



KPMG'S COPY

**Masan Group Corporation
and its subsidiaries**

Consolidated Financial Statements for the year
ended 31 December 2016

Masan Group Corporation Corporate Information

Business Registration Certificate No.

0303576603

23 February 2017

The Company's Business Registration Certificate has been amended several times, the most recent of which is dated 23 February 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 (from 17 March 2016)
Mr Ho Hung Anh	Member (to 16 March 2016)
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 Seokhee Won	Deputy Chief Executive Officer
Mr Nguyen Anh Nguyen	Deputy Chief Executive Officer (from 15 August 2016)
Mr Le Trung Thanh	Deputy Chief Executive Officer (from 15 February 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 “the Group”) for the year ended 31 December 2016.

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 2016 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 2016, 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

15 March 2017



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 “the Group”), which comprise the consolidated balance sheet as at 31 December 2016, 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 15 March 2017, as set out on pages 5 to 82.

Board of 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 2016 and of its consolidated results of operations and its 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. : 16-01-467 (b)



Nguyen Thanh Nghi
Practicing Auditor Registration
Certificate No. 0304-2013-007-1
Deputy General Director

Chong Kwang Puay
Practicing Auditor Registration
Certificate No. 0864-2013-007-1

Ho Chi Minh City, 15 March 2017

Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2016

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

	Code	Note	31/12/2016 VND million	1/1/2016 VND million
ASSETS				
Current assets				
(100 = 110 + 120 + 130 + 140 + 150)	100		22,876,206	16,709,473
Cash and cash equivalents	110	6	13,148,938	8,324,476
Cash	111		941,318	918,656
Cash equivalents	112		12,207,620	7,405,820
Short-term financial investments	120	7	1,771,012	293,990
Held-to-maturity investments	123		1,771,012	293,990
Accounts receivable – short-term	130	8	2,277,055	3,126,527
Accounts receivable from customers	131		1,295,848	878,130
Prepayments to suppliers	132		283,315	872,866
Receivables on short-term lending loans	135		-	762,400
Other short-term receivables	136		739,100	641,598
Allowance for doubtful debts	137		(41,208)	(28,589)
Shortage of assets awaiting for resolution	139		-	122
Inventories	140	9	5,389,531	4,417,969
Inventories	141		5,416,696	4,434,592
Allowance for inventories	149		(27,165)	(16,623)
Other current assets	150		289,670	546,511
Short-term prepaid expenses	151		106,482	79,536
Deductible value added tax	152		171,398	445,579
Taxes receivable from State Treasury	153	17	11,790	21,396

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 2016 (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	31/12/2016 VND million	1/1/2016 VND million
Long-term assets				
(200 = 210 + 220 + 240 + 250 + 260)	200		50,162,832	55,140,227
Accounts receivable – long-term	210	8	1,817,067	10,432,139
Receivables on long-term lending loans	215		369,700	8,563,114
Other long-term receivables	216		1,447,367	1,869,025
Fixed assets	220		29,821,492	26,998,134
Tangible fixed assets	221	10	23,317,266	19,965,062
<i>Cost</i>	222		27,576,775	22,597,132
<i>Accumulated depreciation</i>	223		(4,259,509)	(2,632,070)
Finance lease tangible fixed assets	224	11	17,947	31,407
<i>Cost</i>	225		67,300	67,300
<i>Accumulated depreciation</i>	226		(49,353)	(35,893)
Intangible fixed assets	227	12	6,486,279	7,001,665
<i>Cost</i>	228		7,989,536	7,906,859
<i>Accumulated amortisation</i>	229		(1,503,257)	(905,194)
Long-term work in progress	240		2,356,227	5,480,035
Construction in progress	242	13	2,356,227	5,480,035
Long-term financial investments	250	7	12,240,702	9,144,883
Investments in associates	252		12,219,056	9,124,149
Equity investments in other entities	253		21,646	21,646
Allowance for diminution in the value of long-term financial investments	254		-	(912)
Other long-term assets	260		3,927,344	3,085,036
Long-term prepaid expenses	261	14	2,869,569	2,042,622
Deferred tax assets	262	15	313,272	213,737
Goodwill	269	16	744,503	828,677
TOTAL ASSETS (270 = 100 + 200)	270		73,039,038	71,849,700

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 2016 (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	31/12/2016 VND million	1/1/2016 VND million
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		52,726,413	44,740,654
Current liabilities	310		17,898,443	15,005,196
Accounts payable to suppliers	311		2,427,338	2,419,059
Advances from customers	312		86,812	139,989
Taxes payable to State Treasury	313	17	546,109	504,532
Payables to employees	314		204,231	257,716
Accrued expenses	315	18	3,456,392	2,875,921
Other short-term payables	319	19	2,527,993	398,473
Short-term borrowings, bonds and liabilities	320	20	8,618,340	8,366,625
Bonus and welfare funds	322		31,228	42,881
Long-term liabilities	330		34,827,970	29,735,458
Accounts payable to suppliers	331		88,335	75,845
Accrued expenses	333	18	37,164	-
Other long-term payables	337	19	30,935	97,813
Long-term borrowings, bonds and liabilities	338	20	32,472,398	27,253,112
Deferred tax liabilities	341	15	1,573,844	1,692,753
Provisions	342	21	625,294	615,935

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

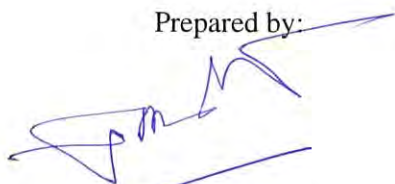
Masan Group Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2016 (continued)

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

	Code	Note	31/12/2016 VND million	1/1/2016 VND million
EQUITY (400 = 410)	400		20,312,625	27,109,046
Owners' equity	410	22	20,312,625	27,109,046
Share capital	411	23	7,680,757	7,467,179
- <i>Shares with voting rights</i>	411a		7,680,757	7,467,179
Capital surplus	412	23	10,649,796	9,631,106
Other capital	414	24	(9,426,958)	(9,045,049)
Treasury shares	415	23	(641,110)	-
Foreign exchange differences	417		(1,874)	-
Undistributed profits after tax	421		7,015,545	8,561,380
- <i>Undistributed profits brought forward</i>	421a		7,014,072	7,069,066
- <i>Net profit for the current year</i>	421b		1,473	1,492,314
Non-controlling interest	429		5,036,469	10,494,430
TOTAL RESOURCES (440 = 300 + 400)	440		73,039,038	71,849,700

15 March 2017

Prepared by:

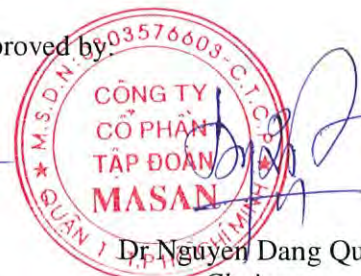


Doan Thi My Duyen
Chief Accountant

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 2016

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

	Code	Note	2016 VND million	2015 VND million
Revenue from sale of goods	01	27	45,100,176	31,324,871
Revenue deductions	02	27	1,803,112	696,461
Net revenue (10 = 01 - 02)	10	27	43,297,064	30,628,410
Cost of sales	11	28	30,366,979	20,819,786
Gross profit (20 = 10 - 11)	20		12,930,085	9,808,624
Financial income	21	29	769,194	1,382,303
Financial expenses	22	30	3,291,226	2,714,701
<i>In which: Interest expense</i>	23		3,112,480	2,425,305
Share of profit in associates	24	7	979,938	499,017
Selling expenses	25	31	4,970,503	4,044,357
General and administration expenses	26	32	1,936,381	1,664,517
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		4,481,107	3,266,369
Other income	31		14,672	34,513
Other expenses	32		49,376	74,153
Results of other activities (40 = 31 - 32)	40		(34,704)	(39,640)
Accounting profit before tax (50 = 30 + 40) (carried forward)	50		4,446,403	3,226,729

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

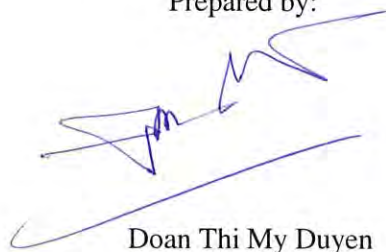
Masan Group Corporation and its subsidiaries
Consolidated statement of income for the year ended 31 December 2016 (continued)

