
Strategic Management	Management Board <ul style="list-style-type: none"> <li>■ Chief Executive Officer</li> <li>■ Deputy Chief Executive Officers</li> <li>■ Chief Financial Officer</li> <li>■ Chief Accountant</li> </ul>	
Execution	Strategy and Development Department (formerly Business Development)	Finance and Accounting, Legal, Corporate Affairs and Administration

Masan Group is committed to good governance, best-in-class procedures and policies and corporate transparency. In addition to oversight from our major institutional investors and the governance regulations prescribed by Vietnam law, we have also established the Strategy and Development Committee, and Sustainability Committee and our corporate governance has been supported and advised by the independent Board member and external advisers (the "Corporate Governance Committee").

### Board of directors

The Board of Directors (the "Board") is elected by shareholders to oversee the activities of the Company. Members of the Board of Directors meet regularly to discuss the strategic decisions raised by the Management Board. Details on the responsibilities of the Board are presented in the Board of Directors section.

### Supervisory board

The Supervisory Board oversees activities of the Board and the Management Board in compliance with the Company's Charter, the Internal Corporate Governance Regulations of the Company and relevant laws. Particularly, the Supervisory Board participates in regular and extraordinary meetings of the Board and shareholders' meetings.

### Management board

Lead by the CEO, the Management Board's prime responsibilities include strategic management, resource allocation at the senior management level, financial accounting and controls, capital allocation, governance, and internal controls. The CEO and members of the Management Board is supported and advised by the Corporate Governance Committee, Strategy and Development Committee, and Sustainability Committee.

### Strategy and development department

The Strategy and Development Department works closely with our subsidiary CEOs and executive teams to develop strategy for sustainable growth and value creation. The team is also responsible for coordinating with our various departments to execute on material corporate transactions such as M&A and strategic partnerships. From initial exploratory discussions to final deal documentation, the Strategy and Development Department applies a rigorous process to ensure that the appropriate level of scrutiny and approvals has been applied when executing a transaction. A transaction will be evaluated for its strategic rationale, commercial implications, accounting impact, structure, legality and compliance with existing agreements and potential to affect future corporate actions.

### Finance & accounting, legal, corporate affairs and administration

Finance & Accounting, Legal, Corporate Affairs and Administration are departments responsible for financial reporting, legal and regulatory compliance, corporate brand building and external relations and managing the administrative functions of the Company. Senior professionals from the Finance & Accounting, Legal and Corporate Affairs play pivotal roles in transaction execution and post-deal follow up.

### BOARD OF DIRECTORS

#### Board responsibility and delegation of authority

The Board of Directors has two executive members and four non-executive members. The Board of Directors is chaired by the Chairman, who is also the Chief Executive Officer. The roles of the Chairman and Chief Executive Officer are separate.

Members of the Board of Directors include:

#### ■ *Dr. Nguyen Dang Quang, Chairman*

Dr. Nguyen Dang Quang is the Chairman and CEO of Masan Group. In addition, he is the Chairman of Masan Corporation, a board member of Masan Consumer and Masan Resources, Chairman of the Members' Council of Nui Phao Mining Company and First Vice Chairman of the Board at Techcombank.

Dr. Quang has been highly instrumental in the establishment and development of many of our businesses and subsidiary companies. He is a visionary who has professionalized Masan Group at an early stage of development while still keeping our Vietnamese culture and values intact.

Dr. Quang has a Doctorate in Technical Sciences from the National Academy of Sciences of Belarus and a Master's degree in Administration and Business Management from the Plekhanov Russian Economic University.

#### ■ *Mr. Ho Hung Anh, Vice Chairman*

Mr. Ho Hung Anh is Vice Chairman of Masan Group's Board of Directors. He also serves as the Chairman of Techcombank and Techcom Capital's Members' Council, Vice Chairman of Masan Corporation, board member of Masan Consumer Corporation and is a member of the Members' Council of Techcom Securities. Hung Anh has contributed to the early stages of Masan Group's development and provides strategic guidance. He devotes his time to leading Techcombank, an associate of Masan Group, to become Vietnam's leading private sector bank.

Mr. Ho Hung Anh holds a Bachelor's degree in Electronics from the Kiev Polytechnic Institute.

