

TANZANIA INVESTMENT CENTRE

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M/S KAI QUAN COMP LTD

4.3 Competitive Analysis

The primary competition is not from other local manufacturers in the country, but rather from home textile products imported from abroad.

M/S KAI QUAN COMPANY LIMITED is determined to produce home textile products that are both of good quality, meeting international standards, and are also sold for a price that is affordable for those with an average income.

The management of **M/S KAI QUAN COMPANY LIMITED** is determined to acquire all important machinery, tools and equipment in order to be effective, efficient and competitive in the manufacturing sector.

4.4 Distribution System

The products will be distributed locally directly to sub-wholesalers and retailers using company motor vehicles. The latter will sell to other retailers and final users respectively.

4.0 MARKETS AND MARKETING ASPECTS OF THE PROJECT

4.1 Target Markets and Segmentation

The project targets for both domestic and export markets. It is expected that 80% of home textile products will be sold to the local market and the remaining 20% will be exported.

The project is also intending to sell its products directly to wholesalers, retailers and entrepreneurs, particularly women, who buy their products in smaller portions according to their individual capital capacity. Markets will be segmented on the basis of volume of purchase, place of domicile and requirements.

4.1.1 Production Capacity

The production capacity is expected to increase depending on the market demand for company products.

4.2 Marketing Strategies

On the basis of the market survey it has been found that only few existing manufacturers and suppliers carry out promotional efforts. This is an indication of the existence of un-satisfied demand. Nevertheless, in order to penetrate the market quickly and accrue position, the project will carry out project advertisement efforts to promote the products.

The company will then come up with strategies related to products quality, price and pricing strategy, sales strategy. Other strategies shall include promotion, communication and facility strategies.

The project is therefore intending to meet the following objectives:-

- (i) To manufacture high quality textile products made of cotton, polyester and linen which are free from allergies (Consumer Safety Products);
- (ii) Creation of employment opportunities to a number of Tanzanians who will be directly employed in the industry and those who will be indirectly engaged in the project.
- (iii) The project will impart new skills and technology of manufacturing textile products in an environmental friendly manner.

3.6 Target Markets

The targeted market for this project is for both domestic and export markets.

3.7 Investment Cost

The project is estimated to cost **USD 540,000** when it is fully implemented.

3.8 Project Financing

The project will be financed by existing shareholders contribution in terms of equity. No bank loan is envisaged to be applied at the mean time.

3.9 Financial Appraisal

The company's financial projections have been prepared over the period of five years. As mentioned no bank loan is expected to be sought during the initial stage of the project implementation period.

3.9.1 Implementation

It is expected that the project will be implemented in three year period that involves plot renovation and minor civil works, power and water network improvement in year 1 and from year 2 more concentration will be given to plant consolidation and production growth. The project is expected to be implemented in three years.

3.0 PROJECT DESCRIPTION

3.1 The Project

The company sees a bright future to the Tanzania economy and manufacturing sector in particular as such the company has decided to venture into the manufacturing sector. This business plan sets out a proposal for establishing a home textile manufacturing plant to be based in Dar es Salaam. Specifically the company will manufacture home textile products such as bed linen items, curtains, quilt, cotton aprons, napkins and table cloths for local and export market.

3.2 The Project Promoters

The project promoters of this project are **M/S KAI QUAN COMPANY LIMITED** whose shareholders are as shown below:-

S/NO.	Name	Shares	Nationality
1.	Shi Liankai	150,000	Chinese
2.	Shi Jianquan	150,000	Chinese

3.3 Directors' Profile

The project is backed by well established and experienced people with vast experience in the manufacturing sector and also with sound technical, financial and managerial aspects.

3.4 Location

The proposed manufacturing project will be established at Plot No. 317 Block 'B' Chang'ombe located at Temeke area - Dar es Salaam.

3.5 Project Objectives

Major objectives for which the company was established is:-

- (i) *To establish and operate a home textile manufacturing project;*
- (ii) *To manufacture 100% cotton and polyester textile products and ensure consumer product safety (free from allergy) and of high quality.*

See table 2 below showing Industrial Sector Contribution to Employment.

Table 2: Industrial Sector Contribution to Employment

Industry Activity	2000	2001	2002	Total	%
Food Processing	43,602	46,217	49,776	139595	37.29
Textile Manufacturing	41,537	44,029	46,451	132017	35.26
Manufacture of leather goods	1,072	1,137	1,397	3606	0.96
Foot Wear	3,323	3,522	3,523	10368	2.77
Timber and timber products	5,965	6,323	12,254	24542	6.56
Manufacture of wood furniture	4,733	5,017	9,722	19472	5.20
Manufacture of non-metallic products	5,235	5,549	6,304	17088	4.56
Basic metal industries	7,958	8,436	11,313	27707	7.40
Total	113425	120230	140740	374395	100

Source: National Bureau of Statistics

2.4 Production

Manufacturing industries showed good performance in production include: pharmaceuticals, packaging materials (sacks, boxes, bottles and bags), foodstuffs and beverages), **textiles**, soap, metal, cement, corrugated iron sheets, paints and sisal ropes. Production in the manufacturing industries hides, leather goods, paper and paper products, continued to be low due to investors failure to complete rehabilitation or have not yet been divested. Production of metal and metal products in 2002 slightly increased from 16,340 tons 2001 to 25,418 tons, an increase of 55.6 percent compared to 46.1 per cent in 2001. **Following the restructuring of capital, plant and management in textile industries production increased by 26.06 percent from 84,325,000 square metres in 2001 to 106,305 square metres in 2002 (Economic Survey, 2002).**

and minerals waters. The tobacco subsector comprises manufacturing of cigarettes, tobacco and other tobacco production.

Wood and Wooden Products, excluding Furniture Activities:

Accounted in the subsector include sawmills, planing and other wood mills manufacturing goods. Also included in this subsector is the manufacturing of wooden containers, cane products and wooden products.

Paper and Paper Products:

This comprises the manufacturing of pulp, paper, paperboard, fibreboards, light packaging, heavy packaging, stationery and other paper products.

Non-metallic Mineral Products:

This includes manufacture of pottery, china and earthenware, glass and glassware products, bricks, tiles, cement, concrete, gypsum and plaster products. Physical volume of production has been in the up swing since the early nineties and particularly towards the end of the decade following privatisation of the cement mills. Level of employment has similarly been sustained.