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

	Code	Note	2016 VND million	2015 VND million
Accounting profit before tax (50 = 30 + 40) (brought forward)	50		4,446,403	3,226,729
Income tax expense – current	51	33	892,321	817,534
Income tax benefit – deferred	52	33	(218,415)	(118,055)
Net profit after tax (60 = 50 - 51 - 52)	60		3,772,497	2,527,250
Attributable to:				
Equity holders of the Company	61		2,791,444	1,478,292
Non-controlling interest	62		981,053	1,048,958
Earnings per share				
Basic earnings per share (as restated) (VND)	70	35	2,462	1,317
Diluted earnings per share (as restated) (VND)	71	35	2,462	1,316



15 March 2017

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 2016
(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	2016 VND million	2015 VND million
CASH FLOWS FROM OPERATING ACTIVITIES				
Accounting profit before tax	01		4,446,403	3,226,729
Adjustments for				
Depreciation and amortisation	02		2,379,260	1,814,926
Allowances and provisions	03		124,986	144,193
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		23,324	17,866
Profits from investing activities	05		(1,666,453)	(1,798,838)
Interest expense	06		3,112,480	2,425,305
Operating profit before changes in working capital	08		8,420,000	5,830,181
Decrease in receivables and other assets	09		224,311	89,060
(Increase)/decrease in inventories	10		(1,025,916)	283,372
Increase in payables and other liabilities	11		473,569	1,270,210
Increase in prepaid expenses	12		(105,699)	(18,263)
			7,986,265	7,454,560
Interest paid	14		(2,958,543)	(2,318,538)
Corporate income tax paid	15		(895,387)	(1,306,820)
Other payments for operating activities	17		(13,734)	(6,430)
Net cash flows from operating activities	20		4,118,601	3,822,772
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(2,920,583)	(3,856,825)
Proceeds from disposals of fixed assets and other long-term assets	22		13,292	6,087
Payments for granting loans and term deposits at banks	23		(94,467,254)	(62,229,339)
Receipts from collecting loans and term deposits	24		101,946,046	57,373,597
Payments for investments	25		(25,071,491)	(3,708,222)
Proceeds from disposals of investments	26		218,701	3,536,943
Receipts of interest, dividends and others	27		1,116,662	767,707
Net cash flows from investing activities	30		(19,164,627)	(8,110,052)

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

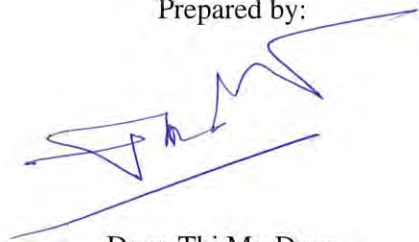
Masan Group Corporation and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2016
(Indirect method – continued)

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

	Code	Note	2016 VND million	2015 VND million
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of new shares and equity issued to non-controlling interest	31		15,579,566	264,123
Payments for repurchase of equity instruments and treasury shares	32		(908,037)	-
Proceeds from borrowings	33		29,017,143	39,553,432
Payments to settle borrowings	34		(23,625,559)	(31,741,770)
Payments to settle finance lease liabilities	35		(14,155)	-
Payments of dividends to non-controlling interest of subsidiaries	36		(177,474)	(640,430)
Net cash flows from financing activities	40		19,871,484	7,435,355
Net cash flows during the year (50 = 20 + 30 + 40)	50		4,825,458	3,148,075
Cash and cash equivalents at the beginning of the year	60		8,324,476	5,166,415
Effect of exchange rate fluctuations	61		(996)	9,986
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	6	13,148,938	8,324,476

15 March 2017

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
Notes to the consolidated financial statements for the year ended 31 December 2016

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 “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 2016 (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 31/12/2016	1/1/2016
<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, Viet Nam	85.7%	100.0%
2	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 (formerly known as Masan Nutri-Science Company Limited) (“MNS”)	Investment holding	10 th Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	89.4%	99.9%
<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, Viet Nam	57.1%	100.0%
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%	100.0%
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%	100.0%

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2016 (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	
				31/12/2016	1/1/2016
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%	100.0%
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%	100.0%
6	Masan Consumer Corporation (“MSC”)	(i) Trading and distribution	12 th Floor, Kumho Asiana Plaza Saigon, 39 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam	83.1%	77.8%
7	Masan Food Company Limited (“MSF”)	(i) Trading and distribution	12 th Floor, Kumho Asiana Plaza Saigon, 39 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam	83.1%	77.8%
8	Masan Consumer (Thailand) Limited (“MTH”)	(i) Trading and distribution	4 th Floor, Amnuay Songkhram Road, Tanon Nakornchaisri Sub-District, Dusit District, Bangkok, Thailand	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	83.1%	77.8%
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	83.1%	77.8%

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2016 (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	
				31/12/2016	1/1/2016
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	83.1%	77.8%
12	Ma San PQ Corporation (“MPQ”)	(i) Seasonings manufacturing	Area 1, Suoi Da Hamlet, Duong To Ward, Phu Quoc District, Kien Giang Province, Vietnam	83.1%	73.5%
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	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	56.9%	41.4%
15	CDN Production Trading Corporation (“CDN”)	(i) Beverage trading and manufacturing	10 Noi Bo Hung Gia 2, Tan Phong Ward, District 7, Ho Chi Minh City, Vietnam	48.4%	-
16	Vinh Hao Mineral Water Corporation (“VHC”)	(i) Beverage manufacturing	Vinh Son Hamlet, Vinh Hao Commune, Tuy Phong District, Binh Thuan Province, Vietnam	73.6%	49.7%
17	Kronfa., JSC (“KRP”)	(i) Beverage manufacturing	Kim37, National Road 27, Tan Son Town, Ninh Son District, Ninh Thuan Province, Vietnam	73.6%	49.7%
18	Masan Beverage Company Limited (“MSB”)	(i) Beverage trading and distribution	12 th Floor, Kumho Asiana Plaza Saigon – 39 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	83.1%	77.8%

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2016 (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	
				31/12/2016	1/1/2016
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%	77.8%
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	83.1%	77.8%
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	83.1%	77.8%
22	Saigon Nutri Food Joint Stock Company (“SNF”)	(i) Convenience food manufacturing	Lot K4, No.2 Street, Song Than 2 Industrial Park, Di An Ward, Di An Town, Binh Duong Province, Vietnam	83.1%	77.8%
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	54.6%	50.6%
24	Mapleleaf Company Limited (“ML”)	(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 (“MR”)	(ii) Investment holding	Suite 802, 8 th Floor, Central Plaza, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	93.8%	72.7%

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Number	Name	Principal activity	Address	Percentage of economic interests at	
				31/12/2016	1/1/2016
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	93.8%	72.7%
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	93.8%	72.7%
28	Nui Phao Mining Company Limited (“NPM”)	(ii) Exploring and processing mineral	Ha Thuong Commune, Dai Tu District, Thai Nguyen Province, Vietnam	93.8%	72.7%
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	47.8%	37.1%
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%	99.9%
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%	99.9%
32	Meiji Corporation (“Meiji”)	(iii) Investment holding	12 th Floor, Kumho Asiana Plaza Saigon Tower, 39 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	89.4%	99.9%

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Number	Name	Principal activity	Address	Percentage of economic interests at 31/12/2016	1/1/2016
33	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	89.4%	70.0%
34	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	89.4%	70.0%
35	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	89.4%	70.0%
36	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	89.4%	70.0%
37	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	89.4%	70.0%
38	Agro Nutrition International Nghe An Company Limited (“ANCO Nghe An”)	(iii) Animal protein	C Area, Nam Can Industrial Park, South East Nghe An industrial zone, Nghi Xa Ward, Nghi Loc District, Nghe An Province, Vietnam	89.4%	70.0%
39	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	89.4%	70.0%

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Number	Name	Principal activity	Address	Percentage of economic interests at 31/12/2016	1/1/2016
40	Masan Nutri-Farm Limited Liability Company (“MNLF”)	(iii) Breeding swine	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	89.4%	-
41	Masan Nutri-Farm (NA) LLC (“MNFN.A”)	(iii) Breeding swine	Con Son Village, Ha Son Commune, Quy Hop District, Nghe An Province, Vietnam	89.4%	-
42	Vietnamese – French Cattle Feed Joint Stock Company (“Proconco”)	(iii) Animal protein	Bien Hoa I Industrial Zone, Bien Hoa City, Dong Nai Province, Vietnam	67.2%	68.6%
43	Proconco Can Tho Co., Ltd. (“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	67.2%	68.6%
44	Con Co Binh Dinh Co., Ltd. (“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	67.2%	68.6%
45	Proconco Hung Yen Manufacturing and Trading Company Limited (formerly known as Toan Loi Manufacturing and Trading Company Limited) (“Proconco Hung Yen”)	(iii) Animal protein	Yen Phu Hamlet, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	67.2%	68.6%

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Associates						
Number	Name		Principal activity	Percentage of economic interests at 31/12/2016	Percentage of economic interests at 1/1/2016	
<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	Loc Khang Joint Stock Company (“Loc Khang”)	(v)	Animal protein	-	26.2%	
4	Abattoir Long Binh Joint Stock Company (“Abattoir”)	(v)	Animal protein	25.0%	25.0%	
5	Dong Nai Producing Trading Service Joint Stock Company (“Donatraco”)	(v)	Animal protein	21.3%	21.3%	
6	Vissan Joint Stock Company (“Vissan”)	(v)	Food manufacturing and retailing	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.

