



Masan Resources Corporation

Consolidated Financial Statements
for the year ended 31 December 2019



Masan Resources Corporation Corporate Information

Enterprise Registration

Certificate No. 0309966889 27 April 2010

The Company's Enterprise Registration Certificate has been amended several times, the most recent of which was dated 20 May 2019. The Certificate and its amendments were issued by the Department of Planning and Investment of Ho Chi Minh City. The first Business Registration Certificate No. 0309966889 was issued on 27 April 2010.

Investment Certificate No. 41122000131 2 August 2013

The Investment Certificate was issued by the People's Committee of Ho Chi Minh City to the Company to implement the investment of "Ma San Resources Corporation" which has a term of 10 years from the date of the Investment Certificate.

Board of Directors ("BOD")

Mr. Danny Le	Chairman (<i>appointed and approved by General Meeting of Shareholders (GMS) on 19/4/2019</i>)
Mr. Chetan Prakash Baxi	Chairman (<i>resigned on 16/4/2019 and approved by GMS on 9/4/2019</i>)
Mr. Nguyen Thieu Nam	First Vice Chairman (<i>appointed and approved by BOD on 19/4/2019</i>)
Dr. Nguyen Dang Quang	Member (<i>resigned on 13/12/2019</i>)
Mr. Nguyen Van Thang	Member
Mr. Craig Richard Bradshaw	Member (<i>appointed and approved by GMS on 19/4/2019</i>)
Mr. Dominic John Heaton	Member (<i>resigned on 26/7/2018 and approved by GMS on 19/4/2019</i>)

Board of Management

Mr. Craig Richard Bradshaw	General Director
Mr. Stuart James Wells	Chief Financial Officer (<i>from 7/3/2019</i>)
Ms. Nguyen Thi Thanh Mai	Chief Accountant

Registered Office

Suite 802, 8th Floor, Central Plaza Building
No. 17 Le Duan, Ben Nghe Ward, District 1
Ho Chi Minh City
Vietnam

Auditor

KPMG Limited
Vietnam

Masan Resources Corporation Statement of the Board of Management

The Board of Management of Masan Resources Corporation (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) as of and for the year ended 31 December 2019.

The Board of Management is responsible for the preparation and presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Management:

- (a) the consolidated financial statements set out on pages 5 to 55 give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of the consolidated results of operations and the cash flows of the Group for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due. The financial statements have included adequate disclosure of matters relevant to the Board of Management assessment of the validity of the going concern assumption.

The Board of Management has, on the date of this statement, authorised these consolidated financial statements for issue.



On behalf of the Board of Management


Craig Richard Bradshaw
General Director

Ho Chi Minh City, 9 March 2020



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders Masan Resources Corporation

We have audited the accompanying consolidated financial statements of Masan Resources Corporation ("the Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated balance sheets as at 31 December 2019, the related 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 management on 9 March 2020, as set out on pages 5 to 55.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of these consolidated 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 management determines 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 Company'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 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 the Group as at 31 December 2019 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG Limited

Vietnam

Audit Report No.: 19-02-00167-20-1



Dam Xuan Lam

Practicing Auditor Registration

Certificate No.: 0861-2018-007-1

Deputy General Director

Hanoi, 9 March 2020

Wang Toon Kim

Practicing Auditor Registration

Certificate No.: 0557-2018-007-1

Masan Resources Corporation
Consolidated balance sheet as at 31 December 2019

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

	Code	Note	31/12/2019 VND'000	1/1/2019 VND'000
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		7,581,595,985	4,333,718,245
Cash and cash equivalents	110	5	1,723,204,606	467,220,260
Cash	111		941,446,956	263,449,041
Cash equivalents	112		781,757,650	203,771,219
Short-term financial investments	120		5,900,000	-
Held-to-maturity investments	123		5,900,000	-
Accounts receivable – short-term	130		1,735,574,636	1,612,852,955
Accounts receivable from customers	131	6	280,413,823	960,321,689
Prepayments to suppliers	132		204,604,439	175,750,070
Loan receivables	135	7	1,000,000,000	-
Other receivables	136	8	250,556,374	476,781,196
Inventories	140	9	3,139,024,753	1,646,014,138
Inventories	141		3,139,024,753	1,646,014,138
Other current assets	150		977,891,990	607,630,892
Short-term prepaid expenses	151		41,186,774	45,996,377
Deductible value added tax	152		936,705,216	561,634,515

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

Masan Resources Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2019 (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	31/12/2019 VND'000	1/1/2019 VND'000
Long term assets (200 = 210 + 220 + 240 + 250 + 260)	200		22,193,123,896	23,615,407,322
Accounts receivable – long-term	210		1,303,868,898	1,335,307,630
Other long-term receivables	216	8	1,303,868,898	1,335,307,630
Fixed assets	220		16,568,909,156	18,267,296,514
Tangible fixed assets	221	10	16,103,772,445	17,767,943,281
Cost	222		21,906,539,480	22,411,038,516
Accumulated depreciation	223		(5,802,767,035)	(4,643,095,235)
Finance lease tangible fixed assets	224	11	-	-
Cost	225		67,300,000	67,300,000
Accumulated depreciation	226		(67,300,000)	(67,300,000)
Intangible fixed assets	227	12	465,136,711	499,353,233
Cost	228		696,680,717	688,278,032
Accumulated amortisation	229		(231,544,006)	(188,924,799)
Long-term work in progress	240		1,694,487,259	1,429,178,901
Construction in progress	242	13	1,694,487,259	1,429,178,901
Long-term financial investments	250		-	5,900,000
Held-to-maturity investments	255		-	5,900,000
Other long-term assets	260		2,625,858,583	2,577,724,277
Long-term prepaid expenses	261	14	2,625,858,583	2,576,441,928
Deferred tax assets	262	20(i)	-	1,282,349
TOTAL ASSETS (270 = 100 + 200)	270		29,774,719,881	27,949,125,567

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

Masan Resources Corporation and its subsidiaries
Consolidated balance sheet as at 31 December 2019 (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	31/12/2019 VND'000	1/1/2019 VND'000
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		17,304,897,615	15,823,171,322
Current liabilities	310		11,219,362,163	4,101,944,806
Accounts payable to suppliers	311		324,870,571	526,342,610
Advances from customers	312	15	1,105,603,346	238,767,158
Taxes payable to State Treasury	313	16	199,721,483	66,770,503
Payables to employees	314		6,220	-
Accrued expenses	315	17	704,901,206	734,808,645
Other short-term payables	319	18	1,126,975,596	67,894,855
Short-term borrowings, bonds and financial lease liabilities	320	19(a)	7,757,283,741	2,467,361,035
Long-term liabilities	330		6,085,535,452	11,721,226,516
Other long-term payables	337	18	-	1,124,123,839
Long-term borrowings, bonds and financial lease liabilities	338	19(b)	4,969,653,657	9,491,007,736
Deferred tax liabilities	341	20(ii)	586,978,688	613,430,657
Provisions – long-term	342	21	528,903,107	492,664,284
EQUITY (400 = 410)	400		12,469,822,266	12,125,954,245
Equity	410	22	12,469,822,266	12,125,954,245
Share capital	411	23	9,892,398,780	8,993,091,220
- Ordinary shares with voting rights	411a		9,892,398,780	8,993,091,220
Share premium	412	23	145,709,384	145,709,384
Other capital	414		(295,683,347)	(295,683,347)
Retained profits after tax	421		2,727,397,449	3,282,836,988
- Retained profits brought forward	421a		2,375,003,634	2,757,718,772
- Retained profit for the current year	421b		352,393,815	525,118,216
TOTAL RESOURCES (440 = 300 + 400)	440		29,774,719,881	27,949,125,567

9 March 2020

Prepared by:



Nguyen Thi Thanh Mai
Chief Accountant

Reviewed by:



Stuart James Wells
Chief Financial Officer

Approved by:



Craig Richard Bradshaw
General Director

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

Masan Resources Corporation and its subsidiaries
Consolidated statement of income for the year ended 31 December 2019

