



MASAN CONSUMER CORPORATION
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ENGLISH TRANSLATION

**REPORT OF THE BOARD OF DIRECTORS
AT THE 2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report to the 2017 Annual General Meeting of Shareholders of Masan Consumer Corporation (the “Company” or “Masan Consumer”) on the Board’s activities in 2016 as follows:

I. OVERVIEW

Vietnam’s economy continued to be one of the best performers globally in 2016 with GDP growth of 6.2%, according to the Government Statistics Office (GSO). High foreign investment flows coupled with strong domestic demand continued to support rapid economic growth. While growth slowed down from 6.7% in 2015, mainly due to environmental factors affecting the agricultural sector, GDP per capita rose 5% to a new high of USD2,215 according to the World Bank.

Environmental factors such as drought in the Mekong Delta and salt-water intrusion affected the agricultural sector adversely in the first half of the year. Lower soft commodity prices also affected value of Vietnam’s exports especially rice and coffee. However, investor appetite for Vietnamese assets continued to be strong, with foreign direct investments rising sharply. Actual foreign investment inflows rose by 9%, reaching a record high of US\$15.8 billion, according to data issued by the Ministry of Planning and Investment.

Domestic consumption continued to be a strong growth driver, as Vietnamese consumers’ higher confidence during the fourth quarter of 2016 helped lift the country to be among the world’s five most optimistic nations, according to Nielsen. Vietnam’s consumer confidence index moved up five percentage points from the July-September quarter to 112, fifth in the world after India, Philippines, the U.S. and Indonesia. Vietnam’s growing middle class population with rising disposable income, higher education level plus the country’s stable economic outlook remains the main drivers for its ranking.

The strong rate of economic expansion was also reflected in bank lending, with credit growth of 21.8% during 2016. If the growth rate persists in 2017, the State Bank of Vietnam could raise the key interest rate to keep inflation and GDP expansion balanced. Inflation rose at a slower rate than anticipated, with consumer price index up 4.74% in 2016, lower than the 5% increase expected at the start of 2016. Stability of the Vietnamese Dong was a crucial factor to keep inflation in check with depreciation of only 1.2% against the dollar throughout the year. Unlike a number of emerging economies, which saw sharp falls in the value of their currency push up the cost of imports, Vietnam’s dong maintained a steady course throughout the year.

Growth prospects for 2017 remain strong with IMF predicting GDP to rise by 6.2%, supported by macroeconomic indicators from the fourth quarter of 2016, when GDP rose by 6.7%. This

increasing pace of expansion, combined with more favorable conditions for the agricultural sector, should sustain growth in 2017.

However, growth could be adversely affected due to economic pressures and increased budget deficit. Vietnam's economy, in spite of enormous efforts directed towards global integration, still depends on China. The Chinese economy is foreseen to decelerate in 2017 leading to a weaker Chinese currency. Uncertainties in global economy also pose challenges for Vietnam.

Political events such as the election of Donald Trump and Brexit are likely to affect global growth and international trade. Other uncertainties derived from volatile prices of commodities and energy, unusual monetary policy from developed countries, natural disasters and so on, could also derail economic expansion in 2017.

However, despite these headwinds, consumer confidence in Vietnam continues to improve and sustainable growth is supported by real structural drivers such as an increasing population, urbanization, higher disposable incomes, and greater contribution from the rural economy in Vietnam.

Our focus on the consumption potential of Vietnam was validated when our parent company, Masan Consumer Holdings, signed strategic partnership agreements with Singha Asia Pte Ltd., laying the foundation to win in In-land ASEAN. Through this partnership, Masan and Singha gain exclusive access to each other's distribution network and a broader portfolio of branded food and beverage products. In October 2016, we launched our first seasonings brand, Chin-su Yod Thong in Thailand, marking our first step in serving the 250 million consumers of In-land ASEAN, comprising Vietnam, Thailand, Myanmar, Laos and Cambodia. Going forward, we will continue to partner with leading local companies to scale up our regional business, with the aim of delivering 70/30 revenue contribution from our local and foreign businesses by 2020. In the meanwhile, we strengthen and expand our market share in beverage category through innovation and power brand so that we can achieve the revenue's contribution of beverage category up to 50% - equal to the contribution from food category.