#### ■ *Mr. Nguyen Thieu Nam, Member*

Mr. Nguyen Thieu Nam is Deputy CEO and member of the Board of Directors. He has previously held senior executive roles at our subsidiary and affiliated companies such as Masan Consumer and Techcombank. He also serves as Chairman of Masan Property Corporation, Quang Ninh Mineral Water, board member of Masan Corporation, Baltic Titan Corporation, Masan Resources and member of Masan Brewery's Members' Council.

At Masan Group, he manages the relationships with key partners and leads local execution. He was instrumental in accelerating the compensation and resettlement efforts of the Nui Phao project, advancing the land acquisition process to 91% of the land required immediately for the project by June 2011, as opposed to only 2% before acquisition. More recently, he has been critical in our entry into the beer category.

Mr. Nguyen Thieu Nam graduated from Vietnam University of Commerce, Hanoi, Vietnam, with a BA in Economics.

#### ■ *Ms. Nguyen Hoang Yen, Member*

Ms. Nguyen Hoang Yen is Deputy CEO of Masan Consumer, where she was a key executive in the company's formative years when it was primarily a foodstuff trading company. She has contributed to its transformation into a domestic and branded food and beverage business.

She also serves as Chairwoman of Masan PQ Corporation, a member of the Board of Directors of Masan Corporation, Masan Consumer, Vinh Hao Mineral Water Corporation, and Vinacafé Bien Hoa Joint Stock Company.

Ms. Nguyen Hoang Yen has a Bachelor's degree in Russian from Ha Noi University of Foreign Languages.

#### ■ *Mr. Lars Kjaer, Member*

Mr. Lars Kjaer is a Deputy Managing Partner at PENM Partners. Lars was previously Managing Director at NOPEF (a developer of Nordic SME companies for establishment in emerging markets with a portfolio of more than 200 companies), Managing Director at InWear & IC Company (a fully integrated branded consumer good apparel company with sales of US\$450 million) and Managing Director of Carlsberg Denmark. He was also a member of the Board of Directors at Coca-Cola Nordic Beverages and Vice President of Corporate Strategy and M&A at Carlsberg Breweries A/S. Through holding various positions in executive management, Lars has extensive experience in emerging markets, strategy formulation, corporate growth, operations development, restructuring and M&A. He also serves as board member of Asia Chemical Corporation, Asia Coconut Processing, Anco Family Food, GTNFoods, Taseco Air Services Joint Stock Company.

#### ■ *Mr. Dominic Edward Salter Price, Member*

Mr. Dominic Price has been a Senior Advisor to J.P. Morgan for Asian Frontier markets since leaving JPMorgan's full-time employment at the end of 2012.

Dominic first joined J.P. Morgan in London in 1988 and during his time with the firm he worked in the United Kingdom, Singapore, India and Vietnam in a variety of trading and investment banking roles as well as serving as country head for J.P. Morgan in both India and Vietnam.

Dominic began his banking career with Standard Chartered in London working in technical services, strategic research and development and in their merchant banking arm. He worked as a fixed income trader at Credit Suisse First Boston in London and Tokyo and was also responsible for Asian debt origination and local currency trading in Singapore for Paribas Capital Markets.

The Chairman plays an important leadership role and is involved in:

- Chairing meetings of the Board and providing its effective leadership;
- Maintaining dialogue with the Management Board and providing appropriate strategic input;
- Monitoring the performance of the Board; and
- Being a respected ambassador for the Group, including chairing shareholder meetings, managing community issues and interacting with key stakeholders.

The Board is responsible for charting the direction, strategies and financial objectives of the Group and monitoring the progress in relation to such matters. It has not formed committees under itself.

Non-executive members regularly communicate with the management of the Group to understand the progress and performance of the operations.

As of 31 December 2017, Dr. Nguyen Dang Quang, Mr. Ho Hung Anh, Mr. Nguyen Thieu Nam, Ms. Nguyen Hoang Yen and Mr. Lars Kjaer held directorship members in four, three, five, five and five other companies, respectively.

### Board meetings

The Board regularly meets to discuss the direction, strategy and progress of the business. Typically, the topics at the Board meetings include:

- Reports on major projects and current business issues;
- Reports on financial performance and corporate governance;
- Specific business proposals; and
- Minutes from the previous meeting and outstanding issues.