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

	Code	Note	2019 VND'000	2018 VND'000
Revenue from sales of goods	01	25	4,706,129,858	6,865,010,875
Cost of sales	11		3,971,145,298	4,703,549,284
Gross profit (20 = 01 - 11)	20		734,984,560	2,161,461,591
Financial income	21	26	931,680,260	126,790,749
Financial expenses	22	27	1,290,661,189	1,204,829,996
Selling expenses	25		104,782,370	104,331,557
General and administration expenses	26		142,007,143	127,022,646
Net operating profit (30 = 20 + 21 - 22 - 25 - 26)	30		129,214,118	852,068,141
Other income	31	28	1,230,029,410	2,098,777
Other expenses	32	29	893,457,185	26,054,374
Results of other activities (40 = 31 - 32)	40		336,572,225	(23,955,597)
Accounting profit before tax (50 = 30 + 40)	50		465,786,343	828,112,544
Income tax expense – current	51	30	138,562,148	35,190,165
Income tax benefit – deferred	52	30	(25,169,620)	(17,079,300)
Net profit after tax (60 = 50 - 51 - 52) (carried to next page)	60		352,393,815	810,001,679

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

Masan Resources Corporation and its subsidiaries
Consolidated statement of income for the year ended 31 December 2019 (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	2019 VND'000	2018 VND'000
Net profit after tax (60 = 50 - 51 - 52) (brought from previous page)	60		352,393,815	810,001,679
Net profit attributable to:				
Equity holders of the Company	61		352,393,815	663,756,323
Non-controlling interest	62		-	146,245,356
			<hr/>	<hr/>
			VND	VND
Earnings per share				(Restated)
Basic earnings per share	70	31	356	671
			<hr/>	<hr/>

9 March 2020

Prepared by:



Nguyen Thi Thanh Mai
Chief Accountant

Reviewed by:



Stuart James Wells
Chief Financial Officer

Approved by:



Craig Richard Bradshaw
General Director

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

Masan Resources Corporation and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2019
(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	2019 VND'000	2018 VND'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		465,786,343	828,112,544
Adjustments for				
Depreciation and amortisation	02		1,206,383,561	1,235,908,778
Allowances and provisions	03		39,749,622	41,014,656
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(6,976,590)	6,989,532
Profits from investing activities	05		(40,014,585)	(27,848,288)
Interest expense and borrowing fees	06		1,161,519,606	1,079,797,011
Operating profit before changes in working capital	08		2,826,447,957	3,163,974,233
Change in receivables	09		487,538,695	(982,999,214)
Change in inventories	10		(1,493,010,616)	(236,951,168)
Change in payables and other liabilities	11		773,365,144	131,197,383
Change in prepaid expenses	12		4,220,162	(93,222,743)
			2,598,561,342	1,981,998,491
Interest paid	14		(1,127,738,800)	(1,048,441,244)
Income tax paid	15		(39,142,971)	(36,533,036)
Net cash flows from operating activities	20		1,431,679,571	897,024,211
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(888,223,637)	(1,076,471,346)
Compensation to finalize previously constructed fixed assets (Note 33(i))	21		984,161,905	-
Proceeds from disposals of fixed assets and other long-term assets	22		977,273	1,452,381
Payments for term deposit and granting loans to other parties	23		(1,000,000,000)	(5,900,000)
Term deposit received	24		-	32,500,000
Payments for acquisition of non-controlling interest	25		(8,525,794)	(695,653,481)
Receipt of interest	27		37,731,636	25,871,532
Net cash flows from investing activities	30		(873,878,617)	(1,718,200,914)

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

Masan Resources Corporation and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2019
(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	2019 VND'000	2018 VND'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and bonds	33		7,908,523,055	7,517,713,852
Payments to settle loan principals and bond issuance related costs	34		(7,206,551,527)	(6,999,320,201)
Payments to settle financial lease	35		-	(9,026,327)
Net cash flows from financing activities	40		701,971,528	509,367,324
Net cash flows during the year (50 = 20 + 30 + 40)	50		1,259,772,482	(311,809,379)
Cash and cash equivalents at the beginning of the year	60		467,220,260	780,414,201
Effect of exchange rate fluctuation on cash and cash equivalents	61		(3,788,136)	(1,384,562)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	5	1,723,204,606	467,220,260

9 March 2020

Prepared by:



Nguyen Thi Thanh Mai
Chief Accountant

Reviewed by:



Stuart James Wells
Chief Financial Officer

Approved by:



Craig Richard Bradshaw
General Director

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

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019

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

Ownership and group structure

Masan Resources Corporation (“the Company” or “MSR”) is incorporated as a joint stock company in Vietnam. The principal activity of the Company is investment holding.

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

The principal activities of the subsidiaries are described as follows:

Name	Address	Principal activity	Percentage of economic interests at 31/12/2019 & 1/1/2019
Masan Thai Nguyen Resources Company Limited (“MRTN”)	Ho Chi Minh City	Investment holding	100%
Thai Nguyen Trading and Investment Company Ltd (“TNTI”)	Ho Chi Minh City	Investment holding	100%
Nui Phao Mining Company Limited (“NPM”)	Thai Nguyen Province	Exploring and processing mineral (*)	100%
Masan Tungsten Limited Liability Company (“MTC”)	Thai Nguyen Province	Deep processing of nonferrous metals and precious metals (Tungsten)	100%

MTC is a subsidiary of NPM. TNTI and NPM are subsidiaries of MRTN. MRTN is a subsidiary of the Company.

(*) NPM’s principal activities are to explore, exploit, mine and process tungsten, fluorite, bismuth, copper under the “Nui Phao Mining Project” in Ha Thuong Commune, Dai Tu District in Thai Nguyen Province for export and domestic sales. The “Nui Phao Mining Project” is under Investment Certificate No. 17121000026 which expires on 2 February 2034.

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

All the subsidiaries are incorporated in Vietnam.

As at 31 December 2019, the Group had 1,405 employees (1/1/2019: 1,403 employees).

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
(continued)

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

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) Going concern assumption

The financial statements have been prepared on a going concern basis. At the balance sheet date, the Group's current liabilities exceeded its current assets by VND3,638 billion (1/1/2019: current assets exceeded current liabilities by VND232 billion). Furthermore, the Group have significant loans that will require refinancing within the next 12 months (Note 19). The validity of the going concern assumption fundamentally depends on the Company's ability to restructure the outstanding payable with its related parties and to obtain additional financing resources as are necessary to enable the Company to meet its liabilities as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

At the time of this report, there is no reason for the management to believe that the Company will not be able to do so.

(d) Annual accounting period

The annual accounting period of the Company and its subsidiaries are from 1 January to 31 December.

(e) Accounting and presentation currency

The Group's accounting currency is Vietnam Dong ("VND"). The consolidated financial statements are prepared and presented in VND rounded to the nearest thousand ("VND'000").

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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3. Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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 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, the Group takes into consideration the potential voting rights that currently are exercisable.

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

(ii) 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.

(iii) Non-controlling interests

Non-controlling interests ("NCI") are measured by their proportionate economic interest in 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. In accordance with Circular No. 202/2014/TT-BTC issued by the Ministry of Finance providing guidance on preparation and presentation of consolidated financial statements ("Circular 202") which was applied prospectively from 1 January 2015, 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 retained profits under equity.

(iv) 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.

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(v) Goodwill

Goodwill arises on the acquisition of subsidiary and 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 in exchange for control of the acquire, plus any costs directly attributable to the acquisition. Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis over 10 years. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount when management determines that it is not fully recoverable.

(b) 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 account transfer buying rate and account transfer selling rate 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.

(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 amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Investments

(i) Held to maturity investments

Held-to-maturity investments are those that the Group's management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank, bonds and loan receivables held to maturity. These investments are stated at costs.

(ii) Trading securities

Trading securities are those held by the Group for trading purpose i.e. purchased for resale with the aim of making profits over a short period of time. Trading securities are initially recognized at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost less allowance for diminution in value.

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
(continued)

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

(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 mining and manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

The Group applies the perpetual method of accounting for inventories.

(g) Tangible fixed assets

(i) Cost

Upon completion of the mine construction phase, the assets are transferred into “building and structures”, “machinery and equipment” or “other mining assets” in tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price or construction cost, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location 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 repairs and maintenance and overhaul costs, is normally charged to the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has 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 is capitalised as an additional cost of tangible fixed assets.

