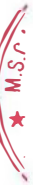




**Masan Group Corporation
and its subsidiaries**

Consolidated Financial Statements for the year ended
31 December 2017



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
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Registered Office

Suite 802, 8th 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



KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
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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 5 to 79.

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)



Hà Vu Đình
Practicing Auditor Registration
Certificate No. 0414-2018-007-1
Deputy General Director



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

Ho Chi Minh City, 8 March 2018

Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2017

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
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		15,144,937	22,876,206
Cash and cash equivalents	110	5	7,417,111	13,148,938
Cash	111		320,723	941,318
Cash equivalents	112		7,096,388	12,207,620
Short-term financial investments	120	6	640,069	1,771,012
Held-to-maturity investments	123		640,069	1,771,012
Accounts receivable – short-term	130	7	2,247,100	2,277,055
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)
Inventories	140	8	4,333,097	5,389,531
Inventories	141		4,347,552	5,416,696
Allowance for inventories	149		(14,455)	(27,165)
Other current assets	150		507,560	289,670
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

Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2017 (continued)

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
Long-term assets (200 = 210 + 220 + 240 + 250 + 260)	200		48,383,585	50,162,832
Accounts receivable – long-term	210	7	1,453,961	1,817,067
Receivable on long-term lending loans	215		96,400	369,700
Other long-term receivables	216		1,357,561	1,447,367
Fixed assets	220		29,829,534	29,821,492
Tangible fixed assets	221	9	23,768,050	23,317,266
<i>Cost</i>	222		29,897,094	27,576,775
<i>Accumulated depreciation</i>	223		(6,129,044)	(4,259,509)
Finance lease tangible fixed assets	224	10	4,487	17,947
<i>Cost</i>	225		67,300	67,300
<i>Accumulated depreciation</i>	226		(62,813)	(49,353)
Intangible fixed assets	227	11	6,056,997	6,486,279
<i>Cost</i>	228		8,112,958	7,989,536
<i>Accumulated amortisation</i>	229		(2,055,961)	(1,503,257)
Long-term work in progress	240		1,838,001	2,356,227
Construction in progress	242	12	1,838,001	2,356,227
Long-term financial investments	250	6	11,338,355	12,240,702
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)	-
Other long-term assets	260		3,923,734	3,927,344
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
TOTAL ASSETS (270 = 100 + 200)	270		63,528,522	73,039,038

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

Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2017 (continued)

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
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		43,303,327	52,726,413
Current liabilities	310		15,532,987	17,898,443
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
Long-term liabilities	330		27,770,340	34,827,970
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

Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2017 (continued)

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
EQUITY (400 = 410)	400		20,225,195	20,312,625
Owners' equity	410	21	20,225,195	20,312,625
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
- <i>Undistributed profits brought forward</i>	421a		7,015,545	7,014,072
- <i>Net profit for the current year</i>	421b		5,334,503	1,473
Non-controlling interest	429		5,388,482	5,036,469
TOTAL RESOURCES (440 = 300 + 400)	440		63,528,522	73,039,038

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

Masan Group Corporation and its subsidiaries
Consolidated statement of income for the year ended 31 December 2017

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
Revenue from sale of goods	01	25	38,980,236	45,100,176
Revenue deductions	02	25	1,359,590	1,803,112
Net revenue (10 = 01 - 02)	10	25	37,620,646	43,297,064
Cost of sales	11	26	25,988,836	30,366,979
Gross profit (20 = 10 - 11)	20		11,631,810	12,930,085
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
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		4,181,887	4,481,107
Other income	31		17,557	14,672
Other expenses	32		60,807	49,376
Results of other activities (40 = 31 - 32)	40		(43,250)	(34,704)
Accounting profit before tax (50 = 30 + 40) (carried forward)	50		4,138,637	4,446,403

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

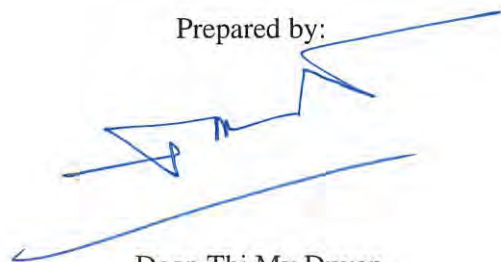
Masan Group Corporation and its subsidiaries
Consolidated statement of income for the year ended 31 December 2017 (continued)

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

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

Masan Group Corporation and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2017
(Indirect method)

