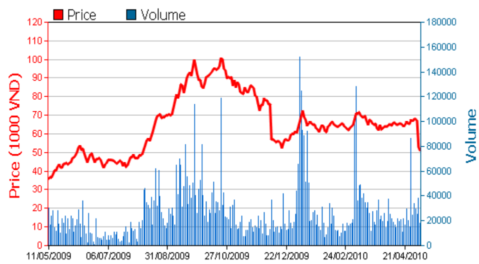
KINH DO CORPORATION JSC (KDC)

Date	8/05/2010
Purpose	AGM
Charter Capital (VND bn)	1,012.8
Price @ 10/05/2010 (VND)	51,000
Market Capital at Current Charter Cap (VND bn)	5,165.5
After merging NKD and Kidos into KDC	
New Charter Capital (VND bn)	1,195.3
P/E 2010 (x) (on estimated PAT of VND730bn)	8.4x

Price Chart



AGM Notes

Some key take-away notes from the AGM are as follow:

A. 2009 Financial Performance

VND bn	2009 Actual	2009 Plan	2008 Actual	%Plan
Total revenue	1,529	1,747	1,456	88%
PBT	572	530	-61	108%
PAT for the Company's shareholders	523		-85	

- Even though 2009 revenue was up by only 5% from the previous year, PBT surged from a loss of VND61 bn in 2008 to a gain of VND572 bn in 2009. KDC explained slow growth in the top line by its strategy of focusing on high margin products and not expanding market share in order to overcome previous year's loss and ensure its committed cash dividend of 24%.
- Given KDC's focus on high margin segments and lower costs of raw material inputs, gross margin increased significantly from 25% in 2008 to 33% in 2009. Operating profits reached VND234 bn, up 58% from 2008.
- Thanks to the recovery of the stock market, KDC reversed VND198.8 bn in provision for losses in securities investments. KDC also restructured its portfolio in Q2/2009 and recorded VND68 bn in financial gains.
- In Q4/2009 KDC posted VND255 bn gain from revaluation of the land contributed to the joint-venture Tan An Phuoc, Thu Duc District. As a result, KDC's 2009 PBT reached VND 572 bn, much higher than the loss of VND61 bn in 2008.
- In 2009, Binh Duong confectionary factory with total invested capital of VND650 bn went into operation.
- KDC was successful in increasing its market share in 2009. According to KDC, the company currently holds 30% market share for biscuits, compared to its peers Bibica 10%, Hai Chau 7%, Kraft 7%, and Hai Ha 6%.
- In 2009, KDC paid 24% in cash dividend and 40% in stock dividend.

B. Business strategy and plan for 2010-2012

(Before merger)

	1008	2009	2010
Total revenue (VND bn)	1,456	1,529	1,881
% revenue growth y-o-y	18%	5%	23%
EBT (VND bn)	-61.7	572	850
% EBT growth y-o-y	-	-	49%
Dividend (VND /share)	-	2,400	2,400

In which

(VND bn)	2008	2009	2010
Income from operating activities	148	234	342
Income from financial activities	-228	68	50
Income from associates	-1	13	33
Income from real estates and other income	20	258	425
Total	**-61**	**572**	**850**

- Going forward, KDC continues to focus on high margin products including moon cake, cracker, bun, and new products.
- 2010 Revenue is targeted at 23% higher than the previous year based on 10% increase in price and 13% increase in sales volume. 2010 PBT is expected at VND850 bn, in which income from operating activities is VND342 bn, up 46% from 2009, and income from real estate (the joint-venture with SJC) is VND425 bn.
- **Q1-2010 Operating results:** Revenue was up 19% yoy and gross margin increased from 24.5% Q1/2009 to 29% Q1/2010. However, operating income only reached VND20.5 bn, down 17% yoy. As KDC carried out aggressive marketing efforts in the first quarter, selling and administrative expenses surged to 22.3% of revenue compared to 14.5% in Q1/2009, and thus depressed the bottom line. However, KDC expects that investments in distribution channel will give rewards in subsequent quarters.
- Answering questions about concerns on competition with Wall's, KDC said that they believe in their abilities to compete because (1) KIDOS only focus on pivotal brands that have been well-recognized by consumers, (2) KIDOS' distribution network is well-established with 15,000 ice-cream freezers, compared to 1,000 of Walls, and (3) besides ice-cream, KIDOS is also strong in yogurt products which targets kids.
- Ongoing projects:
    - Tan An Phuoc Resident Zone at Tan Hiep Binh Phuoc, Thu Duc: In the process of clearing land. Construction will start in Q3/2010.
    - 141 Nguyen Du building: KDC relocated its head office to this building since March 2010.
- KDC expressed interest in investing in selected real estate projects with good location, high profitability, and low risk in 2010.
- In addition, the KDC will continue to develop strategies based on M&A after the mergers with NKD and KIDOS.
- After the merger, KDC expects revenue growth to maintain at 20-25%, gross profit to be at high level of 33-36%, and PBT/revenue approximately 15-17% for the next three years. EPS is projected to grow at average rate of 9% pa in 3 years after the merger.