### Activities of the board

In 2017, members of the Board mainly were involved with the discussion and approval of the following items:

- Simplifying the Company's capital structure and corporate structure to provide greater focus on consumption-related businesses;
- Enhancing corporate governance and transparency;
- Deciding business development plans and annual budgets for each of our businesses and subsidiaries;
- Material raising and allocation of capital;
- Restructuring the Company's debts;
- Implementing the issuance of new shares under the ESOP;
- Implement the plan of repurchase of the Company's shares;
- Implement the issuance plan of new shares; and
- Implement other transactions of Masan Group and subsidiaries.

There were no separate meetings of non-executive Board members. Approvals from the Board involved all members.

### MANAGEMENT BOARD

The Management Board is responsible for implementing the Company's business development plan and business performance reporting. The Chief Executive Officer chairs the Management Board.

Currently, the Management Board is comprised of the six most senior executives at Masan Group, the Chief Executive Officer, four Deputy Chief Executive Officers, and the Chief Accountant. Members of the Management Board include:

- *Dr. Nguyen Dang Quang - Chief Executive Officer*

For profile, please see Board of Directors section

- *Mr. Nguyen Thieu Nam - Deputy Chief Executive Officer*

For profile, please see Board of Directors section

- *Mr. Michael Hung Nguyen - Deputy Chief Executive Officer & Chief Financial Officer*

Mr. Michael Hung Nguyen is responsible for finance, matters concerning corporate affairs and communications, and Masan Group's overall risk management platform. He has built the Company's transaction and business execution platform to support the Company's subsidiaries and the Company's growth in new sectors. Michael has been involved since the beginning of Masan's transformation from a food company into a leading private sector group by raising over US\$2 billion in capital for the Company and leading several key acquisitions.

Mr. Michael Hung Nguyen helped build out J.P. Morgan's Vietnam investment bank execution team and worked on M&A, capital markets and privatization transactions with financial, real estate and consumer clients. Prior to Vietnam, Michael advised and provided structured solutions to multinational clients at J.P. Morgan in New York.

Mr. Michael H. Nguyen graduated from Harvard University, U.S.

- *Mr. Seokhee Won - Deputy Chief Executive Officer<sup>1</sup>*

Mr. Seokhee Won is the Deputy CEO of Masan Group, CEO and a board member of Masan Consumer. Seokhee is a seasoned executive with 22 years at global consumer goods company Unilever. In his most recent role, he was Senior Vice President, responsible for Unilever's skincare business in Asia and the Ponds brand globally. Seokhee's experience includes senior management roles in Unilever's businesses in China, South Africa, Thailand, Korea and Vietnam. He spent eight years with Unilever Vietnam (from 1997 to 2005) as Marketing Director and then as Vice President, during which he was responsible for Unilever's entire personal care portfolio.

Mr. Seokhee Won graduated from the University of Notre Dame.

- *Mr. Nguyen Anh Nguyen - Deputy Chief Executive Officer and Chief Information Officer*

Mr. Nguyen Anh Nguyen is primarily responsible for the development, implementation and management of all Masan's business application systems, business intelligence and infrastructure systems, including all IT related systems and information security manners across all subsidiaries. He is building breakthrough strategy and excellent execution in Digital Transformation that drive company competitiveness. Prior to joining Masan Group, Nguyen was CIO and Vice President - Supply Chain of Unilever Vietnam for 16 years and was awarded as Top Indochina CIO 2005 by IDG and Ministry of Telecommunication.

Mr. Nguyen Anh Nguyen graduated from Poly-Technique University of Ho Chi Minh City.

- *Ms. Doan Thi My Duyen - Chief Accountant*

Ms. Doan Thi My Duyen has over 10 years' experience in finance at various industries, including manufacturing, trading, services and construction. She was formerly with KPMG Ltd, Vietnam.

Ms. Doan Thi My Duyen has a Master's degree in Corporate Finance and Accounting from the Ho Chi Minh City's University of Economics. She is also a member of Association of Chartered Certified Accountants (ACCA).

As of 31 December 2017, the ownership of the Company shares of the Management Board members is as follows:

Management board	Position	Number of shares	Percent (%)
Dr. Nguyen Dang Quang	CEO	15	0.00
Mr. Nguyen Thieu Nam	Deputy CEO	57,503	0.01
Mr. Michael Hung Nguyen	Deputy CEO	2,024,288	0.19
Mr. Seokhee Won	Deputy CEO	0	0
Mr. Nguyen Anh Nguyen	Deputy CEO	52,500	0.01
Ms. Doan Thi My Duyen	Chief Accountant	90,000	0.01

1. Mr. Seokhee Won resigned from this position from 28 February 2018.

## SUPERVISORY BOARD

Members of the Supervisory Board were appointed at the Annual General Meeting of Shareholders. The Supervisory Board is composed of the following members:

■ *Mr. Nguyen Quynh Lam – Head of the Supervisory Board*

Mr. Nguyen Quynh Lam has more than 20 years of experience in managerial and accounting positions. He was formerly with Da My JSC and La Giang Commerce JSC.