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
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounting profit before tax	01	4,138,637	4,446,403
Adjustments for			
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
		<hr/>	<hr/>
Operating profit before changes in working capital	08	7,071,900	8,420,000
(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)
		<hr/>	<hr/>
		6,732,299	7,986,265
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)
		<hr/>	<hr/>
Net cash flows from operating activities	20	2,766,459	4,118,601
CASH FLOWS FROM INVESTING ACTIVITIES			
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
		<hr/>	<hr/>
Net cash flows from investing activities	30	3,133,952	(19,164,627)

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

Masan Group Corporation and its subsidiaries
Consolidated statement of cash flows 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
CASH FLOWS FROM FINANCING ACTIVITIES				
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)
Net cash flows from financing activities	40		(11,635,079)	19,871,484
Net cash flows during the year (50 = 20 + 30 + 40)	50		(5,734,668)	4,825,458
Cash and cash equivalents at the beginning of the year	60		13,148,938	8,324,476
Effect of exchange rate fluctuations	61		2,841	(996)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	5	7,417,111	13,148,938

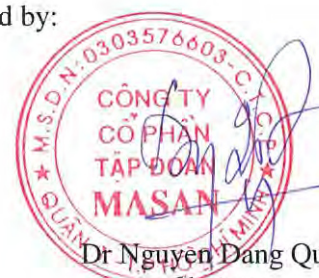
8 March 2018

Prepared by:

Doan Thi My Duyen
Chief Accountant

Approved by:

Michael Hung Nguyen
Deputy Chief Executive Officer
Chief Financial Officer



Dr. Nguyễn Đăng Quang
Chairman
Chief Executive Officer

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

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2017

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

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:

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements 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)

Subsidiaries

Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
<i>Direct subsidiaries</i>					
1	Masan Consumer Holdings Company Limited (“MCH”)	Investment holding	Suite 802, 8 th 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 th 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 th Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	89.4%
<i>Indirect subsidiaries</i>					
1	Masan Brewery Company Limited (“MB”)	(i) Investment holding	Suite 802, 8 th 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 th 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%

Masan Group Corporation and its subsidiaries

Notes to the consolidated financial statements 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)

Number	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 th 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 th 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 th 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 th 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%

Masan Group Corporation and its subsidiaries

Notes to the consolidated financial statements 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)

Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
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%
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 th Floor, MPlaza Saigon, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	82.4%	83.1%

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements 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)

Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
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 th 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 th Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	96.0%	93.8%

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Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
26	Masan Thai Nguyen Resources Company Limited (“MRTN”)	(ii) Investment holding	Suite 802, 8 th 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 th Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	96.0%	93.8%
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 th 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 th 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 th Floor, MPlaza Saigon, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	-	89.4%

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Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
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%
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%

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Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
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 th Floor, Central Plaza, 17 Le Duan Street, District 1, Ben Nghe Ward, Ho Chi Minh City,	82.4%	-
44	MNS Meat Processing Company Limited (“MNS Meat Processing”) (***)	(iii) Meat processing	10 th 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%

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Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2017	1/1/2017
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%

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Associates

Number	Name	Principal activity	Percentage of economic interests at	
			31/12/2017	1/1/2017
<i>Direct associate</i>				
1	Vietnam Technological and Commercial Joint Stock Bank (“Techcombank”)	Banking	(****)	(****)
<i>Indirect associates</i>				
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%

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- (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-MSK on 28 April 2017 of MSK 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).

(c) Normal operating cycle

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

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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").

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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.

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.

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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.

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(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.

(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.

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(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.

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.

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(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

(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.

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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.

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(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 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.

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(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.

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.

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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.

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(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.

(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).

(l) *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.

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(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 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.

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(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 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.

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(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.

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(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 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.

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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)
Net profit							3,607,690	3,772,497

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 VND million	1/1/2017 VND million	31/12/2017 VND million	1/1/2017 VND million	31/12/2017 VND million	1/1/2017 VND million	31/12/2017 VND million	1/1/2017 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
Total assets							63,528,522	73,039,038
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
Total liabilities							43,303,327	52,726,413
	2017	2016	2017	2016	2017	2016	2017	2016
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	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
	<hr/>	<hr/>
	7,417,111	13,148,938
	<hr/>	<hr/>

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
Short-term financial investments		
Held-to-maturity investments (a)	640,069	1,771,012
	<hr/>	<hr/>
Long-term financial investments		
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)	-
	<hr/>	<hr/>
	11,338,355	12,240,702
	<hr/>	<hr/>