- (*) For Techcombank, see Note 7(b)(*).

As at 31 December 2016, the Group had 10,187 employees (1/1/2016: 9,754 employees).

(c) Normal operating cycle

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Annual accounting period

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

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(d) Accounting and presentation currency

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

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

3. Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Common-control business combination

Business combination where the same group of shareholders ("the Controlling Shareholders") control the combining companies before and after the business combination meets the definition of business combination under common control because there is a continuation of the risks and benefits to the Controlling Shareholders. Such common control business combination is specifically excluded from the scope of Vietnamese Accounting Standard 11 *Business Combination* and in selecting its accounting policy with respect to such transaction, the Group has considered Vietnamese Accounting Standard 01 *Framework* and Vietnamese Accounting Standard 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.

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

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

(iii) Subsidiaries

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

(iv) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for in the consolidated financial statements using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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(v) *Non-controlling interest (“NCI”)*

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

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

(vi) *Transactions eliminated on consolidation*

Intra-group 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 rates at the end of the annual accounting period quoted by the commercial bank where the Company or its subsidiaries most frequently conducts 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 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.

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(d) Investments

(i) *Held-to-maturity investments*

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

(ii) *Equity investments in other entities*

Equity investments in other entities of which the Company or its subsidiaries has 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 selling expenses.

The Group applies the perpetual method of accounting for inventories.

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(g) Tangible fixed assets

(i) Cost

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

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

(ii) Depreciation

Machinery and equipment and fair value of mineral reserves from business combination directly related to mining activities

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

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 2(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 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 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 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 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.

(vii) Technology

Technology that are acquired by the Group in the acquisition of subsidiary are capitalised and presented as an intangible 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 over 5 years.

(viii) Mineral water resources exploitation rights

Expenditure on obtaining exploitation rights for mineral water resources is capitalised and treated as an intangible 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.

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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.

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.

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(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 term of the lease from 42 to 50 years.

(iv) *Land compensation cost*

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

(v) *Printing axles and tools and supplies*

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

Tools and supplies include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and supplies are 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).

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(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.

(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 2010, a subsidiary of the Company has an obligation to pay the government fees for mining rights grant. The mining rights fee 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. Mining rights grant fees are recognised as intangible fixed assets.

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.

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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 current salary level.

Provision for severance allowance to be paid to the existing eligible employees as of 31 December 2016 has been made based on the eligible employees’ years of service, being the total employees’ years of service less the number of years for which the employees 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, if any, and their average salary for the six-month period prior to the end of the annual accounting period.

(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 term of the bond.

(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 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.

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(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 or substantially 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.

(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, net of tax effects, 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.

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(s) Revenue

Goods sold

Revenue from the 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 the 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, foreign exchange gains and realised gains from derivative financial instruments. Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(ii) *Financial expenses*

Financial expenses comprise interest expense on borrowings, 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 tangible fixed assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the fixed 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.

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(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 annual 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 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
- Consumer-Agri: 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		Consumer-Agri		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Segment revenue	14,825,581	13,916,891	24,422,665	14,053,644	4,048,818	2,657,875	43,297,064	30,628,410
Segment gross margin	6,493,420	6,095,489	5,280,238	2,916,623	1,156,427	796,512	12,930,085	9,808,624
Segment results	2,661,566	2,245,496	1,937,434	782,474	944,886	164,636	5,543,886	3,192,606
Net unallocated expenses							(1,771,389)	(665,356)
Net profit							3,772,497	2,527,250

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 7.

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	Food and beverage		Consumer-Agri		Others		Total	
	31/12/2016 VND million	1/1/2016 VND million	31/12/2016 VND million	1/1/2016 VND million	31/12/2016 VND million	1/1/2016 VND million	31/12/2016 VND million	1/1/2016 VND million
Segment assets	18,198,152	19,431,822	18,168,377	14,766,478	35,231,122	34,546,124	71,597,651	68,744,424
Unallocated assets							1,441,387	3,105,276
Total assets							73,039,038	71,849,700
Segment liabilities	5,703,114	5,368,413	12,581,924	7,804,983	13,451,049	13,454,736	31,736,087	26,628,132
Unallocated liabilities							20,990,326	18,112,522
Total liabilities							52,726,413	44,740,654
	2016	2015	2016	2015	2016	2015	2016	2015
Capital expenditure	989,112	1,865,381	746,033	194,788	1,178,946	1,796,516	2,914,091	3,856,685
Unallocated capital expenditure					6,492	140	6,492	140
Depreciation	507,777	380,125	221,434	102,062	937,251	770,150	1,666,462	1,252,337
Unallocated depreciation					2,692	4,883	2,692	4,883
Amortisation	350,871	455,809	401,729	247,772	196,030	115,780	948,630	819,361
Unallocated amortisation					48,051	4,500	48,051	4,500

Certain segment information for the year ended 31 December 2015 has been reclassified to conform with the current year's presentation.

(b) Geographical segments

For the years ended 31 December 2016 and 2015, the Group focuses on the business operations in one geographical segment which is in Vietnam.

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5. Business combination

Acquisition of CDN Production Trading Corporation (“CDN”)

In May 2016, VCF, a subsidiary of the Company, completed the acquisition of 85.0% equity interest of CDN for a consideration of VND35,000 million, including transaction costs. Such acquisition resulted in the Company gaining 48.4% effective equity interest in CDN as at 31 December 2016.

The acquisition had the following effect on the Group’s assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts VND million	Fair value adjustments VND million	Recognised value on acquisition VND million
Cash and cash equivalents	23,444	-	23,444
Accounts receivable from customers	362	-	362
Prepayments to suppliers	20,894	-	20,894
Other receivables	394	-	394
Inventories	4,438	-	4,438
Other current assets	3,186	-	3,186
Tangible fixed assets	8,023	-	8,023
Construction in progress	513	-	513
Long-term prepaid expenses	1,203	-	1,203
Deferred tax assets	29	-	29
Current liabilities	(3,281)	-	(3,281)
Short-term borrowings	(50,000)	-	(50,000)
Total net identifiable assets acquired	9,205	-	9,205
Share of net assets acquired			7,824
Goodwill on acquisition (Note 16)			27,176
Total consideration			35,000
Cash acquired			(23,444)
Net cash outflow			11,556

Goodwill acquired in the acquisition is attributable mainly to synergies which management expects to realise by integrating CDN into the Group’s existing business.

The acquisition was in May 2016. Therefore the contribution of revenue and net loss after tax of acquired business to the Group’s results during the period from the acquisition date to 31 December 2016 is insignificant.