Mr. Nguyen Quynh Lam graduated from the University of Mining and Geology, Hanoi, Vietnam.

■ *Mr. Pham Dinh Toai – Member*

Mr. Pham Dinh Toai joined Masan Consumer in 2009 and is currently its Deputy CEO. Prior to joining Masan Consumer, he was Financial Analysis Director at Unilever Vietnam from 2002 to 2005, and Finance and Accounting Director at Unilever Vietnam from 2005 to 2009.

Mr. Pham Dinh Toai has a Bachelor's degree in Corporate Finance and Accounting from the University of Finance and Accounting in Vietnam. He also has a Bachelor's degree in Information Technologies from Vietnam's University of Technical Education.

■ *Ms. Phan Thi Thuy Hoa – Member*

Ms. Phan Thi Thuy Hoa joined Masan since 2001 as Chief Accountant of Viet Tien Food Technology SMC. She is currently Deputy Director of Finance and Accounting of Masan Consumer and Chief Accountant of Vinacafé, Masan Food, and Masan Beverage.

Ms. Phan Thi Thuy Hoa has a Bachelor's degree in Accounting and Auditing at Ho Chi Minh City's University of Economy.

As of 31 December 2017, the ownership of the Company shares of the Supervisory Board members is as follows:

Supervisory board members	Number of shares	Percent
Mr. Nguyen Quynh Lam	1,275,000	0.12
Mr. Pham Dinh Toai	49,500	0.00
Ms. Phan Thi Thuy Hoa	2,100	0.00

### Activities of the supervisory board

The Supervisory Board oversees activities of the Board and the Management Board in compliance with the Company's Charter, the Internal Corporate Governance Regulations of the Company and relevant laws. Particularly, the Supervisory Board participates in regular and extraordinary meetings of the Board and shareholders' meetings.

### Internal corporate governance rules

Our Internal Corporate Governance Rules were approved during a Shareholder Meeting held on 9 October 2009. Objectives of the Internal Corporate Governance Rules are to:

- Ensure an effective corporate governance plan;
- Ensure shareholders' rights;
- Ensure equal rights among shareholders;
- Ensure related party transactions are transacted at arm's length;
- Enhance transparency; and
- Facilitate the performance of management of the Board of Directors and supervision of the Supervisory Board.

The Internal Corporate Governance Rules, among the others, define the responsibilities and delegation of authority of the Board of Directors, members of the Board of Directors, the Supervisory Board and members of the Supervisory Board.

As of September 2016, members of the Board, the Supervisory Board, Chief Executive Officer, other management functions and Company Secretary have completed the corporate governance training program for public companies which was held and certified by the Securities Research and Training Center under the State Security Commission of Vietnam.

### REMUNERATION OF THE BOARD, THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Group is developing policies on remuneration for members of the Board and the Supervisory Board. Remuneration of the Management Board comprises a fixed component as well as a variable component.

As of 31 December 2017, Masan Group's charter capital was VND11,573,739,740,000.

## Shareholder information

### SHAREHOLDINGS STRUCTURE AS OF 31 DECEMBER 2017

#### Shares:

Total number of issued shares and type of shares of Masan Group: 1,157,373,974 ordinary shares.

Number of treasury shares: 109,899,932 shares

Number of outstanding voting shares: 1,047,474,042 shares.

#### Shareholders structure:

On the basis of percent ownership:

■ Major shareholders include:

No.	Shareholders	No. of Shares	Percent <sup>1</sup>
1	Masan Corporation	377,595,870	36.05%
2	Sunflower Construction Company Limited	149,726,706	14.29%
3	Government of Singapore	56,850,690	5.43%
4	VN Consumer Meat II Pte. Ltd.	54,761,905	5.23%
<b>Total</b>		<b>638,935,171</b>	<b>61.00%</b>

#### Masan Corporation

Masan Corporation was incorporated on 13 September 2000. Its main registered activities cover market research, technology transfer, commercial promotion, investment consulting, management consulting, construction and management of investment projects, office leasing, and real estate business.

