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Connecting Local Enterprise with the World



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SEAF INVESTS IN AGRICULTURE AND POWER EQUIPMENT IN VIETNAM

Small Enterprise Assistance Funds (SEAF) announced today a new investment in a growth oriented small and medium enterprise (SME) in Vietnam that the group will manage through the Blue Waters Growth Fund (BWGF). The USD 1.69 million (VND 30 billion) convertible bond investment was awarded to Hoa Binh Corporation JSC (HBC), an assembler and distributor of generators and agriculture related machinery and equipment. HBC will use the financing to expand its assembly and distribution capacity of internationally recognized brands like Honda and Kubota, to support the development of the company's original equipment manufacture (OEM) product assembly line, and for general company working capital needs. SEAF's investment in HBC will join BWGF's other two investments in Vietnam in an outdoor furniture company and a software company. BWGF was launched in 2007 and has plans to invest USD 25 million in Vietnam within the next three years.

Established in 1989, HBC specializes in distributing and assembling generators and agriculture related machines and equipment from internationally well-known brands (including Honda, Kubota, Iveco, Lombardini, Sawafuji, and Sakai) through four branches and 190 dealers nationwide. In addition, in 2008, HBC established its own original line of products to diversify the company's product line and reduce its dependence on international suppliers. This original line will reduce HBC's expenses by 15 to 25% through the incorporation of quality, locally manufactured products that are cheaper to produce. This shift will increase

HBC's gross margin and competitiveness for both domestic sales and export opportunities.

"HBC is an extremely well-run company whose products meet the particular demands of the Vietnamese market," said SEAF BWGF Managing Director Keirn O'Connor. "Whether it's filling the electricity supply gap or meeting the expanding need for agricultural and construction equipment, HBC has products, supported by an extensive distribution system and top-quality customer support, to meet the needs of a large customer base."

Between 2007 and 2008, company sales grew an impressive 64 percent to USD 17.9 million (VND 319 billion). Profit after tax in 2008 was USD 1.97 million (VND 35 billion). Despite current challenging market conditions produced by the global economic recession, HBC expects to achieve a 28.5% sales growth to USD 23 million (VND 410 billion) in 2009.

"HBC is excited about receiving this convertible bond investment from SEAF BWGF because it is a key element of our long-term strategic plan," said HBC founder and General Director Le Quang Canh. "Apart from providing capital to foster our growth, this partnership with SEAF is an inflection point in the improvement of management and stable development of HBC. It will also have a positive impact on our planned listing on the Ho Chi Minh Stock Exchange. SEAF has been such a supportive partner that we have invited Mr. O'Connor to join our board of management."

SEAF's BWGF is committed to realizing both attractive financial and development returns on its investments in SMEs in Vietnam. "Through this partnership, we have a unique opportunity to bolster development in Vietnam in at least three distinct ways," SEAF's O'Connor said. "First, HBC will create new manufacturing, supply-chain and retail jobs—some in needy areas like the Mekong Delta. Second, strengthening HBC will help improve access to electricity for all Vietnamese consumers, especially those not fully connected to the power grid. Third, HBC supplies products that increase the productivity and improve the mechanization of the agricultural sector, which will have a positive impact on many Vietnamese farmers."

SEAF's analysis of the development impact of SME investment shows that for every \$1 invested in a small and growing business, an additional \$12 in benefits redounds to the local society. Beyond providing growth capital to the company, SME investment provides economic benefits to a host of other stakeholders—employees, suppliers, customers, competitors, the local community and, local government. With stable and secure jobs and growing incomes, for the first time families can begin to plan for their futures—investing in improved housing, preventive health care and education for their children that can end the cycle of poverty.

“By their nature, our products already directly contribute to Vietnam’s growth,” said HBC’s Mr. Canh. “It’s rewarding to know that our business can have even greater positive impact through the effective partnership and support from SEAF BWGF.”

SEAF is a global firm specialized in the management of private equity funds in emerging markets. SEAF’s two decades of experience investing in nearly 290 small businesses have permitted it, together with its partners in these funds, to effectively and efficiently deploy growth capital to fast-growing markets underserved by traditional funding sources. SEAF’s extensive experience has allowed it to identify and invest in promising companies that deliver both positive financial results, as well as significant economic and social benefits to their employees and their communities.

Note: for more information on the Blue Waters Growth Fund and SEAF’s other global funds, please visit:
www.seafweb.org

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