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6. Cash and cash equivalents

	31/12/2016	1/1/2016
	VND million	VND million
Cash on hand	3,712	8,379
Cash at banks	937,228	909,225
Cash in transit	378	1,052
Cash equivalents	12,207,620	7,405,820
	<hr/>	<hr/>
	13,148,938	8,324,476
	<hr/>	<hr/>

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

7. Investments

	31/12/2016	1/1/2016
	VND million	VND million
Short-term financial investments		
Held-to-maturity investments (a)	1,771,012	293,990
	<hr/>	<hr/>
Long-term financial investments		
Investments in associates (b)	12,219,056	9,124,149
Equity investments in other entities (c)	21,646	21,646
Allowance for diminution in the value of long-term financial investments	-	(912)
	<hr/>	<hr/>
	12,240,702	9,144,883
	<hr/>	<hr/>

(a) Held-to-maturity investments

Held-to-maturity investments 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

	31/12/2016			1/1/2016					
	% of equity owned	% of voting rights	Carrying value at equity accounted VND million	Allowance for diminution in value VND million	% of equity owned	% of voting rights	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”) (*)	19.5%	19.5%	9,807,843	-	(**)	19.5%	8,838,067	-	(**)
Cholimex Food Joint Stock Company (“Cholimex”)	32.8%	32.8%	249,392	-	(**)	32.8%	254,802	-	(**)
Thuan Phat Packing Joint Stock Company (“Thuan Phat”)	25.0%	25.0%	9,299	-	(**)	25.0%	8,954	-	(**)
Loc Khang Joint Stock Company (“Loc Khang”)	-	-	-	-	-	26.2%	5,016	-	(**)
Abattoir Long Binh Joint Stock Company (“Abattoir”)	25.0%	25.0%	7,545	-	(**)	25.0%	8,508	-	(**)
Dong Nai Producing Trading Services Joint Stock Company (“Donatraco”)	21.3%	21.3%	9,487	-	(**)	21.3%	8,802	-	(**)
Vissan Joint Stock Company (“Vissan”)	24.9%	24.9%	2,135,490	-	(**)	-	-	-	-
			12,219,056	-	(**)		9,124,149	-	(**)

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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	Loc Khang VND million	Abattoir VND million	Donatraco VND million	Vissan VND million	Total VND million
Opening balance	8,838,067	254,802	8,954	5,016	8,508	8,802	-	9,124,149
Additions	-	-	-	-	-	-	2,135,490	2,135,490
Share in post-acquisition profit/(loss) of associates during the year	969,776	6,648	1,571	(534)	1,537	940	-	979,938
Dividends declared	-	(12,058)	(1,226)	(956)	(2,500)	(255)	-	(16,995)
Disposals	-	-	-	(3,526)	-	-	-	(3,526)
Closing balance	9,807,843	249,392	9,299	-	7,545	9,487	2,135,490	12,219,056

(*) Investment in Techcombank represents investment in 30.4% (1/1/2016: 30.4%) of the effective economic interest in Techcombank as of 31 December 2016. The Group's effective economic interest includes 12.0% through direct equity interest (net of dilutive impact of convertible bonds on current equity interest of 15.0%), 3.7% indirect equity interest through Mapleleaf Company Limited (net of dilutive impact of convertible bonds on current equity interest of 4.5%), and 14.7% through 10 years convertible bonds issued by Techcombank which the Company has agreed to irrevocably and mandatorily convert during the conversion period of the convertible bonds, subject to regulatory and other customary approvals.

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

During the year, the Group acquired 24.9% of Vissan for VND2,135 billion.

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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:

	31/12/2016		1/1/2016		Fair value VND million
	% of equity owned	% of voting rights	Cost VND million	Allowance for diminution in value VND million	
PTSC Dinh Vu Port Company	5.9%	5.9%	21,646	(*)	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:

	2016	2015
	VND million	VND million
Opening balance	912	-
Increase in allowance during the year	-	912
Written back	(912)	-
Closing balance	-	912

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(d) Transactions in subsidiaries for the year ended 31 December 2016 – transactions with non-controlling interest

(i) Transaction with non-controlling interest in MCH

In January 2016, Singha Asia Holdings Pte. Ltd. (“Singha”) invested VND14,317,297 million to MCH and MB to acquire equity interests of 14.3% and 33.3%, respectively.

In addition, in January, July and September 2016, MCH increased its equity interests in MSC from 77.8% to 97.0% by purchasing from non-controlling interest shares for total consideration of VND17,896,285 million, including transaction cost.

As a result of these transactions, economic interest of the Company in MCH, MSC and MB were changed to 85.7% (1/1/2016: 100%), 83.1% (1/1/2016: 77.8%) and 57.1% (1/1/2016: 100%), respectively, resulting in the following effects:

	VND million
Cash received	14,317,297
Net assets diluted	(510,302)
Cost of acquisition, cash paid	(17,896,285)
Net assets acquired	2,310,366
	(1,778,924)
	(1,778,924)

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.

In January and April 2016, MSB purchased 3,223,929 shares of VHC for total consideration of VND137,197 million, including transaction cost. As a result of this transaction, economic interest of MSB in VHC increased by 24.6% to 88.6%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(137,197)
Net assets acquired	136,291
	(906)
	(906)

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In February and December 2016, MSB purchased 4,054,863 shares of VCF for total consideration of VND665,785 million, including transaction cost. As a result of this transaction, economic interest of MSB in VCF increased by 15.3% to 68.5%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(665,785)
Net assets acquired	392,661
	(273,124)
Differences recorded in undistributed profits after tax	(273,124)

In February 2016, MSB also purchased 54,100 shares of QNW for total consideration of VND623 million, including transaction cost. As a result of this transaction, economic interest of MSB in QNW increased by 0.7% to 65.7%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(623)
Net assets acquired	1,243
	620
Differences recorded in undistributed profits after tax	620

In June 2016, 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	30,000
Net assets diluted	(50,035)
	(20,035)
Differences recorded in undistributed profits after tax	(20,035)

In October 2016, MSF purchased 384,980 shares of MPQ for total consideration of VND5,964 million, including transaction cost. As a result of this transaction, economic interest of MSF in MPQ increased by 5.5% to 99.9%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(5,964)
Net assets acquired	4,292
	(1,672)
Differences recorded in undistributed profits after tax	(1,672)

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(ii) Transactions with non-controlling interest in MNS

In March, April, June and December 2016, the Company sold 10.6% its equity interest in MNS for a consideration of VND211,051 million, resulting in the following effects:

	VND million
Transaction amount	211,051
Net assets diluted	(270,438)
	(59,387)
	(59,387)

In January 2016, Kenji purchased 10,412,088 shares of Proconco for total consideration of VND283,209 million, including transaction cost. As a result of this transaction, economic interest of the Company in Proconco increased by 6.6% to 75.2%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(283,209)
Net assets acquired	392,580
	109,371
	109,371

In May 2016, MNS purchased 30.0% of the equity interests of ANCO (increased MNS's equity interest in ANCO to 99.9%) for a total consideration of VND1,447,336 million, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(1,447,336)
Net assets acquired	1,363,196
	(84,140)
	(84,140)

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(iii) Transactions with non-controlling interest in MR

The Company's subsidiary, MH, which is the parent of MR, acquired non-controlling interest in MR at VND15,500 per share, which increased its interest in MR from 72.7% to 93.8%, resulting in the following effects:

	VND million
Cost of acquisition, cash paid	(2,348,014)
Net assets acquired	2,395,883
	47,869

In this transaction, MH acquired the MR's shares belonging to MRC Ltd, a minority shareholder, which held 20.0% shares in MR for VND2,234,635 million in cash. 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 (see Note 23) 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 (see Note 20(**)(a)). 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. 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.

(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.

Transactions with non-controlling interest in MR

On 25 January 2013, BI Private Equity New Market III K/S ("PENM II") subscribed for 15,902,430 mandatorily convertible preference shares in MR 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 MR.

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

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8. Accounts receivable – short-term and long-term

As at 31 December 2016, a part of short-term receivables of an indirect subsidiary was pledged with banks as security for loans granted to that subsidiary (Note 20).

As at 31 December 2016, prepayments to suppliers of the Group amounting to VND155,330 million (1/1/2016: VND200,850 million) were related to construction in progress.

Loans receivable comprised of:

	31/12/2016	1/1/2016
	VND million	VND million
Receivable on short-term lending loans		
Receivable from other loan investing activities (*)	-	762,400
<hr/>		
Receivable on long-term lending loans		
Receivable from other loan investing activities (*)	369,700	8,563,114
<hr/>		

(*) The receivables on short-term and long-term lending loans were a result of the Group's cash management operations to maximise its financial interest income on its more liquid assets. In 2016, VND10,449,214 million of short-term and long-term lending loans were collected.

As at 31 December 2016, long-term lending loans earn interest at a rate of 6.5% per annum. These loans mature in 2018 and the interest is receivable at maturity date, unless repaid earlier.