#### Sunflower Construction Company Limited

Sunflower Construction Company Limited was incorporated on 10 August 2009. Its registered activities cover civil construction work, construction and mining materials, equipment and machinery trading, goods consignee agent, market research, commercial promotion, management and investment consulting (excluding financial and accounting consulting).

#### Significant foreign shareholders

Masan Group's significant foreign institutional shareholders are Government of Singapore and VN Consumer Meat II Pte. Ltd.

1. Based on Masan Group's number of outstanding shares as of 31 December 2017.

#### Government of Singapore

Government of Singapore is one of the world's largest global investors, with well over US\$100 billion of assets in more than 40 countries worldwide. GIC is a disciplined long-term investor. It has the patient capital and fortitude to ride out short-term market fluctuations, a global presence with offices in 10 cities around the world, a broad-based portfolio spanning six core asset classes and various active skill-based strategies, and a skilled and experienced team of over 1,300 people.

#### VN Consumer Meat II Pte. Ltd.

VN Consumer Meat II Pte. Ltd. is a company managed by KKR. KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners' capital and brings opportunities to others through its capital markets business. References to KKR's investments may include the activities of its sponsored funds. For additional information about KKR & Co. L.P. (NYSE: KKR), please visit KKR's website at [www.kkr.com](http://www.kkr.com) and on Twitter @KKR\_Co.

On the basis of institutional and individual shareholders: As of 31 December 2017, Masan Group has 2,763 shareholders, of which 2,573 individual shareholders holding 129,773,589 shares representing 11.21%; and 190 are institutional shareholders holding 1,027,600,385 shares, representing 88.79%.

On the basis of domestic and foreign shareholders: As of 31 December 2017, Masan Group has 2,240 domestic shareholders holding 818,182,314 shares representing 70.69%; and 523 foreign shareholders holding 339,191,660 shares, representing 29.31%.

#### CHANGE OF THE CHARTER CAPITAL

In 2017, the Company increased its charter capital from VND7,680,756,740,000 to VND11,573,739,740,000. The charter capital was increased in two installments as follows:

- An increase in charter capital from VND7,680,756,740,000 to VND11,474,963,740,000 from owner's equity; and
- An increase in charter capital from VND11,474,963,740,000 to VND11,573,739,740,000 by the issuance of new shares from under ESOP.

In November 2017, Masan Group completed its repurchase of 100,665,722 shares at the average trading price of VND58,351.93 per share, resulting in the total number of treasury shares increasing to 109,899,932.

**SHAREHOLDINGS AND CHANGES IN SHAREHOLDINGS OF THE BOARD OF DIRECTORS DURING 2017**

	31 December 2016	31 December 2017	Increase/ Decrease
Dr. Nguyen Dang Quang, Chairman	0.00%	0.00%	0%
Mr. Ho Hung Anh, Vice Chairman	0%	0%	0%
Mr. Nguyen Thieu Nam, Member	0.74%	0.01%	(0.73%)
Ms. Nguyen Hoang Yen, Member	3.68%	4.05%	0.37%
Mr. Lars Kjaer, Member	0%	0%	0%
Mr. Dominic Edward Salter Price, Member	0%	0%	0%

**INFORMATION RELATED TO TRADING AND TRANSFER OF SHARES OF INTERNAL SHAREHOLDERS**

In 2017, there were transactions in Masan Group shares conducted by internal shareholders. The table below sets out such transactions:

No.	Internal shareholders and their related persons	Number of shares owned as of 1 January 2017		Number of shares owned as of 31 December 2017		Reason for the increase, decrease (transfer, purchase, conversion, ...)
		Number of shares	Percent	Number of shares	Percent	
1	Private Equity New Markets II K/S	40,011,218	5.27%	0	0%	Transfer
2	Masan Corporation	247,921,247	32.67%	377,595,870	36.05%	Receipt of bonus shares and purchase
3	Mr. Nguyen Thieu Nam	5,725,094	0.76%	57,503	0.01%	Transfer
4	PENM III Germany GmbH & Co. KG	0	0%	22,558,525	2.15%	Purchase

**Equity information****As of 31 December 2017**

Charter capital (VND billion)	11,574
Share price (VND)	76,700
52-week high share price (VND)	76,700
52-week low share price (VND)	40,650
Number of shares issued (share)	1,157,373,974
Number of ordinary shares (share)	1,157,373,974
Number of preference shares (share)	0
Number of treasury shares (share)	109,899,932
Market Capital (VND billion)	88,771
Dividend yield (%)	N/A