Basic Metal Products:

This comprises rolling mills and foundries to produce products such as slabs, bars, sheets, plates, strips, tubes, pipes and rods.

Fabricated Metals, Machinery and Equipment:

This include manufacture of cutlery, hand tools and general hardware, furniture and fixtures, doors, metal staircases and window frames. Others are electrical motors transformers, electrical control devices and switchboard apparatus as well as radios and transport equipment, mainly bicycles and animal and auto-pulled carts.

invention, innovation and nurturing modern technologies for production and service provision.

2.1 Industrial Firms in Tanzania:

Textiles, Clothing, Leather and Footwear:

Activities undertaken in this category include spinning, weaving, finishing of textiles; the manufacture of made-up textile goods; knitting, manufacture of carpets, rugs, cordage, rope and twines.

For the leather and footwear activities involved include tanneries; leather finishing and manufacturing of products from leather such as luggage, handbags and purposes. The leather sub-sector was the first to be identified for privatisation. Hitherto, all the three large tanneries and two shoe making factories have been privatised.

Chemicals, Petroleum, Rubber and Plastics:

The chemical subsector comprise the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials and products, medicinal and pharmaceuticals, soap, detergents, perfumes and other cosmetics, paints and other chemical products. While the petroleum subsector comprise of petroleum refineries, fuel oils, lubricating oils and manufacture of asphalt materials. Rubber products produced in the country include tyres and tubes conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear. Production, albeit characterized by peaks and troughs, has remained approximately constant since the early nineties.

Food, Beverage and Tobacco:

The food manufacturing in Tanzania include manufacturing of dairy products, canning and preservative of fruits and vegetables, canning fish and similar foods, manufacture of animal and vegetable oils, grain milling baking, sugar and confectionery as well as prepared animal feeds. The beverages include the distilling of ethyl alcohol, distilling rectifying and blending of spirits; manufacture of wines, cider and beer. Also included is the production of soft drinks and carbonated waters and the bottling of natural spring

2.0 OVERVIEW OF THE MANUFACTURING INDUSTRY

In the end of the 20th century, manufacturing activities in Tanzania have exemplified a steady growth, registering average annual growth of over 4 percent. Nevertheless, manufacturing activities in Tanzania, are relatively small and at an infancy stage. Its contribution to GDP has averaged 8% over the last decade, with most activities concentrated on manufacture of simple consumer goods - food, beverages, tobacco, **textiles** and furniture and wood allied products. Most of the present industries were established in the light of import substitution strategy, whereas production focused in substituting previously imported goods in view of saving the country's meagre foreign exchange.

The government decision to liberalise trade and investment policies, effected since 1986, witnessed a number of firms even those believed to be as strong, clumping down as they could hardly withstand competition from imported manufactures. A number of measures were taken in view of revamping competitiveness of the local industries and enhancing their penetration into export markets.

The government starting in the early 1990s launched a deliberate programme to restructure and privatise publicly owned enterprises. Out of this programme some sheds of hope are now emerging. The overall utilisation of installed industrial capacities is improving, rising from an average of 20% in 1990 to around 50% at the turn of the 21st Century. Some of the recently privatised industries have undergone intensive rehabilitations - improving their capital structure, production technologies and management and marketing system as well as retrenched workers to match with production levels and improved quality and lower costs of production.

The manufacturing sector is of significant importance in the Tanzania's economy. Up to 1999, the sector employed about 140,000 people or about 48% of total monthly wage earners, making it the largest urban employer. It remains to be the most reliable source of government revenue in terms of import sales, corporate and income taxes. It accounts for over half of government annual revenue collection. Though manufacturing export has been in a declining trend, yet it earns the country a fifth of total foreign exchange earnings to become a third important sector coming after agriculture and tourism. Moreover, it is the industrial sector that provides reliable field to practice

1.2.8

Summary and Conclusion

The Business Plan should be given an opportunity to be implemented as conceived in this presentation.

1.2.5

Strategies

In order to achieve the above objectives it is planned to implement the following strategies;

1. Equip the project adequately by installing state-of –the-art facilities and support infrastructure;
2. Institute a preventive maintenance programme;
3. Develop and implement an effective marketing policy- **Target Marketing**; develop and implement an advertising and promotional programme;
4. Establish an effective financial and resources management.

1.2.6

Financial Appraisal

The company's financial projections have been prepared over the period of five years. As mentioned no bank loan is expected to be sought during the initial stage of the project implementation period.

1.2.7

Financial Review

The financial review as shown on appendices attached to this document of **KAI QUAN COMPANY LIMITED** business shows that:-

5. The project is profitable;
6. The liquidity position is sound and that it should be able to meet its financial commitment without any undue difficulty;
7. The operations are financially viable;
8. The key ratios are acceptable.

1.2.2 The Home Textile Products in the Market

Home Textile products have gained notable importance in different spheres of activity with an ever increasing per capita consumption. The demand for home textile products is constant as these products wear and tear.

The textile industry in Tanzania is growing at a fast pace. However, with an increasing economical liberalization, competition in this industry is expected to increase considerably. To survive the growing competition, the following adjustments need to be adopted by **KAI QUAN COMPANY LIMITED**.

1. Cost reduction by adopting more radical methods and approaches;
2. Putting more strength on the processing stage to reduce time and cost associated with the production of the final products.

1.2.3 Business Analysis

- **KAI QUAN COMPANY LIMITED** potential and capability for survival is based on the following facts:
- **KAI QUAN COMPANY LIMITED** products and services are reputed for quality.
- **KAI QUAN COMPANY LIMITED** workers have requisite capability and experience.
- The location of **KAI QUAN COMPANY LIMITED** in Dar es Salaam region which is the largest and most affluent of the regions in the country.

1.2.4 Planned Objectives

The planned objectives are meant for the home textile production company to be well- equipped so as to ensure a sustainable manufacturing and servicing programme that will satisfy clients' needs.

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION AND BACKGROUND

1.1.1 Introduction

This is a report for a business plan for the **KAI QUAN COMPANY LIMITED** for the purposes of establishing a home textile products manufacturing project in Dar es Salaam.

The home textile production project will involve production of bed sheets, bed covers, pillow covers, cushions, curtains, rugs, quilt, kitchen aprons, gloves, napkins and table cloths.

1.1.2 Background

KAI QUAN COMPANY LIMITED is a registered Limited company incorporated under the Companies Act, 2002 and with registration No. 80655.