In 2016, our new best-in-class manufacturing hub for instant noodles and fish sauce in Nghe An province were fully ramped up. The new hub will shorten the distance between us and our customers in the North, improving delivery time and lowering logistics costs. The new hub also allows us to develop fresher and more distinctive products to meet the specific tastes of our consumers in the North. This facility also enabled us to produce innovative consumer products of high quality, and launch new brands that consumers love. During 2016, we introduced various new brands to the market such as Café de Nam "Phien Dien" coffee, "Vinacafé Buon Me Thuot" and Woa! Ngon.

For our distribution network, in 2016, Masan Consumer increased points of sale to 180,000 for food and 100,000 for non-alcohol beverage. Much of this expansion came from our beverage business, which greatly enhanced our on-premise availability. Today, Vinacafé Bien Hoa is available on Vietnam Airlines' flights and Vietnam Railways' trains, further boosting its brand image.

In 2016, we increased our efficiency, which resulted in improved margins. Due to economies of scale, better raw material procurement, improved supply chain management, and greater efficiency in production, our gross margin increased from 45.0% in 2015 to 45.3% in 2016. We have also invested to increase our ownership in our key brands and acquired new brands to enlarge our brand portfolio. In early 2015, we became a major shareholder of Cholimex, which reflects our belief in the potential of the seasoning category. We also acquired Saigon Nutri Food to strengthen our convenience foods platform with a sausage snack portfolio and to begin our journey into the larger meat sector. In December 2015, we acquired a 65% stake in Quang Ninh

Mineral Water, which when combined with Vinh Hao, makes Masan Consumer Vietnam's largest local mineral water company. More recently, in the beginning of 2016, we increased our stakes in Vinh Hao to 88,6%. Vinacafé Bien Hoa also acquired 85% stake of CDN, coffee producer company to expand our footprint into R&G coffee with new business model. In late 2016, we increased our stake in Vinacafé Biên Hòa to 68.46%.

Financially, Masan Consumer achieved revenue in 2016 of VND13,790 billion, up 4.4% compared to 2015 and reported net profit after tax of VND2,791 billion, a 3,8% decrease compared to 2015. The decrease is attributable to lower net financial income as bank interest rate decreased in 2016. However, due to the aforementioned efficiency in operations, gross profit increased by 5.1% from VND5,948 billion in 2015 to VND6,250 billion in 2016.

With Vietnam's macroeconomic outlook improving and the investments in our business platforms starting to show results, Masan is now well-positioned to benefit from Vietnam's growing consumer potential and the larger In-land ASEAN opportunity. However, the way forward is not guaranteed and there will be plenty of challenges. Vietnam, as a frontier market, is expected to experience its fair share of economic volatility, and we also anticipate more competition, especially from foreign companies. As such, we will have to stay committed to the values and beliefs that have guided us throughout our 20-year history. We must continue upholding our mantra of Affordability, Availability and Assurance of Quality. We must continue nurturing a culture where talent is inspired to drive change for tomorrow's value through innovation and a sense of purpose. Most importantly, we must do it "Together" – together with our people, our consumers, our partners, and our communities. If we are passionate about imagining and fulfilling big and unmet needs together, then we have a strong chance to achieve our 2020 objective: Every Masan product in every Vietnamese household + one Masan product in every "In-land ASEAN" household.

II. ACTIVITIES OF BOARD OF DIRECTORS IN 2016

In 2016, Board of Directors participated in:

- Overseeing the activities of the Chief Executive Officer and other managers related to the daily operations of the Company;
- Coordinating closely with the Chief Executive Officer and Management Board to discuss strategy and issues of the Company;
- Deciding on restructuring the business model and organizational structure of the Company to be more efficient; and,
- Deciding on investment projects of the Company and its subsidiaries.

In 2016, there were no transactions between Masan Consumer Corporation and members of the Board of Directors of the Company.

In 2016, the Board of Directors received no compensation.

III. 2017 FINANCIAL OUTLOOK

For 2017, Masan Consumer's focus would be on transforming its business model and practices, with a clear focus on sell-out growth and building win-win relationships with its ecosystem of suppliers and distributors. Growth rates will be impacted during the first half of 2017, as

Masan's will rebalance the inventory levels at its distributors to better match market demand and supply, particularly in the food categories. This will enable Masan to deliver strong second half results and ensure sustainable growth in the medium term for our food and beverage business. In addition, the initiative will optimize SG&A, driving profitability and providing cash flows to build power brands. The increased focus on building power brands would also change the model from a push focus to one, which will be based on pull created by end-consumer's demand.