(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	-	(**)
			11,321,627	-	(**)			12,219,056	-	(**)

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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)
Closing balance	8,910,399	249,392	9,719	7,252	9,375	2,135,490	11,321,627

(*) 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)
Closing balance	4,918	-

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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)
	(32,381)
Differences recorded in undistributed profits after tax	(32,381)

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
	202
Differences recorded in undistributed profits after tax	202

(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)
	2,529,425
Differences recorded in undistributed profits after tax	2,529,425

(iii) Transactions with non-controlling interest in MSR

On 25 January 2013, B1 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
	(265,407)
Differences recorded in undistributed profits after tax	(265,407)

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

- (*) Receivable on long-term 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	1/1/2017
	VND million	VND million
Other short-term receivables		
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
	864,228	739,100
Other long-term receivables		
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
	1,357,561	1,447,367

(**) 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	2016
	VND million	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)
	116,647	41,208

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8. Inventories

	31/12/2017		1/1/2017	
	Cost	Allowance	Cost	Allowance
	VND million	VND million	VND million	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	-
	4,347,552	(14,455)	5,416,696	(27,165)

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	2016
	VND million	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)
Closing balance	14,455	27,165

Masan Group Corporation and its subsidiaries**Notes to the consolidated financial statements 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)***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
Cost							
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	-
Closing balance	5,026,292	7,099,623	84,191	140,658	17,429,923	116,407	29,897,094

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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
Accumulated depreciation							
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)	-
Closing balance	717,188	1,078,138	46,953	79,406	4,154,155	53,204	6,129,044
Net book value							
Opening balance	4,517,870	5,317,091	48,170	63,195	13,287,775	83,165	23,317,266
Closing balance	4,309,104	6,021,485	37,238	61,252	13,275,768	63,203	23,768,050

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).

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10. Finance lease tangible fixed assets

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

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

Masan Group Corporation and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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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
Cost									
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)
Closing balance	387,234	449,602	2,413,459	3,074,214	412,698	588,373	669,433	117,945	8,112,958
Accumulated amortisation									
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)
Closing balance	46,113	153,008	611,289	714,788	51,463	97,019	368,382	13,899	2,055,961
Net book value									
Opening balance	296,867	278,328	1,953,570	2,503,264	383,170	521,904	439,194	109,982	6,486,279
Closing balance	341,121	296,594	1,802,170	2,359,426	361,235	491,354	301,051	104,046	6,056,997

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).

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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)
	<hr/>	<hr/>
Closing balance	1,838,001	2,356,227
	<hr/>	<hr/>

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).

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13. Long-term prepaid expenses

	Other mining costs	Pre-operating expenses	Prepaid land costs	Land compensation costs	Printing axles, tools and supplies	Goodwill from equitisation	Others	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	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
Closing balance	1,238,694	4,094	413,718	1,081,306	112,274	25,076	115,720	2,990,882

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).

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14. Deferred tax assets and liabilities

(i) Recognised deferred tax assets and liabilities

	31/12/2017	1/1/2017
	VND million	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	-
	<hr/>	<hr/>
Total deferred tax assets	300,831	313,272
	<hr/>	<hr/>
Deferred tax liabilities:		
Tangible fixed assets	(678,204)	(719,720)
Intangible fixed assets	(783,185)	(854,124)
	<hr/>	<hr/>
Total deferred tax liabilities	(1,461,389)	(1,573,844)
	<hr/>	<hr/>
Net deferred tax liabilities	(1,160,558)	(1,260,572)
	<hr/>	<hr/>

(ii) Movements of temporary differences during the year

	1/1/2017	Recognised in	31/12/2017
	VND million	consolidated	VND million
		statement of	VND million
		income	
		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)
	<hr/>	<hr/>	<hr/>
	(1,260,572)	100,014	(1,160,558)
	<hr/>	<hr/>	<hr/>

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15. Goodwill

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

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
<hr/>		
	30,374	11,790
<hr/>		

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(b) Taxes payable to State Treasury

	31/12/2017	1/1/2017
	VND million	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
	<hr/>	<hr/>
	384,958	546,109
	<hr/>	<hr/>

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

	1/1/2017	Incurred	Paid/Refund	Net-off/ Reclassified	31/12/2017
	VND million	VND million	VND million	VND million	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	546,109	4,838,158	(2,829,742)	(2,169,567)	384,958
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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17. Accrued expenses