The main role that is going to be assumed by **KAI QUAN COMPANY LIMITED** is to establish a home textile production unit which will produce high quality home textile products for both local and export market.

1.2 THE MARKET

1.2.1 General Market Review

Market observations reveal that there is still high demand for various home textiles such as bed sheets, bed-covers, pillow covers, cushions, curtains, napkins, table clothes etc. in Dar es Salaam and in the country in general. However, trade liberalization has created a somewhat more competitive environment in terms of quality services and pricing.

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Appendix 2: Project Balance Sheet

Appendix 3: Projected Cash Flow Statements

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BUSINESS PLAN FOR THE

ESTABLISHMENT OF THE PROPOSED

HOME TEXTILE MANUFACTURING PLANT IN

DAR ES SALAAM, TANZANIA

JULY 2011

KAI QUAN COMPANY LIMITED

**PROPOSED BUSINESS PLAN FOR THE ESTABLISHMENT OF
HOME TEXTILE PRODUCTS MANUFACTURING PROJECT**

Prepared By:

**Kai Quan Co.Ltd.
P.O. Box 80154
Dar es Salaam.**

KAI QUAN COMPANY LIMITED

PROPOSED BUSINESS PLAN FOR THE ESTABLISHMENT OF HOME TEXTILE PRODUCTS MANUFACTURING PROJECT



Prepared By:

Kai Quan Co.Ltd.
P.O. Box 80154
Dar es Salaam.

119 If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Companies Act 2002 divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such decision shall be carried out as between the members or different classes of members. The Liquidator may, with sanction, vest the whole or any part of the assets in trustees up on such trusts for the benefit of the contributors as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY


120. Subject to the provisions of the Companies Act 2002 every director, managing director, agent, auditor, secretary and other officer for the time being of the Company shall be indemnified any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted.

Names, Addresses, and Description of Subscribers.	Number of Shares Taken by Each Subscriber	Signature
SHI LIANKAI No.58,East District, Shixia Village, Longhu County, Jinjiang City, Fujian Province , P. R. China	150,000	
SHI JIANQUAN No.188,South District, Shixia Village, Longhu County, Jinjiang City, Fujian Province , P. R. China	150,000	

Dated at Dar es Salaam 23-12-2010

Witness to the above signatures

Name :
 Signature :
 Postal Address :
 Qualification :


 DESIDERI SEBASTIAN NGALO
 P.O. Box 72349
 DAR ES SALAAM
 TANZANIA



of any other shares or debentures to which they may be entitled up on such capitalisation, or (as the case may require) for the payment up by the Company or their behalf, by the application thereto of their respective proportions of the profits of the resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effectively and binding on all such members.

AUDIT

111. Auditors shall be appointed and their duties regulated in accordance with the law for the time being governing the business of auditors, specifically of a company like this;
112. If a member has no registered address in Tanzania and has not supplied to the Company an address within The Republic of Tanzania for the giving of notices to him, a notice addressed to him, and displaced in the registered office of the company, shall be deemed to do dully given on the day on which it is so displayed.
113. The company shall have powers to make rules, circulars, and regulations etc. specifically for purposes of governing any matter or activity of the company.

NOTICES

114. A notice may be given by the Company to any member either personally or by sending it by post to him or to his registered address, or (if has registered address in Tanzania, to the address, if any, within Tanzania supplied by him to the Company for the giving of notices to him. Where a notice is sent by post, service of the notice shall be deemed affected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the latter would be delivered in the ordinary course of post.
115. If a member has no registered address in Tanzania and has not supplied to the Company an address within The Republic of Tanzania for the giving of notices to him, a notice addressed to him, and displaced in the registered office of the company, shall be deemed to do dully given on the day on which it is so displayed.
116. A notice may be given by the Company to the join holders of a share by giving the notice to the join holder named first in the register in respect of the share.
117. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustees of the bankrupt, or by any like description, at the address, if any, in the United Republic of Tanzania supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice an any manner in which the same might have been given if the death or bankruptcy had not occurred.
118. Notice of any general meeting shall be given in the same manner hereinbefore authorised to (a) every member of the Company except those members who (having no registered address within the United Republic of Tanzania) have not supplied to the Company an address within The United Republic of Tanzania for the giving of notices to them, (b) every person entitled to share in consequence of death or bankruptcy of a member, who, but for his death or bankruptcy, would be entitled to receive notice of the meeting and (c) the auditors for the time being of the company. No other person shall be entitled to receives notices of general meetings.

WINDING UP

All sums of money received and expended by the Company, and the matters in respect of which the receipt and expenditure takes place.

All sales and purchases of goods by the Company; and The Assets and liabilities of the Company. Proper books of account means such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

105. The books of accounts shall be kept at the registered office of the Company, or at such other place or places as the directors think fit, and shall always be open to the inspection of the directors.
106. The directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorised by the directors or by the Company in general meeting.
107. The directors shall from time to time in accordance with the Companies Act 2002 or any statutory modification thereof for the time being in force, cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheet, group accounts (if any) and reports as are referred to in those sections.
108. A copy of every balance sheet (including every document required by the law to be annexed thereto) which is to be laid before the Company in General meeting before the date of the meeting together either a copy of the auditors report, shall not less than twenty one days be sent to every member of, and every holder of debentures of, the Company and to every person registered under regulation 19. Provided that the regulation shall not require a copy of those documents to be sent to any member of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

CAPITALISATION OF PROFITS

109. The Company in general meeting may upon the recommendation of the directors resolve that the desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled there to distributed by law of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unused shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the directors shall give effect to such resolution.

Provided that a share premium account and capital redemption reserve fund may, for the purpose of this regulation, only be applied in the paying up of unused shares to be issued to members of the Company as fully paid bonus shares.

110. Whenever such resolution as aforesaid shall have been passed the directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issue of fully paid up shares or debentures, if any, and generally shall do all acts and things to give effect thereto, with full power to the directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they as they think fit for the case of share or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up,

104 The directors shall cause books, books of accounts to be kept with reference to

ACCOUNTS

103 No dividend shall be paid unless the directors

effectual receipts for any dividends payable on the shares.