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Other receivables comprised of:

	31/12/2016	1/1/2016
	VND million	VND million
Other short-term receivables		
Receivable from sale of claims	503,533	377,208
Non-trade receivables from a related party (**)	142,244	142,244
Short-term deposits	13,623	46,820
Accrued interest receivable from deposits	33,837	11,773
Services receivable	11,547	11,547
Advances	6,523	7,359
Others	27,793	44,647
	739,100	641,598
Other long-term receivables		
Long-term deposits	51,794	45,836
Accrued interest receivable from other loan investing activities	38,590	440,103
Others (***)	1,356,983	1,383,086
	1,447,367	1,869,025

(**) The short-term non-trade amounts of the Group due from Masan Corporation were unsecured, interest-free and are receivable in 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:

	2016	2015
	VND million	VND million
Opening balance	28,589	2,064
Acquisition of a subsidiary	-	24,864
Increase in allowance during the year	20,073	3,169
Allowance utilised during the year	(58)	(599)
Written back	(7,396)	(909)
	41,208	28,589

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9. Inventories

	31/12/2016		1/1/2016	
	Cost VND million	Allowance VND million	Cost VND million	Allowance VND million
Goods in transit	998,780	-	912,443	-
Raw materials	2,800,811	(23,652)	1,939,680	(10,283)
Tools and supplies	640,308	-	699,637	-
Work in progress	152,539	-	168,151	-
Finished goods	761,800	(3,513)	705,969	(5,906)
Merchandise inventories	17,123	-	4,453	(434)
Goods on consignment	45,335	-	4,259	-
	5,416,696	(27,165)	4,434,592	(16,623)

As at 31 December 2016, certain inventories of the Group were pledged with banks as security for loans granted to subsidiaries (Note 20).

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

	2016 VND million	2015 VND million
Opening balance	16,623	22,318
Increase in allowance during the year	63,172	94,987
Allowance utilised during the year	(48,250)	(99,505)
Written back	(4,380)	(1,177)
Closing balance	27,165	16,623

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10. Tangible fixed assets

	Mining properties and structures 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	3,910,138	25,761	114,168	13,396,141	124,632	22,597,132
Acquisition of a subsidiary (Note 5)	-	-	-	67	7,432	524	8,023
Additions	-	5,005	-	3,094	24,132	10,428	42,659
Transfers from construction in progress	-	2,097,913	58,428	16,139	2,783,152	12,114	4,967,746
Transfers to short-term prepaid expenses	-	-	-	-	(25)	-	(25)
Transfers (to)/from long-term prepaid expenses	-	(1,624)	-	-	3,133	-	1,509
Disposals	-	(4,923)	-	(3,560)	(17,416)	(19,943)	(45,842)
Reclassifications	-	(3,544)	56	5	6,398	2,658	5,573
Closing balance	5,026,292	6,002,965	84,245	129,913	16,202,947	130,413	27,576,775

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	Mining properties and structures 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	311,133	375,659	23,813	46,448	1,839,939	35,078	2,632,070
Charge for the year	197,289	315,290	11,440	22,679	1,088,527	25,200	1,660,425
Transfers to short-term prepaid expenses	-	-	-	-	(22)	-	(22)
Disposals	-	(4,465)	-	(3,496)	(14,770)	(15,806)	(38,537)
Reclassifications	-	(610)	822	1,087	1,498	2,776	5,573
Closing balance	508,422	685,874	36,075	66,718	2,915,172	47,248	4,259,509
Net book value							
Opening balance	4,715,159	3,534,479	1,948	67,720	11,556,202	89,554	19,965,062
Closing balance	4,517,870	5,317,091	48,170	63,195	13,287,775	83,165	23,317,266

Included in the cost of tangible fixed assets were assets costing VND746,785 million which were fully depreciated as of 31 December 2016 (1/1/2016: VND226,792 million), but which are still in active use.

There is no tangible fixed assets retired from active use and held for disposal as of 31 December 2016 (1/1/2016: VND2,555 million).

The carrying amount of temporarily idle equipment in tangible fixed assets amounted to VND11,261 million as of 31 December 2016 (1/1/2016: VND64,989 million).

As at 31 December 2016, tangible fixed assets with carrying value of VND836,939 million (1/1/2016: VND936,938 million) were pledged with banks as security for loans granted to the subsidiaries and VND12,977,974 million (1/1/2016: VND10,976,469 million) were pledged with banks as security for long-term bonds issued by a subsidiary (Note 20).

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11. Finance lease tangible fixed assets

	Machinery and equipment VND million
Cost	
Opening and closing balance	67,300
<hr/>	
Accumulated depreciation	
Opening balance	35,893
Charge for the year	13,460
<hr/>	
Closing balance	49,353
<hr/>	
Net book value	
Opening balance	31,407
Closing balance	17,947
<hr/>	

A subsidiary of the Company leased laboratory equipment for metallurgical assay testing under a finance lease arrangement (Note 20).

12. 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		Total VND million
								VND million	VND million	
Cost										
Opening balance	307,357	353,793	2,412,583	3,074,214	412,698	588,373	669,433	88,408		7,906,859
Additions	3,654	842	-	-	-	-	-	27,597		32,093
Transfers from construction in progress	-	26,155	876	-	-	-	-	1,795		28,826
Transfers from long-term prepaid expenses	21,758	-	-	-	-	-	-	-		21,758
Closing balance	332,769	380,790	2,413,459	3,074,214	412,698	588,373	669,433	117,800		7,989,536
Accumulated amortisation										
Opening balance	26,520	58,273	308,526	373,671	7,594	35,919	92,096	2,595		905,194
Charge for the year	10,075	44,189	151,363	197,279	21,934	30,550	138,143	5,223		598,756
Transfers to long-term prepaid expenses	(693)	-	-	-	-	-	-	-		(693)
Closing balance	35,902	102,462	459,889	570,950	29,528	66,469	230,239	7,818		1,503,257
Net book value										
Opening balance	280,837	295,520	2,104,057	2,700,543	405,104	552,454	577,337	85,813		7,001,665
Closing balance	296,867	278,328	1,953,570	2,503,264	383,170	521,904	439,194	109,982		6,486,279

Included in the cost of intangible fixed assets were assets costing VND46,199 million which were fully amortised as of 31 December 2016 (1/1/2016: VND21,637 million), but which are still in use.

As at 31 December 2016, intangible fixed assets with carrying value of VND570,939 million (1/1/2016: VND611,000 million) were pledged with banks as security for long-term bonds issued by a subsidiary (Note 20).

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13. Construction in progress

	2016	2015
	VND million	VND million
Opening balance	5,480,035	3,811,051
Acquisition of a subsidiary (Note 5)	513	223,192
Additions during the year	2,660,537	3,825,674
Transfers to tangible fixed assets	(4,967,746)	(2,118,246)
Transfers to intangible fixed assets	(28,826)	(242,864)
Transfers from tools and supplies	-	397
Transfers to short-term prepaid expenses	(14,494)	(449)
Transfers to long-term prepaid expenses	(769,143)	(17,874)
Disposals	(4,583)	(825)
Written off	(66)	(21)
	<hr/>	<hr/>
Closing balance	2,356,227	5,480,035
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As at 31 December 2016, construction in progress with carrying amount of VND1,678,197 million (1/1/2016: 1,039,805 million) were pledged with banks as security for long-term loans and bonds of the Company's subsidiaries (Note 20).

During the year, borrowing costs capitalised into construction in progress amounted to VND200,407 million (2015: VND319,610 million) (Note 37).

