KINH DO GROUP JSC (KDC)

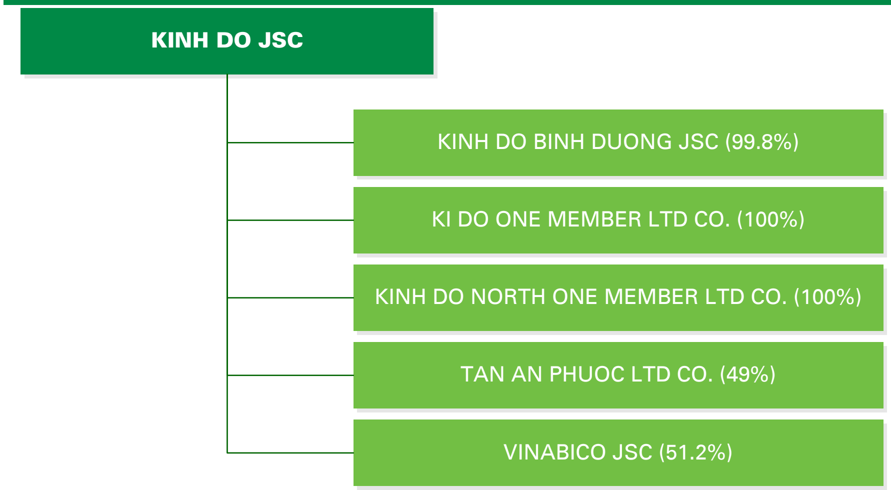
November 12, 2014

COMPANY UPDATE BRIEFS

KDC: Announcement of selling 80% of Kinh Do Binh Duong and KDC's ownership at Vocarimex is expected to increase to 51%

- Selling 80% Kinh Do Binh Duong (BKD): Kinh Do Group (KDC-HSX) announced an acquisition deal with Mondelez International Inc. (Mondelez), one of the United State's largest food companies through a sale of 80% ownership of BKD. Before the sale, BKD will be restructured as follows: BKD will receive from KDC its confectionary segment from KDC including biscuits, cakes, cereal (excluding ice cream segment KIDO, dairy products and retail chain). Meanwhile, after receiving Kinh Do Bakery from Kinh Do North (NKD), KDC will transfer its investment in NKD to BKD. After restructuring, BKD's chartered capital will be VND1,300 billion (USD61 million). The pretax value of Mondelez to buy 80% of BKD is known to be VND7,864 billion (USD370 million), and KDC is expected to gain approximately VND6,824 billion (USD320 million) from the deal. The remaining 20% of BKD may be negotiated between two parties in at least 12 months (estimated to be in December, 2016).

KDC structure as of December 31, 2013



Source: KDC

Mondelez was split off from Kraft Foods in 2012. Mondelez's 2013 revenue was USD35 billion. According to Euromonitor, Mondelez International is currently a global leader in biscuits, chocolate, candy and beverage, ranked second in chewing gum and coffee, with well-known brands such as Cadbury, Cadbury Dairy Milk, Milka chocolate, Jacobs, LU, Nabisco và Oreo, Tang and Trident. Mondelez products are consumed worldwide with a revenue structure as follows: Europe (40%), North America (20%), Latin America (15%), Asia Pacific (14%). This deal will enable Mondelez to penetrate into the Vietnamese market through KDC's wide distribution network.

- Instant noodle investment: KDC cooperated with Saigon Vewong Ltd., an instant noodle enterprise with A-One brand and ranked fifth in the market share. KDC expects to be in the top three with revenue equivalent to its confectionary business's. KDC's instant noodles are expected to be on sale by the end of 2014.

- ❖ Dominant ownership in Vocarimex (Cooking oil): Recently, Vocarimex Vegetable Oil Industry Corp. (Vocarimex) had its IPO and KDC became its strategic partner with 32% equity. KDC is also seeking shareholders approval to increase its ownership in Vocarimex to 51%. Vocarimex is a parent company, holding 51% of Tuong An Vegetable Oil and holding majority shares in three cooking oil companies which are Vegetable Oil Cai Lan (Neptune, Simply), Golden Hope Nha Be and Vegetable Oil Tan Binh. Regarding market share, Vocarimex accounts for 4%, domestic cooking oil companies account for 10% and the remaining 86% belongs to foreign enterprises.
- ❖ PhinDeli Coffee investment: KDC holds approximately 50% share of PhinDeli (US) with a value of USD1 million. The company has been established for just over a year, operating in both instant coffee and ground coffee.

We will provide further analysis as and when we receive more information. However, it can be seen that all of KDC's three new investments are in competitive fields, with market shares established over a long time ago. Therefore, it is still too early to say that business activities in these segments can outperform KDC's confectionary activity. In addition, with a huge cash pile from the sale of BKD, there are a few rumors that KDC will have extraordinary dividend. However, KDC has not made any official announcement regarding this news. KDC's share price has increased 25% over the past three months, with a peak at VND74,500 per share.

With a current price of VND61,500 per share, KDC is currently trading at a P/E of 24x and a P/B of 2.3x. EPS trailing is at VND2,328.

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