KINH DO GROUP JSC (KDC)

December 1, 2014

COMPANY UPDATE BRIEFS

KDC: Extraordinary Shareholder Meeting 2014

On December 1, 2014, KDC organized an Extraordinary Shareholder Meeting for 2014 to seek shareholders' approval on a number of business activities. Basically these have been announced earlier and we update the ones that were approved by shareholders. The summary is as follows:

- Sale of 80% Kinh Do Binh Duong (BKD): In phase one, KDC will sell 80% of KDC Binh Duong (BKD) to Mondelez International inc. (Mondelez) with a before-tax value of VND7,864 billion (USD370 million) in cash. The deal is being processed and is expected to be completed by 2Q 2015. BKD's post-restructuring book value will be VND1,500 billion (USD70.4 million). BKD's remaining 20% will be negotiated and the decision will be reached in at least 12 months (expected December 2016).
- Instant noodle investment: KDC collaborates with Saigon Vewong Limited, an instant noodle enterprise with the 'A-One' brand, that is currently ranked fifth. November 22, 2014, "Dai Gia Dinh", a KDC's instant noodle brand was launched and expected to be sold via 86,000 retailing points. According to KDC, the company will invest VND325 billion in instant noodles, mainly in improving capacity and the distribution system with a revenue target of VND2,500 billion (10% market share).
- Major shareholding in Vocarimex (cooking oil): Recently, Vietnam Vegetable Oils Industry Corporation (Vocarimex) had its IPO and KDC became its strategic shareholder with 24% shareholding. KDC will increase to a dominant ratio of 51%. In Vocarimex's shareholder meeting on November 29, 2014, three out of five voted members of Vocarimex's board of management belong to KDC, in which Mr Tran Kim Thanh, KDC's Chairman was voted to be Vocarimex's Chairman. Being a strategic shareholder of Vocarimex plays an important factor in KDC's instant noodle production, ensuring its expenses and input ingredients for instant noodles. In addition, KDC will partner with Vocarimex to launch a new cooking oil product by 2Q 2015.
- 2015 outlook: According to updated information on current deals, KDC's business result in the first half 2015 will still be contributed 100% by the confectionary segment. As the instant noodle segment only went into operation in the end of 2014, it will not contribute to 2014's profit but is projected to do so from 2015.
- Long-term outlook: After the sale of its confectionary segment to Mondelez, KDC's cash is expected to reach VND9,986 billion (USD469 million). According to the company, this cash will be used for:
  - ✓ VND700 billion to buy additional Vocarimex shares
  - ✓ VND325 billion to expand on its instant noodle business
  - ✓ VND250 billion to invest in coffee business
  - ✓ VND300 billion to develop KIDO's cold channels
  - ✓ The remaining VND8,411 billion will be used for M&A activities in the food & beverage sector. KDC already has plans to invest in a flour enterprise to serve as input for instant noodle production. In addition, KDC plans to spend about VND4,524 billion (USD212 million) to buy an additional 75.4 million treasury shares (VND60,000 per share). Accordingly, with a total of 1.5 million treasury shares, KDC's number of shares is expected to account for 30% of its total share oustanding after the share repurchase. However, KDC will need the money from its treasury shares for its M&A activities, so there is a high possibility that the company will not sell its shares on the market but to another partner in the food & beverage sector to avoid impacting its share price.

With a total capital of VND1,575 billion (USD 74 million) in the mentioned businesses, KDC's expected revenue structure is as follows: KIDO ice cream (VND1,500 to VND1,600 billion), Vocarimex (VND5,500 to VND6,000 billion), instant noodle (VND1,900 to VND2,500 billion) and interest income (VND750 to VND900 billion).

Before the news of BKD's sale, KDC's share price already appreciated 25% in the past three months. However, since November 11, 2014, when KDC officially announced the news, its share price depreciated 16% in three weeks as investors sought to take profits. With a current price of VND51,000 per share (December 1, 2014), KDC is currently traded at a P/E of 22x and a P/B of 1.9x. Trailing 12 month EPS is VND2,328.

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