C. <u>Approval of merging NKD and KIDOS to KDC:</u> by swapping shares with swap ratio of 1.1 NKD for 1 KDC and 1.1 KIDOS to 1 KDC. After the merger, NKD and KIDOS will become KDC's wholly-owned single member limited liabilities subsidiaries.

- The AGM presented many benefits associated with the mergers: increasing competitive advantages, reducing operating costs, improving bargaining powers, increasing financial capacity, attracting strategic investors, increasing ability to mobilize capital to finance future projects, and enhancing transparency in corporate governance.
- Overview on KDC, NKD and KIDOS

As of 31/3/2010 (VND bn)	KDC	NKD	KIDOS
Total Assets	3,825	530	263
Debts	1,000	256	42
Shareholders' Equity	2,757	273	221
Revenue	306	156	75
PAT	349	9	9

NKD's 2010-2012 targets

(VND bn)	2008	2009	2010F	2011F	2012F
Revenue	689	768	920	1,150	1,500
PBT	2	100	120	160	210
PBT/Revenue	0.3%	13.0%	13.0%	13.9%	14.0%

KIDOS' 2010-2012 targets

(VND bn)	2008	2009	2010F	2011F	2012F
Revenue	227.1	288.7	412.6	671.1	913.5
PBT	18.1	53.8	55.8	67.7	83.3
PBT/Revenue	8.0%	18.6%	13.5%	10.1%	9.1%

D. **Approval of additional issuance and listing new shares** used for the mergers. KDC will issue and list additional 18,244,743 shares, increasing its charter cap to 1,195.25 bn in 2010.

E. **Approval for the plan to merge Vinabico into KDC.** The merger is expected to happen in 2011. Vinabico has charter cap of VND49.8 bn of which KDC currently holds 51.2%. In 2009, Vinabico recorded VND53.8 bn in revenue and VND7 bn in PAT.

ANALYST'S OPINION

We believe that completing target of income from continuing operations will be a challenge for KDC this year. Although Lunar New Year came late in 2010, operating income actually declined from the previous year. Therefore, even though 2010 is expected to be a more favorable year for KDC when the economy starts to recover, revenue growth of 23% and earnings growth of 49% seem to be very optimistic targets.

With 2010 revenue projected to increase by 23% and profit margin estimated at 33%- the same level with 2009, KDC will have to closely manage its costs to achieve earnings growth from continuing operations. Given fierce competition and this year's expansion strategy, it is quite likely that high SG&A expenses in Q1 will continue in subsequent quarters. Therefore, we anticipate PBT from core operating activities will grow at 20% in 2010, equivalent to VND 281 bn. With VND458bn gain from real estates and associates coupled with VND57 bn provision for losses in financial investments as of end 2009 that could be reversed in 2010, we estimate 2010 PBT to be VND796 bn and 2010 PAT to be VND686 bn.

After the M&A with NKD and KIDOS, KDC's pro-forma 2010 PAT will be VND 820 bn, resulting in a pro-forma 2010 P/E of 7.4x (calculated on new charter cap after the mergers and at current price of VND51,000/share). However, NKD and KIDOS' contribution to KDC is only fully recorded commencing 2011. Given the merger's expected completion date by end of Q3/2010, we estimate NKD and KIDOS' earnings contribution to KDC using proportional method for the last quarter. Accordingly, KDC's projected 2010 PAT after mergers will be VND 730 bn, making 2010 P/E after mergers 8.4x.

Valuations are currently quite attractive for a leader of Vietnam's confectionary industry. However, with 50% of 2010 earnings come from extraordinary gains, KDC's earnings are expected to plunge in the coming years. We will not cross out the possibility that KDC will continue to have extraordinary gains from unannounced real estate projects in the future as rumor said. However, with respect to continuing operations and sustainable growth of its core business segment, KDC's valuation is relatively high at this price level. Furthermore, mergers with NKD and KIDOS need time to prove its effectiveness and contribution, and to see whether KDC will become even bulkier or achieve great synergy from integration.