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14. 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	1,113,461	47,543	170,505	606,393	49,597	31,344	23,779	2,042,622
Additions	104,324	-	42,065	-	54,281	-	141,647	342,317
Reclassification from long-term receivables	-	-	-	26,103	-	-	-	26,103
Acquisition of a subsidiary (Note 5)	-	-	-	-	1,203	-	-	1,203
Transfers from construction in progress	-	-	154,987	554,295	59,577	-	284	769,143
Transfers to tangible fixed assets	-	-	-	-	(1,509)	-	-	(1,509)
Transfers from/(to) intangible fixed assets	-	-	(26,250)	-	-	-	3,799	(22,451)
Transfers from/(to) short-term prepaid expenses	-	-	-	-	3,696	-	(321)	3,375
Amortisation for the year	(66,876)	(21,724)	(14,752)	(66,937)	(63,243)	(3,134)	(49,909)	(286,575)
Refund of land compensation costs	-	-	-	(4,178)	-	-	-	(4,178)
Reclassifications	-	-	-	4,941	9,228	-	(14,169)	-
Disposals	-	-	-	-	(2)	-	-	(2)
Written off	-	-	(479)	-	-	-	-	(479)
Closing balance	1,150,909	25,819	326,076	1,120,617	112,828	28,210	105,110	2,869,569

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15. Deferred tax assets and liabilities

(i) Recognised deferred tax assets and liabilities

	31/12/2016	1/1/2016
	VND million	VND million
Deferred tax assets:		
Accruals and provisions	306,554	208,541
Unrealised profits on intra-group transactions	6,718	5,196
	<hr/>	<hr/>
Total deferred tax assets	313,272	213,737
	<hr/>	<hr/>
Deferred tax liabilities:		
Tangible fixed assets	(719,720)	(759,684)
Intangible fixed assets	(854,124)	(933,069)
	<hr/>	<hr/>
Total deferred tax liabilities	(1,573,844)	(1,692,753)
	<hr/>	<hr/>
Net deferred tax liabilities	(1,260,572)	(1,479,016)
	<hr/>	<hr/>

(ii) Movements of temporary differences during the year

	1/1/2016	Acquisition of	Recognised in	31/12/2016
	VND million	a subsidiary	consolidated	VND million
		(Note 5)	statement of	
		VND million	income	
			VND million	
				VND million
Accruals and provisions	208,541	29	97,984	306,554
Unrealised profit on intra-group transactions	5,196	-	1,522	6,718
Tangible fixed assets	(759,684)	-	39,964	(719,720)
Intangible fixed assets	(933,069)	-	78,945	(854,124)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,479,016)	29	218,415	(1,260,572)
	<hr/>	<hr/>	<hr/>	<hr/>

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16. Goodwill

	31/12/2016 VND million
Cost	
Opening balance	1,088,675
Acquisition of a subsidiary (Note 5)	27,176
	1,115,851
Accumulated amortisation	
Opening balance	259,998
Amortisation during the year	111,350
	371,348
Net book value	
Opening balance	828,677
Closing balance	744,503

17. Taxes

(a) Taxes payable to State Treasury

	31/12/2016 VND million	1/1/2016 VND million
Value added tax	161,055	116,597
Special consumption tax	52,489	62,956
Corporate income tax	284,519	287,683
Personal income tax	41,996	31,682
Other taxes	6,050	5,614
	546,109	504,532

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

	1/1/2016	Acquisition	Incurred	Paid/	Net-off/	31/12/2016
	VND	of a	VND	Refund	Reclassified	VND
	million	subsidiary	million	VND	VND	million
		VND		million	million	
		million				million
Value added tax	116,597	-	3,015,021	(572,402)	(2,398,161)	161,055
Special consumption tax	62,956	-	476,784	(487,251)	-	52,489
Import-export tax	-	-	363,681	(359,071)	(4,610)	-
Corporate income tax	287,683	-	892,321	(895,387)	(98)	284,519
Personal income tax	31,682	111	172,263	(159,647)	(2,413)	41,996
Other taxes	5,614	-	426,783	(425,194)	(1,153)	6,050
	504,532	111	5,346,853	(2,898,952)	(2,406,435)	546,109

(b) Taxes receivable from State Treasury

	31/12/2016	1/1/2016
	VND million	VND million
Corporate income tax	398	398
Other taxes	11,392	20,998
	11,790	21,396

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18. Accrued expenses

	31/12/2016	1/1/2016
	VND million	VND million
Short-term		
Advertising and promotion expenses	842,533	758,820
Accrued interest expense	571,195	481,026
Sales discounts and traditional customer support fee	973,440	445,632
Natural resource taxes and fees	230,261	286,166
Accruals for construction work	136,537	148,815
Consultant fee	35,737	120,873
Bonus and 13 th month salary	239,235	91,612
Purchases not yet received invoices	36,370	67,475
Transportation expense	108,590	62,304
Exhibition and market fees	47,024	32,874
Withholding tax	1,917	11,363
Others	233,553	368,961
	<hr/>	<hr/>
	3,456,392	2,875,921
	<hr/>	<hr/>
Long-term		
Sales discounts	34,243	-
Others	2,921	-
	<hr/>	<hr/>
	37,164	-
	<hr/>	<hr/>

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19. Other payables

	31/12/2016 VND million	1/1/2016 VND million
Short-term		
Dividends payable	2,453,263	54,480
Trade union fees, social and health insurance	13,564	10,540
Obligation to issue shares	-	60,561
Short-term deposits	7,433	6,716
Payable for equitisation of a subsidiary	-	81,605
Others	53,733	184,571
	2,527,993	398,473
Long-term		
Long-term deposits	28,470	22,804
Others	2,465	75,009
	30,935	97,813

20. Borrowings, bonds and finance lease liabilities

	31/12/2016 VND million	1/1/2016 VND million
Short-term borrowings (*)		
Short-term borrowings	7,947,513	5,302,490
Current portion of long-term borrowings	670,827	3,064,135
	8,618,340	8,366,625
Long-term borrowings, bonds and financial lease liabilities (**)		
Long-term borrowings, bonds and financial lease liabilities	33,143,225	30,317,247
Repayable within twelve months	(670,827)	(3,064,135)
	32,472,398	27,253,112

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(*) Short-term borrowings

	1/1/2016		Movements during the year				31/12/2016
	Carrying amounts and amounts within repayment capacity VND million	Acquisition of a subsidiary (Note 5) VND million	Additions VND million	Repayments VND million	Reclassifications from long-term borrowings VND million	Unrealised foreign exchange losses VND million	Carrying amounts and amounts within repayment capacity VND million
Short-term borrowings	5,302,490	50,000	22,442,654	(19,871,217)	-	23,586	7,947,513
Current portion of long-term borrowings	3,064,135	-	-	(2,757,837)	364,529	-	670,827
	8,366,625	50,000	22,442,654	(22,629,054)	364,529	23,586	8,618,340

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

	Currency	Annual interest rate	31/12/2016 VND million	1/1/2016 VND million
Short-term borrowings				
Secured bank loans	VND	4.4% - 8.0%	1,258,930	681,916
Secured bank loans	USD	3.5% - 5.1%	831,418	1,732,671
Unsecured bank loans	VND	4.4% - 5.0%	5,121,089	2,322,068
Unsecured bank loans	USD	1.5% - 2.0%	165,395	-
Unsecured loans	USD	6.0%	570,681	565,835
			7,947,513	5,302,490

As at 31 December 2016 and 1 January 2016, the bank loans were secured by the following assets of the Group:

- (i) 120 million shares of MR.
- (ii) a part of inventories and short-term receivables of an indirect subsidiary.

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

	31/12/2016 VND million	1/1/2016 VND million
Long-term borrowings (a)	1,091,862	961,867
Convertible loans (b)	567,960	567,960
Straight bonds (c)	31,458,105	28,747,968
Finance lease liabilities (d)	25,298	39,452
	33,143,225	30,317,247

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

	Currency	Interest rate per annum	Year of maturity	31/12/2016 VND million	1/1/2016 VND million
a. Long-term borrowings					
Secured bank loans	VND	8.0% - 9.3%	2016-2020	293,512	961,867
Unsecured loan	USD	0%	2018	798,350	-
				1,091,862	961,867
b. Convertible loans					
Credit Suisse Ag	USD	9.6% - 10.8%	2017	567,960	567,960
c. Straight bonds					
(including issuance costs)	VND	7.0% - 10.2%	2020-2024	31,458,105	28,747,968
d. Finance lease liabilities					
	VND	14.0%	2018	25,298	39,452

(a) Long-term borrowings

As at 31 December 2016, long-term borrowings of the Group comprised of:

- (i) VND denominated loans amounting to VND293,512 million (1/1/2016: VND581,868 million), which were secured over certain fixed assets and certain construction in progress with carrying amount of VND836,939 million (1/1/2016: VND936,938 million) (Note 10) and VND3,809 million, respectively.
- (ii) USD denominated loan of VND798,350 million (equivalent to USD35 million). See Note 7(d)(iii).

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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 are 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 are 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 are 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. The Group has accrued interest based on the nominal interest rates.
- (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.