102 If several persons are registered as joint holders of any share any one of them may give

Company as the directors may from time to time think fit

business of the Company or be invested in such investments (other than shares of the
applied, and pending such application may, at the like discretion, either be employed in the
dividends, or for any other purpose to which the profits of the Company may be properly
Company such sums as they think proper as a reserve or reserves which shall, at the
101 The directors may before recommending and dividend, set aside out of the profits of the

the share

advance of call shall, while carrying interest, be treated for purpose of this article as paid on
declared and paid according to the amount of the shares. No amount paid on a share in
and so long as nothing is paid up on any of shares in the Company dividends may be
all dividends shall be declared and paid according to the amounts paid on the shares, but if

100 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends,

99 No dividend shall be paid otherwise than out of profits.

the directors to be justified by the profits of the Company.

98 The directors may from time to time pay to the members such interim dividends as appear to
amount recommended by the directors.

97 The Company in general meeting may declare dividends, but no dividend shall exceed the

DIVIDENDS AND RESERVE

Auditors, Transfer Agents or Bankers of the Company to writing.

respected to certificates which have not been approved for signing by the auditors. Transfer
specified in such resolution, provided that the use of such means is by such resolution
case, that the signature of any director may be affixed by some mechanical means to be
but so that the directors may be resolution determine, either generally or in any particular
or by a second director or by some other person appointed by the directors for the purpose
authorized by the directors in that behalf and every instrument in which the Seal, Secretary
authority of the directors or of a committee of the directors or of a committee of the directors
96 The Director shall provide for the safe custody of the seal which shall only be used by the

THE SEAL

to the same person acting both as director and as or in place of the secretary
to be done by or to a director and the secretary shall not be satisfied by its being done by or
95 A resolution of the Companies Act 2005 or these regulations requiring or authorizing a thing

- (c) a director of a corporation which is a director of the Company
- (d) a corporation a director of which is a director of the Company or
- (e) a director of the Company or

94 No person shall be appointed or hold office as a secretary who is -

1000
... such conditions as they may think fit and any secretary so appointed may be removed by
93 The secretary shall be appointed by the directors for such term as such resolution and

104. The directors shall cause proper books of accounts to be kept with respect to:-

ACCOUNTS

103. No dividend shall bear interest against the Company.
102. If several persons are registered as joint holders of any share any one of them may give effectual receipts for any dividends payable on the share.
101. The directors may, before recommending and dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalising dividends, or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the directors may from time to time think fit.
100. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid on the shares, but if and so long as nothing is paid up on any of shares in the Company dividends may be declared and paid according to the amount of the shares. No amount paid on a share in advance of call shall, while carrying interest, be treated for purpose of this article as paid on the share.
99. No dividends shall be paid otherwise than out of profits.
98. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the Company.
97. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors.

DIVIDENDS AND RESERVE

96. The Director shall provide for the safe custody of the seal, which shall only be used by the authority of the directors or of a committee of the directors or of a committee of the directors authorised by the directors in that behalf, and every instrument to which the Seal Secretary or by a second director or by some other person appointed by the directors for the purpose but so that the directors may be resolution determine, either generally or in any particular case, that the signature of any director may be affixed by some mechanical means to be specified in such resolution, provided that the use of such means is by such resolution restricted to certificates which have first been approved for sealing by the Auditors, Transfer Auditors, Transfer Agents or Bankers of the Company in writing.

THE SEAL

95. A provision of the Companies Act 2002 or these regulations requiring or authorising a thing to be done by or to a director and the secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of the secretary.
94. No person shall be appointed or hold office as a Secretary who is:-

- (a) a director of the Company; or
 (b) a corporation a director of which is a director of the Company; or
 (c) a director of a corporation which is a director of the Company

93. The secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit and any Secretary so appointed may be removed by them.

83. Any director or any Company of firm of which a director is a member, may enter into contracts with the Company and any director may vote as a director or shareholder in respect of such contract and retain for his own use profits made by him under any such contract; provided always that unless he be at the time sole director he must disclose his interest to his co-directors before the contract is entered into by the directors, and if he be at the time sole directors be interested contract the contract must be entered into by the Company in general meeting, and before the contract is entered into, the director or directors must disclose his or their interest to the meeting.

PROCEEDINGS OF DIRECTORS

84. The directors may meet together for the dispatch of, adjourn and otherwise regulate their meetings, as they think fit, question arising at any meeting shall be decided by a majority of votes. In case of any equality of votes the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors.
85. The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless so fixed shall be two.
86. The continuing directors may act notwithstanding any vacancy in the body, but, if and so long as their number is reduced below the number fixed by or pursuant to these articles as the quorum of directors, the continuing director may act for the purpose of increasing the number of directors to that number, or summoning a general meeting of the Company, but for no other purpose.
87. The Directors may elect a chairman of their general meeting and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of their meeting.
88. The directors may delegate any of their powers to committees consisting of such members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegate conform to any regulation that may be imposed on them by the directors.
89. A committee may elect a chairman of their meeting; if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose any of their number to be chairman of the meeting.
90. A committee may meet and adjourn as they think proper. Questions arising at any meeting shall determined by a majority of votes of the members present, and in the case if an equality of votes the chairman shall have a second or casting vote.
91. All acts done by any meeting of the directors or of a committee of directors, or any person acting as a director, shall, notwithstanding that it afterwards discovered that there was some effect in the appointment of any such directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed to be a director.
92. A resolution determined on without any meeting of directors and evidenced by writing under the hands of all directors, or sole director, or of all members of a committee, or of sole member of a committee, shall be as valid and effectual as a resolution duly passed at meeting of the directors or of such committee.