In situations where the self-constructed tangible assets have been completed and are put into used but their cost is not finalized, their historical cost will be recorded to provisional cost using temporarily estimated value and they shall be adjusted with the difference after the finalized cost are approved.

Other mining assets comprise mine rehabilitation assets; and fair value of mineral reserves and mineral resources from business combination.

Masan Resources Corporation and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(ii) Depreciation

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

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

Machinery and equipment of a subsidiary directly related to production activities

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

	2019	2018
ST plant	171,865 tonnes of tungsten	125,140 tonnes of tungsten
APT plant	166,990 tonnes of tungsten	120,265 tonnes of tungsten

In the current year, MTC – a subsidiary conducted review of its tangible fixed assets and consequently increase the production quantity output of the tangible fixed asset to reflect accurately the expected production quantity output of assets. This resulted in a change in the estimated total production quantity output for ST and APT plants.

The effect on the depreciation charge for the current year was to decrease the depreciation charge by VND26,810 million.

Others

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

▪ buildings and structures	5 – 20 years
▪ machinery and equipment	3 – 15 years
▪ office equipment	3 – 10 years
▪ motor vehicles	3 – 6 years
▪ other mining assets	19 years

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In the current year, MTC also revised the estimated useful life of certain groups of assets to reflect the useful life of these assets more accurately. The effect on the depreciation charge for the current year was to decrease the depreciation charge by VND6,313 million. The revised estimated useful lives are as follows:

	2019	2018
▪ buildings and structures	15-20 years	10-15 years

Construction asset which are completed and put into use before finalizing construction costs are stated at provisional cost. On the date the construction costs are finalized and approved, provisional cost shall be adjusted to finalized cost and accumulated depreciation shall not be adjusted. The subsequent depreciation charge is determined as the approved value minus the accumulated depreciation made for the period up to the approval of finalization of fixed asset divided by the remaining depreciation period of the fixed asset according to relevant regulations.

(h) Finance lease tangible fixed assets

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

Depreciation on finance leased assets is computed on a straight-line basis over the estimated useful life of items of the leased assets which is five (5) years.

(i) Intangible fixed assets

(i) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over three (3) to eight (8) years.

(ii) 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 Decree 203/2013/ND/CP dated 28 November 2013 (“Decree 203/2013”) which became effective from 20 January 2014. Cost of mining rights was stated at an amount equal to the present value of mining rights fee and was capitalised and treated as an intangible asset. Amortisation of mining rights is computed on a straight-line basis over the period of 15 years which is the economic life of the mineral reserves.

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(j) Construction in progress

Construction in progress represents mineral assets under development and cost of construction and machinery which have not been fully completed, installed and commissioned. It also comprises land compensation, mineral reserves, mineral resources and related development expenditure. These assets qualify for capitalisation when the mineral reserves to which they relate is proven to be commercially and technically viable. They are capitalised net of proceeds from the sale of commissioning products during the development phase. On completion of construction defined as the time when the assets are brought into the condition of its intended use, all assets are reclassified to tangible fixed assets as either “buildings and structures”, “machinery and equipment” or “other mining assets”; or long-term prepaid expenses as “other mining costs”.

No depreciation is provided for construction in progress during the period of development, construction, installation and commissioning stages.

(k) Long-term prepaid expenses

(i) Land compensation costs

Land compensation costs comprise prepaid land lease rentals, compensation, resettlement and other costs incurred in conjunction with securing the use of leased land for its mining activities. These costs are recognised in the statement of income on a straight-line basis over the term of the lease.

(ii) Other mining costs

Other mining costs comprise:

- 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.

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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 year 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.

(iii) Other prepaid expenses

Other prepaid expenses include service fees which are initially stated at cost and amortised on a straight-line basis over the term of the contracts for services fees.

(l) Accounts payable

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

(m) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company 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.

(i) 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 and the price to calculate the charge for granting mining rights in accordance with:

- Decree 203/2013/ND-CP dated 28 November 2013 (“Decree 203”), Decree 158/2016/ND-CP dated 29 November 2016 (“Decree 158/2016”) and Circular 38/2017/TT-BTNMT dated 16 October 2017 (“Circular 38”) until 15 September 2019; and
- Decree 67/2019/ND-CP dated 31 July 2019 (“Decree 67”) from 15 September 2019.

Mining rights is calculated based on the remaining exploitable reserves and the price to calculate the charge for granting mining rights which is defined under the prices to calculate the resource royalty in accordance with the law on resource royalty at the time of determining the charge for granting mining rights. The prices to calculate the resource royalty is announced by the provincial People’s Committee. The conversion method is based on various parameters of the conversion coefficient under guidelines of Circular 38 and/or Decree 67.

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(ii) *Mine rehabilitation*

The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of MONRE and the Group's environmental policies based on the Environment Impact Report.

Provisions for the cost of each closure and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation proportional to the degree of influence on the environment existing at the reporting date.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting dates and the cost is charged to the statement of income. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

The timing of the actual closure and rehabilitation expenditure is dependent on the life of the mine. Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset if the related obligations for closure and rehabilitation are unavoidable to the construction of the asset. The capitalised cost of closure and rehabilitation activities is recognised in other mining assets 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 will also be adjusted for changes in estimates. These adjustments will be 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 income statement. Changes to the capitalized cost result in an adjustment to future depreciation. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved.

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(n) Bonds issued

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

(o) Equity

(i) Ordinary shares

Ordinary share capital is classified as equity. The excess of proceeds contributed over the par value of shares issued is recorded as share premium. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium.

(ii) Preference shares

Mandatorily convertible preference shares are classified as equity. These are entitled to fixed dividends and any discretionary dividends declared to ordinary shareholders and it participates equally in the residual assets on dissolution. The excess of proceeds contributed over the par value of shares issued is recorded as share premium. Incremental costs directly attributable to the preference shares are recognised as a deduction from share premium.

(iii) Other capital

Equity movements resulting from acquisition or disposal to non-controlling interests and transactions involving equity instruments were recorded in “Other capital” prior to the prospective application of Circular 202 from 1 January 2015 (Note 3(a)(iii)).

(p) Taxation

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantively enacted at 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.

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(q) Revenue from the sale of goods

Revenue from the sale of goods is recognised in the statement of income when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts.

For sales of minerals, the sales price is usually determined on a provisional basis at the date of revenue recognition and 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 to 180 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 recognition is based on the most recently determined product specifications agreed by parties.

(r) Financial income and financial expenses

(i) *Financial income*

Financial income comprises interest income from deposits and loans and foreign exchange gains. Interest income is recognised as it accrues in the statement of income.

(ii) *Financial expenses*

Financial expenses comprise interest expenses on borrowings, facility fees, financing costs, transaction costs and foreign exchange losses.

(s) Operating lease payments

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

(t) Borrowing costs

Borrowings costs comprise interest expenses on borrowings, facility fees, financing costs and transaction costs. Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the fixed assets concerned.

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(u) Earnings per share

The Group presents basic and diluted, if any, earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. To determine the profit or loss attributable to ordinary equity holders, profit or loss for the year is allocated to the ordinary shares and participating equity instruments. This allocation is made in accordance with the rights of the other class of shares to participate in distributions if the entire profit or loss were distributed.

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.

(v) 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 and secondary format for segment reporting is based on business segments and geographical segments respectively.

(w) 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 to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party. Related parties that are individuals refer to key management personnel who have authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers of the Company. Related companies refer to the investors and their ultimate holding companies and their subsidiaries and associates.