Further, margins could be impacted by expected higher input costs which will increase material costs and impact margins. However, focus on innovation would help to reduce conversion and input costs, offsetting the input price pressures. In addition, superior operational execution could also minimize logistics and indirect costs, lifting operating margins.

In terms of product categories, the focus would be build and consolidate Masan's position within the fish sauce category in Vietnam, with expansion into In-land ASEAN as the next growth driver.

Focus on building premium and mainstream categories within convenience foods to generate sustainable cash flows, and building further successful brands like Omachi and Kokomi.

Within the beverages segment, focus would be reaching majority market share in coffee and accelerating the growth of our liquid beverages portfolio.

Finally, addition of a new scale category like meat, could add further impetus to our growth profile in the near future.

Based on these, Masan Consumer expects to deliver a 5% to 11% growth in topline for FY2017, with net profits after tax post minorities expected to be down 5% to up to 5%, due to above mentioned expected higher input prices and lower net financial income due to our robust cash dividend policy.

Yours sincerely,

Ho Chi Minh City, April 10, 2017

**ON BEHALF OF THE BOARD
CHAIRMAN**

(signed and sealed)

NGUYEN DANG QUANG

APPENDIX
RESOLUTIONS OF THE BOARD OF DIRECTORS IN 2016

No.	Number of the Resolutions	Date	Main content
1	01/2016/NQ-HĐQT-MSC	01/2/2016	Approving the credit line of the Masan MB One Member Company Limited from a bank.
2	02/2016/NQ-HĐQT-MSC	01/2/2016	Approving the internal transactions.
3	03/2016/NQ-HĐQT-MSC	16/2/2016	Approving Masan Beverage Company Limited – a subsidiary of the Company – to additionally acquire VCF shares.
4	04/2016/NQ-HĐQT-MSC	16/2/2016	Approving the increase of charter capital of Masan Beverage Company Limited – a subsidiary of the Company.
5	05/2016/NQ-HĐQT-MSC	11/3/2016	Approving the shareholders’ book closing date for 2016 AGM.
6	06/2016/NQ-HĐQT-MSC	28/3/2016	Approving CAPEX project of Masan Industrial One Member Company Limited.
7	07/2016/NQ-HĐQT-MSC	28/3/2016	Approving the termination of the project: “The production factory and product distribution Hub” in the Central.
8	08/2016/NQ-HĐQT-MSC	31/3/2016	<ul style="list-style-type: none"> - Approving the advance of 2016 earnings from its subsidiaries. - Approving the matters submitted for 2016 AGM’s approval.
9	09/2016/NQ-HĐQT-MSC	15/4/2016	Approving the establishment of Masan Consumer (Thailand) Limited.
10	10/2016/NQ-HĐQT-MSC	13/5/2016	Approving the shareholders’ book closing date for the rest 2015 dividends and advance 2016 dividends.
11	11/2016/NQ-HĐQT-MSC	16/5/2016	Approving the change of Legal Representatives of the Company.
12	12/2016/NQ-HĐQT-MSC	25/5/2016	Approving the CAPEX budget in 2016 and Nam Ngu Phu Quoc project.
13	13/2016/NQ-HĐQT-MSC	26/5/2016	Approving the issuance of new shares under ESOP.
14	14/2016/NQ-HĐQT-MSC	09/6/2016	Approving the establishment of Nam Ngu Phu Quoc One Member Company Limited.
15	15/2016/NQ-HĐQT-MSC	13/7/2016	Approving the increase of charter capital of the Company.

16	16/2016/NQ-HĐQT-MSC	15/7/2016	Approving CAPEX project of Masan Industrial One Member Company Limited.
17	17/2016/NQ-HĐQT-MSC	15/8/2016	Approving CAPEX project of CDN Production Trading Corporation.
18	18/2016/NQ-HĐQT-MSC	22/8/2016	Approving CAPEX project of Masan Industrial One Member Company Limited.
19	19/2016/NQ-HĐQT-MSC	11/10/2016	Approving that Masan Beverage Company Limited will offer to tender VCF shares.
20	20/2016/NQ-HĐQT-MSC	11/10/2016	Approving the increase of charter capital of Masan Beverage Company Limited – a subsidiary of the Company.
21	21/2016/NQ-HĐQT-MSC	04/11/2016	Approving the registration of securities/stocks and the registration of securities trading on the trading system of unlisted securities.
22	22/2016/NQ-HĐQT-MSC	30/12/2016	Approving the usage of 2016 earnings of its subsidiary.