SECRETARY

- (e) is re-elected or appointed by the co-directors to whom
- (f) is appointed with nomination for a term exceeding six months without the option of time or
- (g) is jointly made or becomes a member of
- (h) is appointed jointly under the bankruptcy Act or
- (i) becomes bankrupt in this territory or in any other territory which is declared to be a
- (j) resigns his office by notice in writing to the Company; or

85. The office of any director shall be vacated if the director

DISQUALIFICATION OF DIRECTORS

- (a) Of all resolutions and proceedings at all meetings of the Company and of the directors and of the directors;
- (b) Of the names of the directors present at each meeting of the directors and of any committee
- (c) Of all appointments of officers made by the directors;

86. The directors shall cause minutes to be made in the books provided for the purpose:-

- (a) Copy of the register of directors and notification of any changes therein
- (b) Copy of the register of directors and notification of any changes therein
- (c) Copy of the register of directors and notification of any changes therein
- (d) Copy of the register of directors and notification of any changes therein
- (e) Copy of the register of directors and notification of any changes therein
- (f) Copy of the register of directors and notification of any changes therein
- (g) Copy of the register of directors and notification of any changes therein
- (h) Copy of the register of directors and notification of any changes therein
- (i) Copy of the register of directors and notification of any changes therein
- (j) Copy of the register of directors and notification of any changes therein

87. The directors shall comply with the provisions of the Companies Act 2005 or any

- (a) any duty relating to the management of the Company or of any third party;
- (b) any duty relating to the management of the Company or of any third party;
- (c) any duty relating to the management of the Company or of any third party;
- (d) any duty relating to the management of the Company or of any third party;
- (e) any duty relating to the management of the Company or of any third party;
- (f) any duty relating to the management of the Company or of any third party;
- (g) any duty relating to the management of the Company or of any third party;
- (h) any duty relating to the management of the Company or of any third party;
- (i) any duty relating to the management of the Company or of any third party;
- (j) any duty relating to the management of the Company or of any third party;

88. The directors may exercise all the powers of the Company to borrow money and to

POWERS AND DUTIES OF DIRECTORS

89. The directors may exercise all the powers of the Company to borrow money and to

An vacancy occurring in the board of directors may be filled up by the Company by an ordinary resolution.

POWERS AND DUTIES OF DIRECTORS

77. The business of the Company shall be managed by the directors, who may pay all expenses incurred in forming and registering the Company, and may exercise all such powers of the Company as are not, by the Companies Act 2002 or any statutory modification thereof, for the time being in force, or by these articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of these articles and of the said Act, and the exercise of such powers shall be subject to control of any general meeting of the Company specially convened for the purpose, but no resolution of the Company in general meeting shall invalidate any prior act of the directors which would have been valid if that resolution had not been passed.
78. The directors may from time to time appoint one or more of their body to the office of managing director or manager for such term and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way and partially in another) as they may think fit. The office of managing director shall be subject to determination ipso facto if he ceases from any cause to be a director, or if the Company in general meeting resolves that his tenure of the office of managing director or manager be determined.
79. The directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt liability or obligation of the Company or of any third party.
80. The directors shall duly comply with the provisions of the Companies Act 2002 or any statutory modification thereof for the time being in force, and particular with the provisions in regard to registration of the particulars of mortgages and charges affecting the property of the Company, or created by it, and to keeping a register of the directors and secretaries, and to sending to the Registrar of Companies an annual list of members, and a summary of particulars relating thereto, and notice of any consolidation or increase of share capital, or conversion of shares into stock, and copies of special and extraordinary resolutions, and a copy of the register of directors and notification of any changes therein.
- 8.1 The directors shall cause minutes to be made in the books provided for the purpose:-
- (a) Of all appointments of officers made by the directors;
 - (b) Of the names of the directors present at each meeting of the directors and of any committee of the directors;
 - (c) Of all resolutions and proceedings at all meetings of the Company, and of the directors, and of committees of directors and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.

DISQUALIFICATION OF DIRECTORS

82. The Office of any director shall be vacated, if the director:
- (a) Resigns his office by notice in writing to the Company; or
 - (b) Becomes bankrupt in this Territory or in any other territory which is declared to be a reciprocating territory under the bankruptcy Act; or
 - (c) Is found lunatic or becomes unsound mind; or
 - (d) Is punished with imprisonment for a term exceeding six months without the option of fine; or
 - (e) Is requested in writing by all his co-directors to resign.

The Company may remove or disqualify any director who is unable to discharge his duties and who is not qualified to hold office as a director of the Company.

27

Every director shall be entitled to receive such remuneration as may be determined by the Company in general meeting, and such remuneration shall be payable to him in arrears.

28

Every director shall be entitled to receive such remuneration as may be determined by the Company in general meeting, and such remuneration shall be payable to him in arrears. Every director shall be entitled to receive such remuneration as may be determined by the Company in general meeting, and such remuneration shall be payable to him in arrears.

29

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Every director shall be entitled to receive such remuneration as may be determined by the Company in general meeting, and such remuneration shall be payable to him in arrears.

30

THE DIRECTORS

The names of the persons who are to be the first directors of the Company are as follows:

31

Unless otherwise determined by the Company, the directors of the Company shall not be less than two.

32

THE DIRECTORS

Every individual member of the Company who is a member of the Company may be appointed as a director of the Company, and every individual member of the Company who is a member of the Company may be appointed as a director of the Company.

33

Every individual member of the Company who is a member of the Company may be appointed as a director of the Company.

Signed and attested in presence of the undersigned at the office of the Company on this 12th day of March 1900.

Witness my hand and seal this 12th day of March 1900.

Witness my hand and seal this 12th day of March 1900.

- 76. The Company may by extraordinary resolution remove any director before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.
- 75. A director and alternate director shall not require a share qualification by nevertheless shall be entitled to attend and speak at any general meeting of the Company and at any separate meeting of the holders of any class of shares in the Company.
- 74. Any director any in writing appoint any person, who is approved by the majority of the directors, to be his alternate to act in his place at any meeting of the directors to which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the directors and to attend and vote there as a director when the person appointing him is not personally present, and where he is a director, to have a separate vote on behalf of the director he is representing in addition to his own vote. A director may at any time in writing revoke the appointment of an alternate appointed by him. Every such alternate shall be an officer of the Company and shall not be deemed to be the agent of the director appointing him. The remuneration of such alternate shall be payable out of the remuneration payable to the director appointing him, and the proportion thereof shall be agreed between them. An alternate director need not hold any share qualification.
- 73. (1) The remuneration of the directors shall from time to time be determined by the Company in general meeting.
 (2) In addition to their usual remuneration the directors shall also be paid such traveling, hotel and other expenses as may reasonably be incurred by them in the exercise of their duties, including any such expenses incurred in connection with their attendance at meetings of director.
- 72. The names of the first directors of the Company are as follows:
 1. SHI LIANKAI
 2. SHI JIANQUAN
- 71. The first directors shall be not less than two in number and shall be appointed by the subscribers to the Memorandum of Association. Unless and until otherwise determined by the Company by ordinary resolution the number of directors shall not be less than two.