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4. Segment reporting

(a) Business segments

The Group comprises the following main business segments:

From 1/1/2019 to 31/12/2019

	Copper VND'000	Fluorspar VND'000	Tungsten VND'000	Others VND'000	Total VND'000
Segment revenue	34,116,482	1,696,168,333	2,898,070,934	77,774,109	4,706,129,858
Segment gross profit/(loss)	6,914,560	1,076,441,562	(240,417,870)	(107,953,692)	734,984,560
Unallocated expenses					246,789,513
Financial income					931,680,260
Financial expenses					1,290,661,189
Results from operating activities					129,214,118
Other income					1,230,029,410
Other expenses					893,457,185
Income tax expenses					113,392,528
Net profit after tax					352,393,815

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From 1/1/2018 to 31/12/2018	Copper	Fluorspar	Tungsten	Others	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
Segment revenue	942,301,136	1,381,223,555	4,215,790,172	325,696,012	6,865,010,875
Segment gross profit	530,675,974	876,394,721	672,811,508	81,579,388	2,161,461,591
Unallocated expenses					231,354,203
Financial income					126,790,749
Financial expenses					1,204,829,996
Results from operating activities					852,068,141
Other income					2,098,777
Other expenses					26,054,374
Income tax expenses					18,110,865
Net profit after tax					810,001,679

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	Copper	Fluorspar	Tungsten	Others	Total
	VND'000	VND'000	VND'000	VND'000	VND'000
As at 31 December 2019					
Segment assets	167,025,898	826,106,905	1,874,331,657	1,051,224,444	3,918,688,904
Unallocated assets					25,856,030,977
Total assets					29,774,719,881
Total liabilities					17,304,897,615
As at 1 January 2019					
Segment assets	186,484,856	972,966,046	2,004,682,073	1,270,847,365	4,434,980,340
Unallocated assets					23,514,145,227
Total assets					27,949,125,567
Total liabilities					15,823,171,322

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From 1/1/2019 to 31/12/2019	Copper VND'000	Fluorspar VND'000	Tungsten VND'000	Others VND'000	Total VND'000
Capital expenditure	467,834	85,520	155,979,770	35,436,976	191,970,100
Unallocated capital expenditure					696,253,537
Depreciation	14,048,610	71,389,313	114,556,457	92,700,766	292,695,146
Unallocated depreciation					913,688,415
Unallocated amortisation					190,694,275
<hr/>					
From 1/1/2018 to 31/12/2018	Copper VND'000	Fluorspar VND'000	Tungsten VND'000	Others VND'000	Total VND'000
Capital expenditure	12,582,007	40,755,435	141,991,766	858,003	196,187,211
Unallocated capital expenditure					880,284,135
Depreciation	14,148,728	73,665,368	145,814,184	96,478,087	330,106,367
Unallocated depreciation					905,802,411
Unallocated amortisation					209,398,773

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(b) Geographical segments

The Group comprises the following main geographical segments:

	Vietnam VND'000	Belgium VND'000	Czech Republic VND'000	Japan VND'000	USA VND'000	Singapore VND'000	Others VND'000	Total VND'000
As at and for the year ended 31/12/2019								
External revenue	65,355,666	1,616,222,115	225,482,636	945,394,214	616,156,308	104,764,762	1,132,754,157	4,706,129,858
Segment assets	29,522,101,450	97,267,774	1,013,850	45,487,936	12,308,133	-	96,540,738	29,774,719,881
Capital expenditure	888,223,637	-	-	-	-	-	-	888,223,637

As at 1/1/2019 and for the year ended 31/12/2018

	Vietnam VND'000	Belgium VND'000	Czech Republic VND'000	Japan VND'000	USA VND'000	Singapore VND'000	Others VND'000	Total VND'000
External revenue	991,899,199	1,262,874,650	813,509,380	995,738,741	655,357,744	1,404,428,741	741,202,420	6,865,010,875
Segment assets	27,580,791,560	211,464,347	-	68,068,207	17,102,787	11,983,149	59,715,517	27,949,125,567
Capital expenditure	1,076,471,346	-	-	-	-	-	-	1,076,471,346

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5. Cash and cash equivalents

	31/12/2019	1/1/2019
	VND'000	VND'000
Cash on hand	90,493	138,199
Cash in banks	941,356,463	263,310,842
Cash equivalents	781,757,650	203,771,219
	1,723,204,606	467,220,260

6. Accounts receivable from customers – short-term

Accounts receivable from customers detailed by significant customers

	31/12/2019	1/1/2019
	VND'000	VND'000
<i>Related party</i>		
Sales to a related company of a member of Members' Council	-	554,016,930
<i>Other parties</i>		
Tungsten customers	185,752,001	253,451,877
Fluorspar customer	64,831,341	64,623,036
Bismuth customers	1,941,870	51,231,040
Copper customers	27,744,460	36,524,594
Other customers	144,151	474,212
	280,413,823	960,321,689

The trade related amounts due from the related party are unsecured, bear interest at 1% per month from the payment due date and are receivable 90 days from the date of sales of goods.

7. Loans receivables

Loans receivables – short-term represent loans granted to Masan Group Corporation – ultimate parent company at the end of the year. The loan is unsecured and has interest rate of 8.2% per annum.

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8. Other short-term and long-term receivables

	31/12/2019	1/1/2019
	VND'000	VND'000
Short-term receivables		
Sale of claims receivable (a)	-	10,000,000
Receivable for mining rights fee (b)	239,835,807	-
Others (c)	10,720,567	466,781,196
	250,556,374	476,781,196
Long-term receivables		
Land compensation receivable from Thai Nguyen People's Committee (d)	1,249,999,696	1,303,754,210
Deposit paid to Environment Protection Fund (e)	53,306,374	30,990,592
Others	562,828	562,828
	1,303,868,898	1,335,307,630

- (a) Sale of claims receivable were due from the immediate holding company, unsecured and receivable based on agreed terms and interest free. In 2019, the sale of claims that was novated in the past was cancelled.
- (b) Receivable for mining rights fee ("MRF") represents additional mining rights fee of NPM – a subsidiary for the year 2018 and 2019 and relevant administrative charges that NPM has paid to the authorities based on temporary calculation by the General Department of Geology and Minerals ("GDGM") under the Official Letter No.3724/DCKS-KTDCKS dated 28 December 2018 ('the Official Letter 3724').

NPM does not agree with the amount and basis of the Official Letter 3724 as the Company's management is of the opinion that it is unreasonable and does not comply with current regulation. For example:

- Based on current regulation, the requirement on MRF payment for the year 2018 has to be notified to the Company before 31 December 2017 (NPM received the notification on 28/12/2018); and
- The price used to calculate the charge for granting mining rights (or mining right fee) is based on the prices to calculate the resource royalty. In accordance with regulations of the Government's Decree No. 12/2015/ND-CP dated 12 February 2015 and guidance of the Ministry of Finance's Circular No. 152/2015/TT-BTC dated 2 October 2015 on Royalties, if enterprises extracted natural resources undergo further processing instead of being sold, their price is exclusive of processing cost provided that it must be within the taxable price bracket imposed by the Provincial People's Committee. NPM's products are industrial products, for which the taxable price for resource royalty is determined on the basis of the higher of selling price minus (-) processing cost and the taxable price imposed by the Provincial People's Committee. GDGM did not use the taxable price applied for industrial products, instead they used the taxable price applied for tungsten ore (0.1% < WO₃ < 0.3%).

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Management believes that it had adequately provided for its liabilities for MRF based on its interpretation of relevant legislation, including on regulations on the charge for granting mining rights and regulations on natural resources tax. NPM has made payment for MRF in accordance with Decision 500/QD-BTNMT issued by the Ministry of Natural Resources and Environment (“MONRE”) on 4 March 2015. Therefore the payment made under Official Letter 3724 has been deemed as receivable from advance payment. NPM has sent letters to different level of authorities to highlight the issues and seek for proper resolutions. The final outcome may be subject to review and investigation by a number of relevant authorities.

- (c) A portion of other receivables as at 1 January 2019 pertained to amounts paid on behalf of an immediate parent company which were unsecured, receivable based on agreed terms and interest free. In 2019, due to the cancellation as mentioned in above Note 8(a), this other receivables linking with that agreement were written off.
- (d) Long-term receivables represented receivables from State Treasury for the land compensation cost of the Nui Phao Mining Project which was paid to the affected residents at Ha Thuong Commune, Dai Tu District, Thai Nguyen Province. The amount can be netted off against annual land rental fee of future years.
- (e) NPM – a subsidiary is required to deposit for obligation to mine closure and environment rehabilitation obligation to Environment Protection. In accordance with Decision 1536/QD-BTMMT issued by MONRE dated on 20 June 2019, the mine rehabilitation plan requires deposit amount to be increased to VND123,460 million. On this date, the remaining deposit of VND87,692 million are approved for annual instalment over 10 years from 2019. The future deposit instalment will be based on the annual CPI fluctuation in accordance with Circular 38/2015/TT-BTNMT dated 30 June 2015.

