Early Warning System

IFC-39801

Fenglin III

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Quick Facts

Countries	China
Specific Location	Nanning, Guangxi Autonomous Region
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2017-10-15
Borrower	GUANGXI FENGLIN WOOD INDUSTRY GROUP CO., LTD.
Sectors	Agriculture and Forestry, Construction
Investment Type(s)	Loan
Investment Amount (USD)	$ 40.00 million
Project Cost (USD)	$ 80.00 million

Project Description

The proposed IFC investment is for construction of a Particle Board (PB) factory, for the Guangxi Fenglin Wood Industry Group Co., Ltd., (“Fenglin” or the “Group”) located in Nanning, Guangxi Province, the Peoples Republic of China (PRC). The group has four facilities, three located in Guangxi Province, and one located in Guangdong Province, with over one hundred separate plantations (with a total forest estate of 14,897 hectares) in Guangxi Province. The current production demand is 800,000 m per annum, of raw waste wood (comprising of timber harvest residues, chips, and offcuts from the wood processing sector) for production inputs. Following this investment group raw waste wood demand is anticipated to rise to over 1.1 million m 3 per annum. The group subsidiaries rely on a network of approximately 792 suppliers and aggregators within an average 150 km radius from each facility.

The loan proceeds will be used to construct a new factory on an existing brown field site, of the Medium Density Fiberboard (MDF) factory (formerly operated by the group, “Parent” the Guangxi Fenglin Wood Industry Group Co.,), and for working capital. The construction phases include: (i) decommissioning, and equipment removal from existing factory; (ii) demolition of existing buildings; (iii) leveling and foundation preparation; followed by, (iv) construction of the new PB facility. All actions will be conducted on the former MDF factory site foot print and have a duration of 18 months.

By adopting modern technologies, the new PB factory will become one of the largest PB manufacturing facilities in the PRC with the capability to manufacture formaldehyde emission free PB. The production process of MDF and PB involves blending chipped raw wood fiber with adhesives and bonding agents, drying, pressing and extruding. The MDF and PB manufacturing line is automated, with manual labor required at the front end (handling of raw waste wood fiber inputs) and at the back end (handling of finished panels).

Investment Description

- International Finance Corporation (IFC)

Fenglin was listed on the Shanghai Stock Exchange (Stock Code: 601996) on September 29, 2011. It is headquartered in Nanning, and has operations in Guangxi and Guangdong Provinces. The Project Sponsor is Mr. Yichuan Liu, the founder and the key shareholder of the Company. The Company is 47.9% owned by Fenglin International Limited, with the rest by small shareholders and public.

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/