DIRECTORS

70. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

Signature of Member

Signed this day of 200.....

hereby appoint of, act as my proxy to vote for me and on my behalf at the ordinary {or extraordinary, as the case may be} general meeting of the Company to be held on the day of and at any adjourned meeting thereof.

of, act being a member of the Limited,
 Limited

59. A poll demanded on the election of a chairman, or in a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.
60. Any ordinary resolution of the Company determined on without any general meeting and evidenced by writing under the hands of all the directors or a sole director and of members of the Company holding three-fourths of the issued shares of the Company shall be as valid and effectual as an ordinary resolution duly passed at a general meeting of the Company duly convened and held.

VOTES OF MEMBERS

61. On a show of hands every member present in person shall have one vote. On a poll every member shall have one vote for each share of which he is the holder.
62. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of member.
63. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, a curator bonus, or other person in the nature of a committee or curator bonus appointed by that court, and any such committee, curator bonus, or other person may, on a poll, vote by proxy.
64. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
65. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
66. On a poll votes may be given either personally or by proxy.
67. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under the common seal, or under the hand of an officer or attorney so authorised. A member shall not be entitled to appoint more than one proxy to attend on the same occasion nor may a proxy vote except on a poll.
68. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a naturally certified copy of that power or authority shall be deposited at the registered office of the Company not less than forty-eight hours before the time for holding the meeting, or adjourned meeting, or taking of the poll at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
69. An instrument appointing a proxy may be in the following form, or in any other form which the directors shall approve:-

if nay, as may be prescribed by Company in general meeting to such persons as are, under these articles, entitled to receive such notices from the Company; but with the consent of all the members entitled to receive notice of some particular meeting, that meeting may be convened by such shorter notice and in such manner as those members may think fit.

49. The accidental omission to give notice to, or the non-receipt of notice of a meeting by, any member shall not invalidate the proceedings at any meetings.
50. All business shall deemed special that is transacted at an extraordinary general meeting, and all that is transacted at an annual general meeting, with the exception of sanctioning a dividend, the consideration of the accounts and balance sheet and the ordinary report of the directors and auditors, the election of directors in the place of those retiring by rotation, and the appointment and fixing of the remuneration of the directors.
51. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; same as herein otherwise provided two members personally present shall be a quorum.
52. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the meeting shall be dissolved.
53. The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the Company.
54. If there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the members present shall choose some one of their number to be chairman.
55. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
56. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least one member entitled to vote present in person or by proxy; and unless a poll is so demanded, a declaration by the chairman that the resolution has, on a show of hands, been carried, or carried unanimously, or by particular majority, or lost, and an entry to that effect in the minute book shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against the resolution.
57. If a poll is duly demanded it shall be taken in sum manner as the chairman directs, and the result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.
58. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote.

the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration to that time, or on receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think most beneficial to the Company. The directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares cannot, in the opinion of the director, be conveniently offered under this article.

43. The new shares shall be subject to the same provisions with reference to payment of calls, lien, transfer, transmission, forfeiture, expropriation, and otherwise as the shares in the original share capital.
44. The Company may by ordinary resolution:-
 - (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (b) Sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association, subject, nevertheless, to the Companies Act.
 - (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; and may by special resolution:-
 - (d) Reduce its share capital and any capital redemption reserve fund in any manner and with, and subject to, any incident authorised, and consent, required, by law.

GENERAL MEETINGS

45. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. Provided that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and at such place as the directors shall appoint.
46. All general meeting other than the annual general meeting shall be called extraordinary general meetings.
47. The directors may, whenever they think fit, convene an extraordinary general meeting. If at any item there are not within the united republic of Tanzania sufficient directors capable of acting to form a quorum, any director or any one member of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings any be convened by the directors.

PROCEEDINGS AT GENERAL MEETINGS

48. An annual general meeting and a meeting called for the passing of special resolution shall be called by twenty-one days' notice in writing at the least, and all other meetings by fourteen days' notice in writing at least. Such notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day, and the hour of meeting and, in case of special business, the general nature of the business shall be given in the manner hereinafter mentioned, or in such other manner,

45. increases of share capital, all new shares shall be offered to such persons as at such time as may be determined by the directors in that behalf resolved, subject to any direction to the contrary that may be given by the resolution sanctioning the

46. such sum, to be divided into shares of such amount as the resolution shall prescribe. The Company may, from time to time by ordinary resolution increase the share capital by

ALTERATION OF CAPITAL

of a call duly made and notified. 47. of the amount of the shares or by way of premium, as if the same had been payable by value and which, by terms of issue of shares, becomes payable at a fixed time, whether on account 48. The provisions of these articles as to forfeiture shall apply in the case of non-payment of any

proceeds due in reference to the forfeiture or expiration, sale or disposal of the share, 49. money, if any, not shall his title to the share be affected by any irregularity or invalidity in the the holder of the share, and shall not be bound to see to the application of the purchase- the person to whom the share is sold or disposed of and he shall nevertheless be registered as 50. share on any sale or disposition thereof and may execute a transfer of the share in favour of entitled to the share. The Company may receive the consideration, if any, given for the 51. shall be conclusive evidence of the facts therein stated as against all persons claiming to be in the Company has been duly forfeited or expired on a date stated in the declaration, 52. A statutory declaration in writing that declarant is a director of the Company, and that a share

nominees as owners of the said shares; 53. of the shares and the registration of the members by whom the tender was made or their have been tendered, and the provisions of article 25 shall apply to the execution of transfer 54. good discharge for the moneys tendered on behalf of the member to whom the same shall transfers of the shares the Company may on proof of his neglect or refusal accept and give a 55. whom the tender is made neglects or refuses to accept the sum tendered or to execute made or their nominees in such shares and provisions as they shall direct. If the member (or 56. him that member shall execute transfer of the shares to the members by whom the tender is by the holders of joint-titles of the issued shares to any other member for the shares held by 57. the Company at a price equal to the sum paid up thereon and upon the tender of that price entitled at any time to purchase ex dividend all or any of the shares held by any member or 58. The holders for the time being of joint-titles of the issued shares in the Company shall be

59. full of the nominal amount of the shares 60. of the shares, but his liability shall cease if and when the Company receive payment in the which, at the date of the forfeiture, were presently payable by him to the Company in respect 61. forfeiture shares, but shall notwithstanding, remain liable to pay to the Company all moneys A person whose shares have been forfeited shall cease to be a member in respect of the