9. Inventories

	Cost	
	31/12/2019 VND'000	1/1/2019 VND'000
Goods in transit	54,194,593	25,063,836
Raw materials	237,723,007	166,017,804
Tools and supplies	572,289,604	556,865,086
Work in progress	139,145,869	139,900,326
Finished goods	1,259,545,121	746,927,733
Merchandise inventories	739,273,589	-
Goods on consignment	136,852,970	11,239,353
	3,139,024,753	1,646,014,138

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10. Tangible fixed assets

	Buildings and structures VND'000	Machinery and equipment VND'000	Office equipment VND'000	Motor vehicles VND'000	Other mining assets VND'000	Total VND'000
Cost						
Opening balance	4,698,184,003	12,624,666,170	41,938,774	19,958,285	5,026,291,284	22,411,038,516
Additions	-	1,555,000	-	-	69,634,852	71,189,852
Transfer from construction in progress (Note 13)	347,106,893	110,567,626	609,535	-	-	458,284,054
Disposals	-	-	(321,217)	(3,771,337)	-	(4,092,554)
Finalization of construction costs						
▪ Adjustment due to the arbitration settlement (Notes 33(i))	(110,338,241)	(873,823,664)	-	-	-	(984,161,905)
▪ Adjustment due to finalization of cost	(4,177,004)	(41,541,479)	-	-	-	(45,718,483)
Closing balance	4,930,775,651	11,821,423,653	42,227,092	16,186,948	5,095,926,136	21,906,539,480
Accumulated depreciation						
Opening balance	806,303,809	2,865,762,055	36,618,723	12,949,335	921,461,313	4,643,095,235
Charge for the year	266,861,185	686,610,811	1,997,903	2,425,409	205,869,046	1,163,764,354
Disposals	-	-	(321,217)	(3,771,337)	-	(4,092,554)
Closing balance	1,073,164,994	3,552,372,866	38,295,409	11,603,407	1,127,330,359	5,802,767,035
Net book value						
Opening balance	3,891,880,194	9,758,904,115	5,320,051	7,008,950	4,104,829,971	17,767,943,281
Closing balance	3,857,610,657	8,269,050,787	3,931,683	4,583,541	3,968,595,777	16,103,772,445

Included in the cost of tangible fixed assets of the Group were assets costing VND49,896 million which were fully depreciated as at 31 December 2019 (1/1/2019: VND36,275 million), but which are still in active use.

At 31 December 2019, tangible fixed assets with carrying value of VND10,977 billion were pledged with banks as security for long-term bonds issued by NPM (1/1/2019: VND12,361 billion) (Note 19(b)).

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11. Finance lease tangible fixed assets

	Machinery and equipment VND'000
Cost	
Opening and closing balances	67,300,000
Accumulated depreciation	
Opening and closing balances	67,300,000
Net book value	
Opening and closing balances	-

The Company's subsidiary - NPM leases laboratory equipment for assay testing. This laboratory equipment is considered to be a finance lease based on the lease's terms and conditions. The leased equipment secures lease obligations.

Included in the cost of finance lease tangible fixed assets of the Group were assets costing VND67,300 million which were fully depreciated as at 31 December 2019 (1/1/2019: VND67,300 million), but which are still in active use.

12. Intangible fixed assets

	Software VND'000	Mining rights VND'000	Total VND'000
Cost			
Opening balance	99,907,214	588,370,818	688,278,032
Transfer from construction in progress (Note 13)	8,402,685	-	8,402,685
Closing balance	108,309,899	588,370,818	696,680,717
Accumulated amortisation			
Opening balance	61,354,769	127,570,030	188,924,799
Charge for the year	12,068,879	30,550,328	42,619,207
Closing balance	73,423,648	158,120,358	231,544,006
Net book value			
Opening balance	38,552,445	460,800,788	499,353,233
Closing balance	34,886,251	430,250,460	465,136,711

Included in the cost of intangible fixed assets were assets costing VND15,291 million which were fully amortised as at 31 December 2019 (1/1/2019: VND12,145 million), but which are still in use.

At 31 December 2019, intangible fixed assets with carrying value of VND465 billion were pledged with banks as security for long-term bonds issued by NPM (1/1/2019: VND498 billion) (Note 19(b)).

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13. Construction in progress

	2019 VND'000	2018 VND'000
Opening balance	1,429,178,901	987,802,403
Additions during the year	734,397,495	1,064,767,221
Transfer to tangible fixed assets (Note 10)	(458,284,054)	(601,822,915)
Transfer to intangible fixed assets (Note 12)	(8,402,685)	-
Transfer to long-term prepaid expenses (Note 14)	-	(4,693,269)
Transfer to short-term prepaid expenses	(2,402,398)	(16,874,539)
	<hr/>	<hr/>
Closing balance	1,694,487,259	1,429,178,901
	<hr/>	<hr/>

During the year, borrowing costs capitalised into construction in progress amounted to VND55 billion (2018: VND41 billion).

As at the reporting date, construction in progress of NPM, which mainly represented land compensation, mine and plant development cost and other capitalised costs pertaining to tailing dams, have been pledged with banks as security for long-term bonds issued by NPM (Note 19(b)).

Major constructions in progress were as follows:

	31/12/2019 VND'000	1/1/2019 VND'000
Land compensation	709,194,565	591,813,635
Site clearance, relocation infrastructure and others	196,250,365	176,876,721
Plant, machinery and equipment	608,943,655	455,725,660
Tailing dams	30,254,309	112,928,231
Other assets	149,844,365	91,834,654
	<hr/>	<hr/>
	1,694,487,259	1,429,178,901
	<hr/>	<hr/>

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14. Long-term prepaid expenses

	Land compensation costs VND'000	Other mining costs VND'000	Others VND'000	Total VND'000
Opening balance	1,031,622,693	1,489,806,964	55,012,271	2,576,441,928
Additions	-	175,640,219	15,409,467	191,049,686
Transfer from long-term receivables	49,061,244	-	-	49,061,244
Amortisation for the year	(73,905,933)	(102,392,964)	(14,395,378)	(190,694,275)
Closing balance	1,006,778,004	1,563,054,219	56,026,360	2,625,858,583

15. Advance from customers – short-term

Advance from customers detailed by significant customers

	31/12/2019 VND'000	1/1/2019 VND'000
Tungsten customers	31,036,164	15,189,683
Fluorspar customer (*)	1,073,439,647	224,566,119
Bismuth customers	278,534	(1,085,811)
Copper customers	97,167	97,167
Other customers	751,834	-
	1,105,603,346	238,767,158

(*) Advance from Fluorspar customer shall be discharged through monthly instalments through scheduled deliveries. The advance is guaranteed by an intermediating company, bear prepayment fee based on agreed term.