(c) Straight bonds

The carrying amount of the bonds comprised the following:

	31/12/2016	1/1/2016
	VND million	VND million
Straight bonds	31,900,000	29,176,882
Unamortised bond issuance costs	(441,895)	(428,914)
	<hr/>	<hr/>
	31,458,105	28,747,968
	<hr/>	<hr/>

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- (i) VND6,000 billion (1/1/2016: VND4,000 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 (1/1/2016: 81.3 million shares) of MSC;
- (ii) VND2,100 billion (1/1/2016: 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 (1/1/2016: 80.3 million shares) of MSC;
- (iii) VND9,000 billion (1/1/2016: 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 (1/1/2016: 129.6 million shares) of MSC;
- (iv) VND3,700 billion (1/1/2016: VND3,700 billion) bonds with a maturity of 5 years at an interest rate of 8.0% per annum in the first year and 3.5% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining periods. The bonds were secured over MNS's equity interest in 70.0% of ANCO and 65.8% of Proconco (1/1/2016: MNS's equity interest in 70.0% of ANCO and 65.8% of Proconco);
- (v) VND1,300 billion (1/1/2016: nil) 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 (1/1/2016: nil) of ANCO;
- (vi) VND700 billion (1/1/2016: nil) 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 (1/1/2016: nil) of Proconco;
- (vii) VND8,100 billion (1/1/2016: 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; and
- (viii) VND1,000 billion (1/1/2016: nil) bonds with a maturity of 2 years at an interest rate of 8% 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 (1/1/2016: nil) shares of MR.

The secured bonds were also secured over certain fixed assets with carrying amount of VND15,223,301 million (1/1/2016: VND15,369,867 million) of indirect subsidiaries of the Company.

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

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(d) Finance lease liabilities

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

	31/12/2016			1/1/2016		
	Payments VND million	Interest VND million	Principal VND million	Payments VND million	Interest VND million	Principal VND million
Within one year	21,931	2,720	19,211	21,930	5,219	16,711
Within two to five years	6,266	179	6,087	25,064	2,323	22,741
	28,197	2,899	25,298	46,994	7,542	39,452

21. Provisions

	31/12/2016 VND million	1/1/2016 VND million
Provision for mining rights fee	561,742	561,241
Provision for mine rehabilitation	22,603	20,987
Provision for severance allowance	40,949	33,707
	625,294	615,935

Movements of provisions during the year were as follows:

	Mining rights VND million	Mine rehabilitation VND million	Severance allowance VND million	Total VND million
Opening balance	561,241	20,987	33,707	615,935
Provision made during the year	43,895	1,616	8,918	54,429
Provision used during the year	(30,000)	-	(1,676)	(31,676)
Netted-off with tax refund	(13,394)	-	-	(13,394)
Closing balance	561,742	22,603	40,949	625,294

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22. Changes in owners' equity

	Share capital VND million	Capital surplus VND million	Other capital VND million	Undistributed profits after tax VND million	Equity attributable to equity holders of Company VND million	Non-controlling interest VND million	Total VND million
Balance as at 1 January 2015	7,358,081	9,631,164	(9,045,049)	7,071,887	15,016,083	6,909,056	21,925,139
Issuance of new shares	109,098	(58)	-	-	109,040	-	109,040
Transactions with NCI	-	-	-	14,022	14,022	(1,082,987)	(1,068,965)
Business combination in MNS	-	-	-	-	-	4,288,035	4,288,035
Board of Directors' fees of subsidiaries	-	-	-	(1,679)	(1,679)	(1,477)	(3,156)
Net profit for the year	-	-	-	1,478,292	1,478,292	1,048,958	2,527,250
Dividends declared	-	-	-	-	-	(666,846)	(666,846)
Transfers to funds	-	-	-	(1,142)	(1,142)	(309)	(1,451)
Balance as at 31 December 2015	7,467,179	9,631,106	(9,045,049)	8,561,380	16,614,616	10,494,430	27,109,046

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	Share capital VND million	Capital surplus VND million	Other capital VND million	Treasury shares VND million	Foreign exchange difference VND million	Undistributed profits after tax VND million	Equity attributable to equity holders of Company VND million	Non-controlling interest VND million	Total VND million
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 23)	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 (Note 7)	-	-	-	-	-	(2,060,328)	(2,060,328)	(6,165,737)	(8,226,065)
Business combination in CDN (Note 5)	-	-	-	-	-	-	-	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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23. Share capital and capital surplus

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

	31/12/2016		1/1/2016	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	768,075,674	7,680,757	746,717,861	7,467,179
Issued share capital				
Ordinary shares	768,075,674	7,680,757	746,717,861	7,467,179
Capital surplus	-	10,649,796	-	9,631,106
Treasury shares				
Ordinary shares	(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.

The Company purchased 9,234,210 treasury shares for a cash consideration of VND641,110 million.

Movements of share capital during the year were as follows:

	2016		2015	
	Number of shares	VND million	Number of shares	VND million
Balance at beginning of the year	746,717,861	7,467,179	735,808,140	7,358,081
Insurance of new shares at par for cash	21,357,813	213,578	10,909,721	109,098
Balance at end of the year	768,075,674	7,680,757	746,717,861	7,467,179

The Company issued 9,357,813 shares at par for cash (Note 36) and 12,000,000 shares at VND95,000 per share (see Note 7(d)(iii)). The proceeds from the issuance of 12,000,000 shares were used to repay the Company's loans.

In December 2016, the Company's shareholders also approved the issuance of bonus shares with the ratio of 50% of par value.

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24. Other capital

Movements of other capital during the year were as follows:

	2016	2015
	VND million	VND million
Opening balance	9,045,049	9,045,049
Equity transaction (*)	206,366	-
Equity transaction in a subsidiary (**)	175,543	-
	9,426,958	9,045,049
Closing balance	9,426,958	9,045,049

- (*) In 2012, the Company entered into convertible loan agreements for USD30 million (equivalent to VND624,840 million) with Mount Kellett Capital Management LP through its company named MRG Limited for a term of 4 years.

To enhance the creditworthiness of the Company and facilitate the financing transaction, the parent company also entered into arrangement with the Company and the lender in which the parent company undertakes the risks and obligations to subscribe to the Conversion Shares and directly pay the principals and deferred interests to the lender in the event that the lender does not exercise the conversion option. The parent company did not receive any consideration or other benefits in return for such undertakings on behalf of the Company.

Among others, the agreements provide the following:

- (i) The convertible loan bears semi-annual coupons of 5.0% per annum in year one, 6.0% per annum in years two and three, and 7.0% per annum for the remaining term of the convertible loan. A deferred interest which would achieve an effective rate of return of 10.0% is payable if the conversion option is not exercised; and
- (ii) The shares to be issued on conversion (“Conversion Shares”) shall be determined based on an initial conversion price of VND85,000 per share and subject to ratchet adjustments and other terms of the definitive agreement. However, the maximum number of Conversion Shares will be 9.6 million. The mandatorily issuable minimum number of Conversion Shares is 7.5 million, which is treated as an equity instrument.

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In July 2013, the Company repurchased two third of the convertible loan of USD30 million subscribed by MRG Limited, resulting in the maximum number of Conversion Shares being reduced to 3.2 million and the mandatorily issuable minimum number of Conversion Shares was reduced to 2.5 million as at 1 January 2015.

In March 2016, the Company repurchased the remaining one third of the convertible loan of USD30 million subscribed by MRG Limited for a cash consideration of VND266,927 million.

(**) ANCO granted a call option to a member of Board of Directors of a subsidiary to buy 5% of ANCO’s equity interest on a fully diluted basis at par value, which can be exercised within 10 years from January 2016. In February 2016, this option was acquired by MNS as part of MNS’s overall restructuring and efforts to increase its equity interest in its subsidiaries, particularly ANCO and Proconco.

25. Dividends

In December 2016, the Company’s shareholders approved the allocation of cash dividends with the ratio of 30% of par value.

26. Off balance sheet items

(a) Lease

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

	31/12/2016	1/1/2016
	VND million	VND million
Within one year	159,411	86,801
Within two to five years	150,453	126,464
More than five years	152,914	164,498
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	462,778	377,763
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(b) Capital expenditure

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

	31/12/2016	1/1/2016
	VND million	VND million
Approved and contracted	766,264	794,265
Approved but not contracted	1,236,996	1,048,718
	2,003,260	1,842,983
	2,003,260	1,842,983

(c) Foreign currencies

	31/12/2016		1/1/2016	
	Original currency	VND million equivalent	Original currency	VND million equivalent
USD	23,054,371	523,806	13,425,910	300,734
EUR	345	8	1,378	34
SGD	338	5	358	6
THB	97,959,692	60,637	-	-
		584,456		300,774
		584,456		300,774

(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 2016 that have been recognised on a provisional basis is VND112 billion (2015: nil).