	31/12/2017	1/1/2017
	VND million	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 th 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
	<hr/>	<hr/>
	2,801,126	3,456,392
	<hr/>	<hr/>

18. Other payables

	31/12/2017	1/1/2017
	VND million	VND million
Short-term		
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
	<hr/>	<hr/>
	803,374	2,527,993
	<hr/>	<hr/>
Long-term		
Long-term deposits	24,726	28,470
Others	2,002	2,465
	<hr/>	<hr/>
	26,728	30,935
	<hr/>	<hr/>

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19. Borrowings, bonds and finance lease liabilities

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

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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
	8,618,340	20,878,483	(22,118,301)	1,805,914	(18,163)	9,166,273

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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
			7,273,764	7,947,513

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.

() 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
	27,522,512	33,143,225

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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
a. Long-term borrowings					
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. Convertible loan					
Credit Suisse Ag	USD	10.8%	2017	-	567,960
c. Straight bonds					
(including issuance costs)	VND	7.0% - 9.8%	2018 - 2024	26,393,583	31,458,105
d. Finance lease liabilities					
	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 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.

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(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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(c) Straight bonds

The carrying amount of the bonds comprised the following:

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

- (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

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- (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.

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
	9,399	373	9,026	28,197	2,899	25,298

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
	573,695	625,294

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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)
	<hr/>			
Closing balance	500,451	24,344	48,900	573,695
	<hr/>			

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21. Changes in owners' equity

	Share capital	Capital surplus	Other capital	Treasury shares	Foreign exchange differences	Undistributed profits after tax	Equity attributable to equity holders of Company	Non-controlling interest	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance as at 1 January 2016	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)
Balance as at 31 December 2016	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

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	Share capital	Capital surplus	Other capital	Treasury shares	Foreign exchange differences	Undistributed profits after tax	Equity attributable to equity holders of Company	Non-controlling interest	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance as at 1 January 2017	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
Balance as at 31 December 2017	11,573,740	6,855,539	(9,426,958)	(6,518,087)	2,431	12,350,048	14,836,713	5,388,482	20,225,195

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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
Authorised share capital	1,157,373,974	11,573,740	768,075,674	7,680,757
Issued share capital				
Ordinary shares	1,157,373,974	11,573,740	768,075,674	7,680,757
Capital surplus	-	6,855,539	-	10,649,796
Treasury shares				
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
Balance at the end of the year	1,157,373,974	11,573,740	768,075,674	7,680,757

(*) 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
	427,071	462,778

(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
	2,453,862	2,003,260

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(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
		122,007		584,456

(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).

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
	37,620,646	43,297,064

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26. Cost of sales

	2017	2016
	VND million	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
	25,988,836	30,366,979
	25,988,836	30,366,979

27. Financial income

	2017	2016
	VND million	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
	1,404,660	769,194
	1,404,660	769,194

28. Financial expenses

	2017	2016
	VND million	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
	3,695,584	3,291,226
	3,695,584	3,291,226

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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
	<hr/> 5,290,872	<hr/> 4,970,503 <hr/>

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
	<hr/> 1,912,357	<hr/> 1,936,381 <hr/>

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31. Income tax

(a) Recognised in the consolidated statement of income

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

(b) Reconciliation of effective tax rate

	2017	2016		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)
	<hr/> 12.8%	<hr/> 530,947	<hr/> 15.2%	<hr/> 673,906

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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 VND million	2016 VND million
Other related party			
Vietnam Technological and Commercial Joint Stock Bank and its subsidiaries	Loans received	1,194,607	1,955,590
	Loans repaid	977,696	3,542,422
	Interest expense on loans received	202,160	160,555
	Bond proceeds received (*)	3,000,000	1,000,000
Key management personnel	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.

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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	2016
	VND million	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	2016
	VND million	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:

Doan Thi My Duyen
 Chief Accountant

Approved by:

Michael Hung Nguyen
 Deputy Chief Executive Officer
 Chief Financial Officer

Approved by:

Dr. Nguyen Dang Quang
 Chairman
 Chief Executive Officer

The stamp is a red circular seal with the text: 'HÀNH TIỆN NHH MG HỒ CHÍ MINH' around the top edge, '12-001-C.T.T.N.H.H' at the top, '16603-C.T.C.P. HỒ CHÍ MINH' around the bottom edge, and 'CÔNG TY CỔ PHẦN TẬP ĐOÀN MASAN' in the center.