16. Taxes payable to State Treasury

	1/1/2019 VND'000	Incurred VND'000	Paid/Offset VND'000	31/12/2019 VND'000
Value added tax	-	439,814,823	(439,814,823)	-
Import-export tax	-	197,822,662	(197,822,662)	-
Corporate income tax	34,981,296	138,562,148	(39,142,971)	134,400,473
Environment protection tax	-	93,693,635	(93,693,635)	-
Personal income tax	29,782,961	157,676,334	(124,415,084)	63,044,211
Natural resource tax	-	302,907,910	(302,907,910)	-
Other taxes	2,006,246	51,227,099	(50,956,546)	2,276,799
	66,770,503	1,381,704,611	(1,248,753,631)	199,721,483

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17. Accrued expenses

	31/12/2019	1/1/2019
	VND'000	VND'000
Bonus	59,959,470	83,288,151
Accrued interest payable	239,049,922	280,911,923
Other financing costs	4,181,514	6,486,066
Natural resource taxes and fees	71,039,152	10,034,090
Accrual for construction work	14,187,389	80,589,745
Consultant fee	983,850	2,238,200
Operating costs	314,119,079	271,254,527
Others	1,380,830	5,943
	704,901,206	734,808,645

18. Other short-term and long-term payables

Other payables included the following amounts:

	31/12/2019	1/1/2019
	VND'000	VND'000
Short-term:		
Amounts due to Masan Group Corporation (“MSN”) – the ultimate holding company		
Financial expenses – short-term (b)	1,124,123,839	-
Amounts due to Masan Horizon Company Limited (“MH”) – the immediate holding company		
Non-trade – short-term (a)	2,511,785	2,511,785
Other payable to other parties		
Other payables – short-term	339,972	65,383,070
	1,126,975,596	67,894,855
Long-term:		
Amounts due to MSN – the ultimate holding company		
Financial expenses – long-term (b)	-	1,124,123,839

- (a) Amounts due to related parties were unsecured, interest-free and repayable based on agreement between the parties.
- (b) Amounts due to related parties were unsecured, interest-free and repayable in December 2020.

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19. Borrowings, bonds and finance lease liabilities
(a) Short-term borrowings, bonds and finance lease liabilities

	Movements during the year					31/12/2019 Carrying amount and amount within repayment capacity VND'000
	1/1/2019 Carrying amount and amount within repayment capacity VND'000	Additions VND'000	Payments VND'000	Unrealised foreign exchange differences VND'000	Reclassifications from long term borrowings VND'000	
Short-term borrowings	2,467,361,035	5,908,523,055	(5,174,740,407)	(12,286,603)	-	3,188,857,080
Current portion of long-term bonds (Note 19(b))	-	-	-	-	4,568,426,661	4,568,426,661
	2,467,361,035	5,908,523,055	(5,174,740,407)	(12,286,603)	4,568,426,661	7,757,283,741

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Terms and conditions of short-term borrowings at respective reporting dates were as follows:

	Currency	31/12/2019 VND'000	1/1/2019 VND'000
Secured bank loan (i)	USD	864,314,359	1,160,156,910
Secured bank loan (i)	VND	150,308,000	-
Secured bank loan (ii)	VND	1,082,810,380	808,600,820
Secured bank loan (ii)	USD	15,908,877	201,929,965
Secured bank loan (iii)	USD	164,877,248	296,673,340
Secured bank loan (iii)	VND	504,905,811	-
Secured bank loan (iv)	VND	150,245,000	-
Secured bank loan (v)	VND	57,915,778	-
Secured bank loan (v)	USD	155,757,627	-
Secured bank loan (vi)	USD	41,814,000	-
		3,188,857,080	2,467,361,035

- (i) The USD and VND denominated loans from a related party bore interest ranging from 3.88% to 4.93% per annum and from 8.95% to 9.47% per annum, respectively. The loan is secured by part of short-term receivables of NPM and 11.12% of the issued shares of the Company held by Masan Horizon Company Limited (“MH”).
- (ii) The loan from a local bank is secured by inventories and part of short-term receivables of NPM. Specific loans drawn down in USD and VND bore interest ranging from 4.5% to 5.5% per annum and from 6.8% to 9.5% per annum, respectively.
- (iii) Specific loans drawdown in USD and VND by MTC – a subsidiary bore interest ranging from 5% to 6.3% per annum and from 8.3% to 9.6% per annum, respectively.
- (iv) Specific loans drawdown in VND by NPM - a subsidiary bore interest ranging from 9.3% to 9.6% per annum.

The above loans as in a(iii) and a (iv) from a local bank are secured by 11.12% of the issued shares of the Company held by MH.

- (v) The loan from two branches of a foreign bank in Vietnam is unsecured. Specific drawdown in USD and VND bore interest ranging from 4.5% to 4.6% per annum and 6.8% per annum, respectively.
- (vi) The USD denominated loan from a foreign bank is secured by part of short-term receivables and all bank accounts of MTC opened at the bank. Specific loans drawn down in USD bore interest ranging from 3.3% to 3.9% per annum.

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(b) Long-term borrowings, bonds and finance lease liabilities

	31/12/2019	1/1/2019
	VND'000	VND'000
Long-term bonds issued (i)	9,538,080,318	9,491,007,736
Repayable within twelve months (Note 19(a))	(4,568,426,661)	-
	4,969,653,657	9,491,007,736
Repayable after twelve months	4,969,653,657	9,491,007,736

(i) Long-term bonds

Terms and conditions of outstanding long-term bonds denominated in VND were as follows:

		Year of maturity	31/12/2019	1/1/2019
			VND'000	VND'000
Secured bond issued	(a)	2020	3,570,177,119	5,519,052,180
Secured bond issued	(b)	2020	998,249,542	994,333,333
Secured bond issued	(c)	2023	496,989,214	496,333,333
Secured bond issued	(d)	2021	995,555,556	992,888,890
Secured bond issued	(e)	2023	1,490,800,000	1,488,400,000
Secured bond issued	(f)	2024	496,533,333	-
Secured bond issued	(g)	2022	298,133,333	-
Secured bond issued	(h)	2022	198,711,110	-
Secured bond issued	(i)	2024	496,533,333	-
Secured bond issued	(j)	2022	99,288,889	-
Secured bond issued	(k)	2022	188,648,889	-
Secured bond issued	(l)	2022	208,460,000	-
			9,538,080,318	9,491,007,736

These secured bonds in the consolidated financial statements were reported net of bond arrangement fees.

- (a) The VND denominated non-convertible bonds issued by NPM with a five-year term bore interest rate of 8% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every three months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3%. The bond proceeds were used by NPM and secured by certain long-term assets of NPM. (Note 10, Note 12 and Note 13)
- (b) The VND denominated non-convertible bonds issued by NPM with a two-year term bear interest rate of 9.5% per annum. The bond proceeds were used by NPM and secured by 10.44% of the issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.

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- (c) The VND denominated non-convertible bonds issued by NPM with a five-year term bore interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.25%. The bond proceeds were used by NPM and secured by 5.22% of the issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (d) The VND denominated non-convertible bonds issued by the Company with a three-year term bore interest rate of 9.8% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.2%. The bond was secured by 10.58% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (e) The VND denominated non-convertible bonds issued by the Company with a five-year term bore interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.25%. The bond was secured by 15.65% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (f) The VND denominated non-convertible bonds issued by NPM with a five-year term bear interest rate of 10.2% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.3%. The bond was secured by 5.62% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (g) The VND denominated non-convertible bonds issued by NPM with a three-year term bear interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.1%. The bond was secured by 3.37% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (h) The VND denominated non-convertible bonds issued by NPM with a three-year term bear interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.1%. The bond was secured by 2.25% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.
- (i) The VND denominated non-convertible bonds issued by the Company with a five-year term bear interest rate of 10.2% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.3%. The bond was secured by 5.62% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.

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- (j) The VND denominated non-convertible bonds issued by NPM with a three-year term bear interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.1%. The bond was secured by a number of issued shares of the Company held by MH, which will be finalized before 31 March 2020. The representatives of the bondholders is Techcom Securities JSC.
- (k) The VND denominated non-convertible bonds issued by NPM with a three-year term bear interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.1%. The bond was secured by a number of issued shares of the Company held by MH, which will be finalized before 31 March 2020. The representatives of the bondholders is Techcom Securities JSC.
- (l) The VND denominated non-convertible bonds issued by NPM with a three-year term bear interest rate of 10% per annum for the first twelve months. After the first twelve months, the applicable interest rate per annum will be adjusted every six months and calculated as the average twelve-month saving deposit rate of related reference banks plus 3.1%. The bond was secured by 11.62% of issued shares of the Company held by MH. The representatives of the bondholders is Techcom Securities JSC.

These secured bonds were reported net of bond arrangement fees.

