Early Warning System

IFC-40057

Morris Hong Kong

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Quick Facts

Countries	Cambodia, China
Specific Location	Haining, Zhejiang-China and Prey Nob District, Sihanoukville-Cambodia
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2018-01-04
Borrower	MORRIS HOLDINGS LIMITED
Sectors	Construction, Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	$ 26.00 million
Project Cost (USD)	$ 103.50 million

Project Description

According to the bank website, Morris Holdings Limited (“Morris” or the “Company”) is a publicly listed company and a global leader in the upholstered sofa industry. With a market capitalization of approximately US$200 million and 2016 sales of approximately US$141.5 million, the Company is the second largest upholstered sofa manufacturer in China in terms of export value to the U.S. Morris integrates the functions of design, research and development, manufacturing, online and off line sales, and after sales services. The proposed IFC investment will support Morris’ capacity expansion program for i) additional production facilities and working capital in both Cambodia and China in order to address production bottlenecks and growing demand and ii) refinancing of short term debt (together, the “Project”).

South-South Investment and Higher Operational Efficiencies:
Cambodia: The Project entails the transfer of knowledge and technical expertise as well as foreign direct investment from China to Cambodia, developing a stronger South-South value chain in the forestry and wood products sector. As a supplier to demanding U.S. and Canadian markets with stringent industry standards, Morris is well-placed to disseminate these practices to less developed countries. The adoption of best industry practices is expected to strengthen technological capacity and bring process improvements to the furniture industry in Cambodia, improving competitiveness at a larger scale than what is currently prevalent in the country.

China: In addition, the China component of the Project will help the Company achieve even greater economies of scale in China, leading to more competitive products for domestic consumption as well as export markets. The planned expansion in China is expected to increase the Company's production by 30%.

The proposed Project would build a new production facility in Sihanoukville Special Economic Zone (SSEZ) in line with IDP's vision. By undertaking a phased approach that starts with textile-based production (sofa covers) the Company is utilizing Cambodia's existing comparative advantages but is planning to invest in training and skill-building necessary to transition to furniture manufacturing and assembly. A successful outcome of the project is expected to demonstrate to international investors that Cambodia is a viable place of origin for high quality furniture and potentially attract new players. Furthermore, the Project is expected to have a positive impact on the local economy by upgrading the domestic manufacturing industry, diversifying exports, and integrating the country into new global value chains, thus strengthening its resilience to economic shocks.

Investment Description

- International Finance Corporation (IFC)

Private Actors Description

Morris is 75% owned by Morris Capital Limited, a British Virgin Islands-incorporated holding company which is owned 85% by the Mr. ZOU Gebing (the “Sponsor”) and 15% by his wife Ms. WU Xiangfei. The other 25% of Morris is owned by public shareholders.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Morris Capital Limited	Client	-

Contact Information

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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/