62. cancelled on such terms as the directors think fit. 63. as the directors think fit and at any time before a sale or disposition the forfeiture may be 64. as forfeited shares may be sold or otherwise disposed of on such terms and in such manner 65. not actually held at the date of the said notice 66. effect and such forfeiture shall extend to any dividends in respect of any shares so forfeited 67. required by the notice has been made, be forfeited by a resolution of the directors so that 68. respect of which the notice has been given may at any time thereafter, before the payment 69. If the requirements of any such notice as aforesaid are not complied with, any share in

70. respect of which the call was made will be liable to be forfeited. 71. shall state that in the event of non-payment at or before the time appointed the shares in

shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

35. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the directors to that effect and such forfeiture shall extend to any dividends in respect of any share so forfeited not actually paid at the date of the said notice.
36. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the directors think fit.
37. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall notwithstanding, remain liable to pay to the Company all moneys which, at the date of the forfeiture, were presently payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receive payment in the full of the nominal amount of the shares.
38. The holders for the time being of four-fifths of the issued shares in the Company shall be entitled at any time to purchase ex dividend all or any of the shares held by any member of the Company at a price equal to the sum paid up thereon and upon the tender of that price by the holders of four-fifths of the issued shares to any other member for the shares held by him that member shall execute transfer of the shares to the members by whom the tender is made or their nominees in such shares and proportions as they shall direct. If the member to whom the tender is made neglects or refuses to accept the sum tendered or to execute transfers of the shares the Company may on proof of his neglect or refusal accept and give a good discharge for the moneys tendered on behalf of the member to whom the same shall have been tendered, and the provisions of article 23 shall apply to the execution of transfer of the shares and the registration of the members by whom the tender was made or their nominees as owners of the said shares.
39. A statutory declaration in writing that declarant is a director of the Company, and that a share in the Company has been duly forfeited or expropriated on a date sated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase-money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture or expropriation, sale or disposal of the share.
40. The provisions of these articles as to forfeiture shall apply in the case of non-payment of any sum which, by terms of issue of share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

ALTERATION OF CAPITAL

41. The Company may, from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
42. Subject to any direction to the contrary that may be given by the resolution sanctioning the increase of share capital, all new shares shall, before issue, be offered to such persons as at

25 Every member of the board of directors who intends to transfer shares to another person shall give notice in writing to the board of his intention. The notice shall constitute the board's consent for the sale of the said shares in one or more lots at the discretion of the board; and in default of agreement, at a price to be agreed upon by the vendor and the board, and in writing under his hand, to be in his opinion, the fair value as between a willing vendor and a willing purchaser.

29 Upon the price being fixed as aforesaid the board shall forthwith give notice to all the members of the Company other than holders of employees' shares of the number and price of the shares to be sold and invite each of them to state in writing within twenty-one days from the date of the said notice whether he is willing to purchase any, and if so, what maximum number of the said shares.

30 At the expiration of the said twenty-one days the board shall allocate the said shares to or among the member or members who shall have expressed his or their willingness to purchase as aforesaid, and (if more than one) so far as may be practicable according to the number of shares already held by them respectively, provided that no member shall be obliged to take more than the said maximum number of shares so notified by him as aforesaid. Upon such allocation being made the vendor shall bound on payment of the said price to transfer the shares to the purchaser or purchasers. If he make default in so doing the chairman for the time being of the directors of the Company or failing him one of the directors duly nominated by resolution of the board for that purpose shall forthwith be deemed to be duly appointed attorney of the vendor with full power to execute complete and deliver in the name and on behalf of the vendor a transfer of the shares to the purchasing member and the board may receive and give a good discharge for the purchase-money on behalf of the vendor and enter the name of the purchaser in the register of members as holder by transfer of the shares purchased by him.

31 In the event of the whole of the said shares not being purchased under article 28 the vendor may, at any time within six calendar months after the expiration of the said twenty-one days, transfer the shares not sold to any person (subject to article 17) and at any price.

32 Articles 25, 26, 27, 28 and 29 hereof shall not apply to a transfer to a person who is already a member of the Company, nor to a transfer merely for the purpose of effecting the appointment of new trustees, nor to a transfer by personal representatives to a legatee under the will of, or to the husband, wife or next of kin of, a deceased member, nor to a transfer by trustee to a beneficiary, provided that it is proved to the satisfaction of the board that the transfer does not fall within one of these exceptions.

FORFEITURE OF SHARES AND EXPROPRIATION OF SMALL HOLDINGS

33 If a member fails to pay any call or installment of a call, on the day appointed for payment thereof, the directors may at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

34 The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and

27. Except as hereinafter provided no share in the Company shall be transferred unless and until the rights of pre-emption hereinafter conferred shall have been exhausted.
28. Every member or other person referred to in article 26 hereof who intends to transfer shares (hereinafter called the vendor) shall give notice in writing to the board of his intention. The notice shall constitute the board his agent for the sale of the said shares in one or more lots at the discretion of the board to members of the Company at a price to be agreed upon by the vendor and the board, and in default of agreement, at a price which the auditor of the Company for the time being shall certify, by writing under his hand, to be in his opinion, the fair selling value thereof as between a willing vendor and a willing purchaser.
29. Upon the price being fixed as aforesaid the board shall forthwith give notice to all the members of the Company other than holders of employees' shares of the number and price of the shares to be sold and invite each of them to state in writing within twenty-one days from the date of the said notice whether he is willing to purchase any, and if so, what maximum number, of the said shares.
30. At the expiration of the said twenty-one days the board shall allocate the said shares to or among the member or members who shall have expressed his or their willingness to purchase as aforesaid, and (if more than one) so far as may be pro rata according to the number of shares already held by them respectively, provided that no member shall be obliged to take more than the said maximum number of shares so notified by him as aforesaid. Upon such allocation being made the vendor shall be bound on payment of the said price to transfer the shares to the purchaser or purchasers. If he make default in so doing the chairman for the time being of the directors of the Company or failing him one of the directors duly nominated by resolution of the board for that purpose shall forthwith be deemed to be duly appointed attorney of the vendor with full power to execute complete and deliver in the name and on behalf of the vendor a transfer of the shares to the purchasing member and the board may receive and give a good discharge for the purchase-money on behalf of the vendor and enter the name of the purchaser in the register of members as holder by transfer of the shares purchased by him.
31. In the event of the whole of the said shares not being purchased under article 28 the vendor may, at any time within six calendar months after the expiration of the said twenty-one days, transfer the shares not sold to any person (subject to article 17) and at any price.
32. Articles 25, 26, 27, 28 and 29 hereof shall not apply to a transfer to a person who is already a member of the Company, nor to a transfer merely for the purpose of effecting the appointment of new trustees, nor to a transfer by personal representatives to a legatee under the will of, or to the husband, wife or next of kin of, a deceased member, nor to a transfer by trustee to a beneficiary, provided that it is proved to the satisfaction of the board that the transfer bona fide falls within one of these exceptions.