20. Deferred tax assets, liabilities and unrecognised deferred tax assets**(i) Recognised deferred tax assets**

	31/12/2019 VND'000	1/1/2019 VND'000
Unrealised profit	-	1,282,349

(ii) Recognised deferred tax liabilities

	31/12/2019 VND'000	1/1/2019 VND'000
Mineral reserves and mineral resources	583,078,428	613,430,657
Unrealized loss	3,900,260	-
	<u>586,978,688</u>	<u>613,430,657</u>

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(iii) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the past years' tax losses of certain entities within the Group, which could be carried forward for up to 5 years:

	Tax losses available	
	31/12/2019	1/1/2019
	VND'000	VND'000
Accumulated five year tax losses	243,094,826	4,654,646

The tax losses expire in the following years

Year of expiry	Status of tax reviewing	Tax losses available (*)
		VND'000
2020	Outstanding	123,788
2021	Outstanding	73,773
2022	Outstanding	87,944
2023	Outstanding	252,923
2024	Outstanding	242,556,398
		243,094,826

(*) This amount has not been finalized with tax authority and may change subsequent to the tax authorities's review.

21. Provisions – long-term

Movements of long-term provisions during the year were as follows:

	Mine	Mining	Total
	rehabilitation	rights	
	VND'000	VND'000	VND'000
Opening balance	26,218,097	466,446,187	492,664,284
Provision made during the year	72,903,844	36,480,630	109,384,474
Provision used during the year	-	(73,145,651)	(73,145,651)
Closing balance	99,121,941	429,781,166	528,903,107

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22. Changes in equity

	Share capital VND'000	Share premium VND'000	Other capital VND'000	Undistributed profit after tax VND'000	Equity attributable to equity holders of the Company VND'000	Non-controlling interest VND'000	Total equity VND'000
Balance at 1 January 2018	7,194,473,280	1,944,327,324	(295,683,347)	2,757,718,772	11,600,836,029	410,770,018	12,011,606,047
Net profit for the year	-	-	-	663,756,323	663,756,323	146,245,356	810,001,679
Bonus share issuance	1,798,617,940	(1,798,617,940)	-	-	-	-	-
Acquisition of NCI	-	-	-	(138,638,107)	(138,638,107)	(557,015,374)	(695,653,481)
Balance at 1 January 2019	8,993,091,220	145,709,384	(295,683,347)	3,282,836,988	12,125,954,245	-	12,125,954,245
Net profit for the year	-	-	-	352,393,815	352,393,815	-	352,393,815
Bonus share issuance	899,307,560	-	-	(899,307,560)	-	-	-
Acquisition of NCI (*)	-	-	-	(8,525,794)	(8,525,794)	-	(8,525,794)
Balance at 31 December 2019	9,892,398,780	145,709,384	(295,683,347)	2,727,397,449	12,469,822,266	-	12,469,822,266

(*) This amount is related to transaction costs for the acquisition of non-controlling interest in 2018 which was identified after 31 December 2018.

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23. Share capital

The Company's authorised and issued share capital comprised:

	31/12/2019		1/1/2019	
	Number of shares	VND'000	Number of shares	VND'000
Authorised share capital	989,239,878	9,892,398,780	899,309,122	8,993,091,220
Issued share capital				
Ordinary shares	989,239,878	9,892,398,780	899,309,122	8,993,091,220
Shares in circulation				
Ordinary shares	989,239,878	9,892,398,780	899,309,122	8,993,091,220
Share premium	-	145,709,384	-	145,709,384

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.

Share premium represents the excess of the proceeds on issuance of shares over the par value.

Movements in share capital during the year was as follows:

	2019		2018	
	Number of shares	VND'000	Number of shares	VND'000
Issued share capital				
Balance at the beginning of the year	899,309,122	8,993,091,220	719,447,328	7,194,473,280
Bonus shares issuance	89,930,756	899,307,560	179,861,794	1,798,617,940
Balance at the end of the year	989,239,878	9,892,398,780	899,309,122	8,993,091,220
Share premium				
Balance at the beginning of the year	-	145,709,384	-	1,944,327,324
Bonus shares issuance	-	-	-	(1,798,617,940)
Balance at the end of the year	-	145,709,384	-	145,709,384

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On 4 November 2019, the Company announced its plan for the issuance of bonus shares by increasing share capital from retained profit as approved by AGM Resolution No. 75/2019/NQ-DHDCD. On the shareholder book closing date, 18 November 2019, each current ordinary shareholder who was holding 100 shares is entitled to receive 10 bonus shares. On 22 November 2019, the Company's Board of Directors issued Resolution to approve bonus share issuance for increasing share capital from the owner equity by VND899,307,560,000 for 89,930,756 shares. On 12 December 2019, Hanoi Stock Exchange issued Decision No.845/QD-SGDHN which approved the increasing share capital from owner equity for 89,930,756 shares.

24. Off balance sheet items

(a) Lease

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

	31/12/2019	1/1/2019
	VND'000	VND'000
Within one year	2,145,000	2,460,000
Within two to five years	-	5,740,000
	2,145,000	8,200,000

(b) Foreign currencies

	31/12/2019		1/1/2019	
	Original currency	VND'000 equivalent	Original currency	VND'000 equivalent
USD	30,746,796	710,558,466	9,766,512	227,402,336

(c) Bad debts written off

	31/12/2019	1/1/2019
	VND'000	VND'000
Bad debts written off	21,507,965	16,433,002

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(d) Capital expenditure commitments

As at 31 December 2019 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2019	1/1/2019
	VND'000	VND'000
Approved but not contracted	1,040,288	24,397,849
Approved and contracted	14,594,996	57,111,513
	<hr/>	<hr/>
	15,635,284	81,509,362
	<hr/>	<hr/>

(e) Final sales pricing adjustment

As disclosed in Note 3(q), the Group had the 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 recognized based on the estimated fair value of the total consideration receivable. Such revenue is subject to adjustment at the final pricing date subsequent to year end.

Total revenue as at 31 December 2019 that have been recognised on a provisional basis is VND301 billion (1/1/2019: VND384 billion).

25. Revenue from sales of goods

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

26. Financial income

	2019	2018
	VND'000	VND'000
Settlement of past interest expenses from the arbitration settlement (Note 33(i))	809,725,000	-
Interest income from deposit and loans	39,037,312	26,443,265
Foreign exchange gains	78,308,024	59,710,104
Others	4,609,924	40,637,380
	<hr/>	<hr/>
	931,680,260	126,790,749
	<hr/>	<hr/>

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27. Financial expenses

	2019 VND'000	2018 VND'000
Interest expense	1,079,224,166	997,110,422
Borrowing fees	82,295,440	82,686,589
Foreign exchange losses	54,140,686	62,956,445
Others	75,000,897	62,076,540
	<hr/>	<hr/>
	1,290,661,189	1,204,829,996
	<hr/>	<hr/>

28. Other income

	2019 VND'000	2018 VND'000
Other compensation from the arbitration settlement (Note 33(i))	1,212,834,666	-
Gain on scrap sales	9,741,897	-
Gain on disposal of fixed asset	977,273	1,405,023
Other	6,475,574	693,754
	<hr/>	<hr/>
	1,230,029,410	2,098,777
	<hr/>	<hr/>

29. Other expenses

	2019 VND'000	2018 VND'000
Other expenses from arbitration settlement (Note 33(i))	522,246,200	-
Cancellation of past sales of claim (Note 8(a))	256,200,000	-
Compensation for cancellation of sales of claims (Note 8(a))	74,736,877	-
Tax penalties	32,904,728	2,446,581
Others	7,369,380	23,607,793
	<hr/>	<hr/>
	893,457,185	26,054,374
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30. Income tax

(a) Recognised in the statement of income

	2019 VND'000	2018 VND'000
Current tax expense		
Current year	128,366,030	35,190,165
Under provision for prior years	10,196,118	-
	<hr/>	<hr/>
	138,562,148	35,190,165
Deferred tax benefit		
Origination and reversal of temporary differences	(25,169,620)	(17,079,300)
	<hr/>	<hr/>
Income tax benefit	113,392,528	18,110,865
	<hr/>	<hr/>

