

**MORRIS HOLDINGS LTD:
THIS IS, CERTAINLY, NOT THE BEST
INVESTMENT ‘VEHICLE’ OF THE PAST YEAR**

There are two important aspects in relation to the Global Offering of Shares by Management of Morris Holdings Ltd () (Code: 1575, Main Board, The Stock Exchange of Hongkong Ltd), both of which could – and, perhaps, should – be considered worrying to investors of this Company and of the Initial Public Offering (IPO):

1. The Company is very heavily dependent to the extent of about 90 percent with regard to sales of its products to consumers of The United States of America; and,
2. The Gearing Ratio of the Company was 217.90 percent in respect of the eight months to August 31, 2016.

There are a number of other worrying considerations, also, of course, but the above two aspects appear to be among the most-prominent, in this medium’s opinion.

The Global Offering Of Morris Holdings Ltd

Morris Holdings Ltd published and disseminated its Global Offering Prospectus on December 30, 2016.

The Company Offered a total of 250 million, \$US0.001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.05 to a high of \$HK1.31.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC) were Offered 25 million Shares and the remaining 225 million Shares were reserved for International Investors.

On January 11, 2017, Management announced that the Offer Price Per Share had been struck at \$HK1.05, the lowest-acceptable level with regard to the Indicative Offer Price.

The Company estimated that the net proceeds from the Global Offering of Shares would come in at about \$HK218.60 million.

Management intends to utilise the net proceeds as follows, Page Seven of the January 11, 2017, announcement stated:

- (i) Approximately, 31.30 percent, that is about \$HK68.50 million, *‘will be used for the further expansion of the Group’s sales and marketing network in both overseas markets and the PRC’*;
- (ii) Approximately, 26.40 percent, that is about \$HK57.70 million, *‘will be used to repay part of the Group’s outstanding bank borrowings’*;
- (iii) Approximately, 26.00 percent, that is about \$HK56.80 million, *‘will be used for the enhancement of the Group’s brand recognition in the furniture market, to intensify its marketing efforts through marketing and promotion of its existing self-branded furniture,*

and to develop its design capabilities’;

- (iv) Approximately, 9.80 percent, that is about \$HK21.40 million, ‘*will be used for general working capital and other general corporate purposes’*; and,
- (v) Approximately, 6.50 percent, that is about \$HK14.20 million, ‘*will be used for the expansion of the Group’s manufacturing capabilities in Cambodia.*’_

The Business Of Morris Holdings Ltd

The business of Morris Holdings Ltd is, primarily, in the manufacture of sofas and sofa covers. The Company’s factories are located in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

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