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27. Revenue from sale of goods

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

Net revenue comprised of:

	2016	2015
	VND million	VND million
Total revenue		
▪ Sale of finished goods and others	45,100,176	31,324,871
<hr/>		
Less revenue deductions		
▪ Sales discounts	1,748,440	606,034
▪ Sales returns	54,672	90,427
<hr/>		
	1,803,112	696,461
<hr/>		
	43,297,064	30,628,410
<hr/>		

28. Cost of sales

	2016	2015
	VND million	VND million
Total cost of sales		
▪ Finished goods sold and other sales	30,308,187	20,725,976
▪ Allowance for inventories	58,792	93,810
<hr/>		
	30,366,979	20,819,786
<hr/>		

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29. Financial income

	2016	2015
	VND million	VND million
Interest income from:		
• Deposits	579,836	355,444
• Other loan investing activities	131,194	481,084
Negative goodwill on acquisition of a subsidiary	-	147,641
Realised gains from derivative financial instruments	2,609	17,623
Foreign exchange gains	51,421	66,502
Others	4,134	314,009
	<hr/>	<hr/>
	769,194	1,382,303
	<hr/>	<hr/>

30. Financial expenses

	2016	2015
	VND million	VND million
Interest expense on loans/bonds from:		
• Banks	336,307	271,425
• Bondholders	2,666,989	2,106,907
• Others	109,184	46,973
Foreign exchange losses	88,142	206,819
Realised losses from derivative financial instruments	30,142	12,014
Others	60,462	70,563
	<hr/>	<hr/>
	3,291,226	2,714,701
	<hr/>	<hr/>

31. Selling expenses

	2016	2015
	VND million	VND million
Promotion and advertising expenses	2,882,343	2,349,885
Transportation expense	916,393	842,352
Staff cost	869,191	523,640
Exhibition expense	54,311	55,158
Marketing research expense	34,116	51,567
Other expenses	214,149	221,755
	<hr/>	<hr/>
	4,970,503	4,044,357
	<hr/>	<hr/>

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32. General and administration expenses

	2016 VND million	2015 VND million
Staff cost	606,130	591,940
Amortisation of fair value uplift of fixed assets arising in business combination	586,973	383,671
Amortisation of goodwill	111,350	109,518
Depreciation and amortisation	98,266	78,327
Research and development expenses	33,225	21,225
System lease line and IT services	130,959	86,993
Office rental	52,522	47,326
Outside services	141,632	76,258
Other expenses	175,324	269,259
	<hr/> 1,936,381	<hr/> 1,664,517
	<hr/>	<hr/>

33. Income tax

(a) Recognised in the consolidated statement of income

	2016 VND million	2015 VND million
Current tax expense		
Current year	876,837	831,685
Under/(over) provision in prior years	15,484	(14,151)
	<hr/> 892,321	<hr/> 817,534
Deferred tax benefit		
Origination and reversal of temporary differences	(218,415)	(150,674)
Effect of change in tax rate	-	32,619
	<hr/> (218,415)	<hr/> (118,055)
Income tax expense	<hr/> 673,906	<hr/> 699,479
	<hr/>	<hr/>

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(b) Reconciliation of effective tax rate

	2016		2015	
	%	VND million	%	VND million
Accounting profit before tax	100.0%	4,446,403	100.0%	3,226,729
Tax at the Company's income tax rate	20.0%	889,281	22.0%	709,880
Effect of different tax rates in subsidiaries	(12.5%)	(554,964)	(10.5%)	(341,610)
Effect of consolidation transactions	0.4%	17,931	0.1%	4,164
Non-deductible expenses	2.4%	108,066	4.0%	130,121
Tax exempt income	(0.6%)	(28,031)	-	-
Effect of share of profit in associates net of tax	(4.4%)	(195,988)	(3.4%)	(109,784)
Deferred tax assets not recognised	10.3%	455,256	11.5%	375,282
Under/(over) provision in prior years	0.3%	15,484	(0.4%)	(14,151)
Effect of change in tax rate	0.0%	-	1.0%	32,619
Tax losses utilised	(0.7%)	(33,129)	(2.6%)	(87,042)
	15.2%	673,906	21.7%	699,479

(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 (2015: 22%).

The usual income tax rate applicable to enterprises before any incentives is 20% for 2016 (2015: 22%).

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.

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34. 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 transactions with related parties in accordance with Vietnamese Accounting Standards during the year:

Related Party	Nature of transaction	2016 VND million	2015 VND million
Other related party			
Vietnam Technological and Commercial Joint Stock Bank (“Techcombank”)	Loans received	1,955,590	2,596,819
	Loans re-paid	3,542,422	1,375,112
	Interest expense on loans received	160,555	131,393
	Bond proceeds received (*)	1,000,000	-
Key management personnel	Remuneration to key management personnel (**)	105,497	72,049

As at 31 December 2016, the Company and its subsidiaries have current and term deposit accounts at Vietnam Technological and Commercial Joint Stock Bank at normal trading terms.

(*) The bonds will be listed and sold to a broader set of investors pursuant to an arrangement agreement. The application of bond registration has submitted to Vietnam Securities Depository in January 2017.

(**) No board fees were paid to the Company’s Board of Directors’ members for the years ended 31 December 2016 and 2015.

35. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2016 was based on the net profit attributable to ordinary shareholders of VND2,791,444 million (2015: VND1,478,292 million) of the Group and a weighted average number of ordinary shares outstanding of 1,133,768,236 shares during the year (2015: 1,122,829,258 shares).

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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

	2016	2015
	VND million	VND million
Net profit attributable to ordinary shareholders	2,791,444	1,478,292

(ii) Weighted average number of ordinary shares

	2016	2015
		(as restated)
Issued ordinary shares at the beginning of the year	746,717,861	735,808,140
Effect of shares issued for cash	5,277,494	5,111,130
Effect of treasury shares held	(2,511,392)	-
Effect of shares to be issued solely after the passage of time	9,542,291	11,450,353
Weighted average number of ordinary shares at the end of the year (as previously reported)	759,026,254	752,369,623
Effect of bonus shares to be issued	374,741,982	370,459,635
Weighted average number of ordinary shares at the end of the year (as restated)	1,133,768,236	1,122,829,258

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 2015 and 2016 have been adjusted to reflect the bonus shares issued in 2017. Basic earnings per share for the year ended 31 December 2015 have also been restated accordingly to reflect these bonus share.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the years ended 31 December 2016 and 2015 was based on net profit attributable to shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

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

	2016	2015
	VND million	VND million
Net profit attributable to shareholders	2,791,444	1,478,292

Potential dilutive ordinary shares have no income effect on the net profit attributable to shareholders for the years ended 31 December 2016 and 2015.

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

	2016	2015
		(as restated)
Weighted average number of ordinary shares (basic)	1,133,768,236	1,122,829,258
Effect of potential dilutive share ordinary shares	-	753,954
Weighted average number of ordinary shares (diluted)	1,133,768,236	1,123,583,212

36. Share-based payment

The Company has an employee share-based payment plan 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 2016, the Company issued 9,357,813 shares to employees at par for cash.

37. Non-cash investing activities

	2016	2015
	VND million	VND million
Cost of construction not yet paid	254,907	353,627
Interest expense capitalised into construction in progress	200,407	319,610
Depreciation and amortisation capitalised into construction in progress	4,731	3,876
Capitalisation of interest expense into borrowings	32,967	17,841

Masan Group Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
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dated 22 December 2014 of the Ministry of Finance)

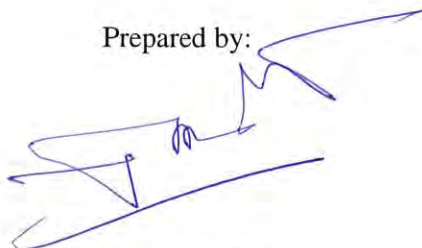
38. Post balance sheet events

The payment of cash dividends with the ratio of 30% of par value for each share was made on 24 January 2017.

The shareholders' book closing date in respect of the issuance of bonus shares with the ratio of 50% of par value for each share was on 24 January 2017. The Company completed the required procedures for the distribution of bonus shares to shareholders in February 2017.

15 March 2017

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