(b) Reconciliation of effective tax rate

	2019 VND'000	2018 VND'000
Profit before tax	465,786,343	828,112,544
	<hr/>	<hr/>
Tax at the Company tax rate	93,157,269	165,622,509
Non-deductible expenses	21,340,103	1,924,546
Tax incentives	(32,286,329)	(81,283,126)
Effect of different tax rates in subsidiaries	1,762,922	(75,159,542)
Tax losses utilised for which deferred tax asset was not recognized	-	(351,540)
Under provision for prior years	10,196,118	-
Deferred tax assets not recognized	24,259,305	-
Change in temporary differences	(5,036,860)	7,358,018
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	113,392,528	18,110,865
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(c) Applicable tax rates

The Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits. The Company's subsidiaries have obligation to pay the government income tax in accordance with the prevailing regulations. Some of the Company's subsidiaries are entitled to significant tax incentives as follows:

- On 25 March 2015, the investment project of a subsidiary was recognised as a high-tech project by Ministry of Science and Technology. In accordance with income tax incentives applicable for high-tech project, the subsidiary has an obligation to pay the government income tax rate of 10% of taxable profit for the first 15 years starting from the year in which it was granted with the Certificate of high-tech project. The current tax regulations allow the subsidiary to be exempt from income tax for 4 years from the first year the subsidiary generates taxable profit and entitled to 50% reduction in income tax for the 9 succeeding years. The income tax regulations also specify that if the first tax period of high-tech project having tax incentive duration of shorter than 12 months, the subsidiary may choose to apply tax incentives to the high-tech project from that first tax period or register with the tax authority the beginning date of tax incentive period from the following tax period. Accordingly, the subsidiary has registered to apply tax incentives from the following tax period i.e. from year 2016.

On 27 December 2019, the subsidiary was granted the Certificate for high-tech enterprise by Ministry of Science and Technology replacing the Certificate of high-tech investment project. The change does not impact income tax incentives as described above.

- Under the terms of its Investment Certificate and the applicable tax regulations another subsidiary has an obligation to pay the government income tax rate at the rate of 15% of taxable profit from mining and processing activities for mineral products other than gold for 12 years from the date of commencement of commercial production (2014-2025) and at the standard income tax rate in line with the Investment Certificate and prevailing tax regulations thereafter. The applicable tax regulations allow the subsidiary to be exempt from income tax for 3 years starting from the first year it generates a taxable profit (2014-2016) and entitled to a 50% reduction in income tax for the 8 succeeding years (2017-2024).

All of the above tax exemption and reduction are not applicable to other income which is taxed at the standard income tax rate applicable to enterprises before any incentives of 20%.

(d) Tax contingencies

The taxation laws and their application in Vietnam were subject to interpretation and may change over time. 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 more significant than in other countries. Management believes that it had adequately provided for tax liabilities based on its interpretation of tax and legislation, including on transfer pricing requirements and computation of corporate income tax and deferred tax liabilities. However, the relevant authorities may have different interpretations.

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The calculation of basic earnings per share for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders of VND352,394 million (2018: VND658,330 million) and a weighted average number of ordinary shares outstanding of 989,239,878 shares (restated for the year ended 31 December 2018: 981,152,513 shares), calculated as follows:

(a) Net profit attributable to shareholders

	2019 VND'000	2018 VND'000
Net profit attributable to:		
Mandatorily convertible preference shareholders (up to 16 May 2018)	-	5,426,428
Ordinary shareholders	352,393,815	658,329,895
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	352,393,815	663,756,323
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(b) Weighted average number of shares

	2019	2018 (Restated)
Issued ordinary shares at the beginning of the year	899,309,122	703,544,898
Conversion of preference shares into ordinary shares on 16 May 2018	-	10,020,709
Effect of bonus shares issued on 31 August 2018	-	178,391,364
Effect of bonus shares issued on 18 November 2019	89,930,756	89,195,542
	<hr/>	<hr/>
Weighted average number of ordinary shares for the year ended 31 December	989,239,878	981,152,513
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As a result of the issuance of 89,930,756 bonus share on 18 November 2019, where ordinary shares are issued to existing shareholders for no additional consideration, in accordance with Vietnamese Accounting Standards, the weighted average number of ordinary shares outstanding during the year and for all periods presented shall be adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in resources. Accordingly, the Company's management has restated the weighted average number of ordinary shares for the year ended 31 December 2019 from 891,956,971 shares to 981,152,513 shares.

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32. Significant transactions with related parties

In addition to related party balances and transactions disclosed in other notes to these financial statements, the Group had the following transactions with related parties during the year:

(a) Related party balances

As at and for the year ended 31 December 2019, the Group have current and term deposit accounts at Vietnam Technological and Commercial Joint Stock Bank (“TCB”) at normal commercial terms.

As at 31 December 2019, associates of the ultimate holding company and the ultimate holding company held VND319,180 million (1/1/2019: VND829,388 million) and VND1,250,000 million (1/1/2019: VND1,499,990 million) of the issued bonds of the Group respectively.

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(b) Related party transactions

Related Party	Nature of transactions	2019 VND'000	2018 VND'000
Ultimate holding company			
Masan Group Corporation	Bond interest	120,429,756	17,260,159
	Loan granted	1,000,000,000	-
Ultimate holding company's associate			
Local bank	Interest expense and borrowing fees	73,109,464	109,606,407
	Loan received	1,367,341,337	1,651,044,370
	Loan paid	1,498,587,983	1,406,718,782
	Bond proceeds received (i)	2,000,000,000	3,800,000,000
	Bond related fees paid	18,550,000	-
Ultimate holding company's subsidiary			
Masan Consumer Corporation	Purchase of goods	1,352,168	1,072,107
	Purchase of services	2,509,043	3,261,776
Masan Horizon Company Limited	Fees paid on behalf by NPM	2,050,559	8,220,964
	Cancellation of sales of claims (Note 8(a))	256,200,000	-
	Compensation for cancellation of sales of claims (Note 8(a))	74,936,877	-
Key management personnel			
	Salary, bonus and other benefits (ii)	31,123,186	29,448,024
Members' Council ("MC")			
Member of MC	Sales of goods to a related company of a member (iii)	-	720,924,481
	Purchase of goods from a related company of a member (iii)	725,041,695	-

- (i) The bonds are listed and sold to a broader set of investors pursuant to an arrangement agreements.
- (ii) No board fees were paid to Board of Directors members for the year ended 31 December 2019 and 31 December 2018.
- (iii) In 2018, NPM has sold goods to a related company of a member of MC and subsequently in 2019, NPM has purchased such goods from such related company. The transaction was approved by the Member Council on 25 March 2019.

33. Significant events

(i) *Claims against Jacobs E&C Australia PTY Limited*

On 28 March 2019, a panel of three arbitrators appointed by the Singapore International Arbitration Center (the “Arbitral Tribunal”) has awarded NPM – a subsidiary of the Company a partial final award as compensation for E&C Australia Pty Ltd (“Jacobs”)’s conduct (“Partial Final Award”). The case concerns the circumstances of the entry into and the performance of an engineering and procurement services agreement which was executed by NPM and Jacobs in 2011 for engineering, procurement and construction management of NPM’s mineral processing plant in Thai Nguyen Province, Vietnam.

In addition to the Partial Final Award, the Arbitral Tribunal also had claims before it in relation to interest and cost.

In August 2019, NPM and Jacobs settled the international arbitration case for USD130 million. Jacobs paid NPM USD130 million in September 2019. As part of the settlement, NPM has unconditionally waived its right to the Partial Award and all claims and actions in relation to the international arbitration case.

The compensation received by NPM had been treated as:

- reduction of fixed assets costs (due to over payments for over claims of construction related costs or other construction or rectification costs that should not be incurred in the first place);
- financial income; and
- other income.

in accordance with the nature of the compensation.

(ii) *Agreement to acquire H.C Starck’s Tungsten business*

On 17 September 2019, MTC signed an agreement to purchase the tungsten business of H.C Starck Group GmbH (“HCS”). HCS is a leading manufacturer of high-tech tungsten metal powders and carbides (midstream tungsten products) with global operation and modern automated manufacturing processes. The agreement is undergoing certain regulatory approvals and the acquisition shall be executed once the legal procedures completed.

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34. Corresponding figures

Corresponding figures as at 1 January 2019 were derived from the balances and amounts reported in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

9 March 2020

Prepared by:



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Approved by:



Craig Richard Bradshaw
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