## Cautionary note regarding forward-looking statements

All statements contained in this report that are not statements of historical fact constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “believe”, “can”, “could”, “estimate”, “anticipate”, “project”, “expect”, “intend”, “may”, “plan”, “aim”, “will” and “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), planned projects and other matters discussed in this document regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this report involve known and unknown risks, uncertainties and other factors that may cause our actual financial results, performance or achievements to be materially different from any future financial results, performance or achievements expressed or implied by such forward-looking statements or other projections.

Forward-looking statements are based on our beliefs and assumptions, which in turn are based on currently available information. We are in the business of acquiring, actively building, managing and investing in market-leading businesses in several of the fastest growing areas of the Vietnamese economy. Our outlook is predominantly based on our interpretation of what we consider to be the key economic factors affecting our business, the Vietnamese economy and the sectors we operate in. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, many of which are beyond our control. Accordingly, investors are cautioned not to place undue reliance on the forward-looking statements in this report. These statements speak only as of the date of this report or the respective dates indicated in this report, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

## Glossary of terms

3F	Feed – Farm - Food
ANCO	Agro Nutrition Company JSC
APT	Ammonium Paratungstate
ATM	Automatic Teller Machine
BTO	Blue Tungsten Oxide
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
Dr.	Doctor
ESOP	Employee Share Ownership Plan
FMCG	Fast-moving Consumer Goods
GDP	Gross Domestic Product
GSO	Government Statistics Office (Vietnam)
HACCP	Hazard Analysis and Critical Control Points
H.C. Starck	H.C. Starck Group
IMF	International Monetary Fund
In-land ASEAN	A geographical region comprising Vietnam, Thailand, Myanmar, Cambodia, and Laos
JSC	Joint Stock Company
KKR	Kohlberg Kravis Roberts & Co. L.P., affiliates and/or investment funds it manages
M&A	Mergers and Acquisitions
Masan	A term referring to Masan Group, inclusive of subsidiaries and affiliates, as a whole
Masan Beverage or MSB	Masan Beverage Company Limited
Masan Brewery or MB	Masan Brewery Company Limited
Masan Consumer or MSC	Masan Consumer Corporation
Masan Consumer Holdings or MCH	MasanConsumerHoldings Company Limited
Masan Consumer Thailand	Masan Consumer (Thailand) Limited.
Masan Group or the Group	Masan Group Corporation
Masan Horizon or MH	Masan Horizon Company Limited
Masan Nutri-Farm NA	Masan Nutri-Farm (N.A) LLC.
Masan Nutri-Science or MNS	Masan Nutri-Science JSC
Masan Resources or MSR	Masan Resources Corporation

Masan Thai Nguyen Resources	Masan Thai Nguyen Resources Company Limited
MNC	Multinational Company
NIM	Net Interest Margin
Nui Phao	Nui Phao Mining Limited Company
NPL	Non-performing Loan
Phu Yen Beer or Pybeco	Phu Yen Beer and Beverage JSC or Masan Brewery PY One Member Company Limited
Proconco	Vietnamese-French Cattle Feed JSC.
Quang Hanh	Quang Ninh Natural Mineral Water Limited Company (to refer to both the company and its main brand)
ROM	Run-of-mine
Saigon NutriFood or SNF	Saigon NutriFood Corporation
SBV	State Bank of Vietnam
SG&A	Selling, General and Administration expenses
Singha	Singha Asia One Pte Ltd.
SME	Small and Medium Sized Enterprises
SOE	State-owned Enterprise
Techcombank, the Bank, or TCB	Vietnamese Technological and Commercial Joint Stock Bank
The Board	The Board of Directors
UPCoM	Unlisted Public Company Market, part of the Hanoi Stock Exchange
US\$	U.S. Dollar
Vinacafé Bien Hoa	Vinacafé Bien Hoa Joint Stock Company
Vinacafé	Coffee brand owned by Vinacafé Bien Hoa Joint Stock Company
Vinh Hao	Vinh Hao Mineral Water Corporation
VISSAN	Vietnam Meat Industries Limited Company
VND	Vietnamese Dong
YTO	Yellow Tungsten Oxide

**M A S A N**  
**G R O U P**



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