FORFEITURE OF SHARES AND EXPROPRIATION OF SMALL HOLDINGS

33. If a member fails to pay any call or installment of a call, on the day appointed for payment thereof, the directors may at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
34. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and

20. The provisions of these articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same has become payable by virtue of a call duly made and notified.
21. The directors may make arrangements on the issue of shares for a difference between the holders in the amount of calls to be paid and in the times of payment.
22. The directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him; and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding, without the sanction of any Company in general meeting, the bank rate existing from time as may be agreed upon between the member paying the sum in advance and the directors.
- TRANSFER AND TRANSMISSION**
23. Subject to the provisions hereinafter continued shares in the Company shall be transferable by written instrument in the common form signed by both the transfer and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.
24. The directors may in their absolute discretion and without assigning any reason therefore decline to register any transfer of shares to any person whom they do not approve not being already a member of the Company and may also decline to register any transfer of shares on which the Company has alien. The directors may also suspend the registration of transfers during the fourteen days immediately proceeding the ordinary general meeting in each year. The directors may decline to recognise any instrument of transfer unless:-
- (a) A fee not exceeding shillings two hundred and fifty is paid to the Company in respect thereof; and
- (b) The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transfer to make the transfer.
- If the directors refuse to register a transfer of any shares, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
25. The personal representatives of a deceased sole holder of share shall be the only persons recognised by the Company as having any title to the share. In the case of share registers in the names of two or more holders, the survivors or survivor, or the personal representatives of the deceased survivor, shall be the only persons recognised by the Company as having any title to the share.
26. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member shall, upon such evidence being produced as may from time to time be required by the directors, have the right, either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of share as the deceased or bankrupt person could have made; but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of transfer of the share by the deceased or bankrupt person before the death or bankruptcy.

11. Every person whose name is entered as member in the register of members shall, without payment, be entitled to one certificate under the common seal of the Company specifying the share or shares held by him and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall be bound to issue more than one certificate, and delivery of certificate of a share to one of several jointly holders shall be sufficient delivery to all.
12. If a share certificate is defaced, lost, or destroyed, it may be renewed on payment of such fee, if any, not exceeding one hundred shillings, and on such terms, if any, as to evidence and indemnity as the directors think fit.

LIEN

13. The Company shall have a lien on every share for all moneys (whether present payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a lien on all shares standing registered in the name of a single person for all moneys presently payable by him or his estate to the Company; but the directors may at any time declare any share to be wholly or in part exempt from the provisions of this article. The Company's lien, if any on a share shall extend to all dividends payable thereon.
14. The Company may sell, in such manner as the directors thin fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled by reason of his death or bankruptcy to the share.
15. For giving effect to any such sale the directors may authorise some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be found to see to the application of the purchaser money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
16. The proceeds of sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall be held (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) by the Company on behalf of the person entitled to the shares at the date of the sale.

CALLS ON SHARES

17. The directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares, and each member shall (subject to receiving at least fourteen days notice specifying the time or times of payment) pay to the Company at the time or times of specified the amount called in his shares. A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed.
18. The joint holders of a share shall be jointly and severally liable to pay all calls in respect hereof.
19. If sum called in respect of a share is not paid before or on the date appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at bank rate prevailing from time to time from the day appointed for payment thereof to the time of actual payment, but the directors shall be at liberty waive payment of the interest wholly or in part.

10 The Board of Directors of the Company shall have the right to issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company. The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

11 The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

12 The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

SHARES

13 The authorized capital of the Company shall be 100,000,000 shares of common stock, par value of \$0.01 per share.

CAPITAL

14 The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

15 The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

16 The Board of Directors may also issue such securities as may be necessary or appropriate for the Company to carry out its business and to exercise the powers conferred upon it by the Charter and the Bylaws of the Company.

- b. The general authority conferred by paragraph (a) of this article shall be conditional upon due compliance with Article 48 hereof and shall extend to the amount of the authorized share capital of the Company upon its incorporation.
- c. The Directors shall be entitled under the general authority conferred by paragraph (a) of this Article to make at any time before the expiry of such authority any offer or agreement which will or might require relevant securities of the Company to be allotted after the expiry of such authority.
4. If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for any dividends or other moneys payable in respect of such share.
5. No person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or required to recognize and equitable, contingent, future or partial interest in any share or any right whatsoever in respect of any share other than an absolute right to the entirety thereof in the registered holder, except as by these Articles otherwise expressly provide or as required by law.

CAPITAL

6. The capital of the Company is 30,000,000/= (Thirty million Tanzanian shillings) divided into 300,000 (Three hundred thousand) shares of Shillings 100/= (one hundred) each.

SHARES

7. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the capital of the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.
8. Subject to the provisions of Companies Act 2002, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable to be redeemed on such terms and in such manner as the Company before the issue of the shares may by Special Resolution determine.
9. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed not to be varied by the creation or issued of further shares ranking pari-passu therewith.
10. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders of the three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate meeting the provisions of this articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issue shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

**THE COMPANIES ACT 2002
COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF**

KAI QUAN COMPANY LIMITED

TABLE A EXCLUDE

1. The regulations in Table A in the First Schedule to the Company Act 2002 shall not apply to the Company, except so far as the same are repeated or contained in these Articles.

INTERPRETATION

In these Articles, unless the subject or context otherwise requires, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof:

WORDS AND MEANINGS

"Articles": these Articles of Association as originally framed or as altered from time to time by Special Resolution;

"A Shareholder": any holder from time to time of the Shares;

"The Directors": the directors for the time being of the Company present at a duly convened meeting of the directors at which a quorum is present;

"The Office": the registered office for the time being of the Company;

"The Act": the Companies Act 2002 and every statutory modification and re-enactment thereof for the time being in force;

2. The Company is a Private Company and accordingly; no invitation or offer shall be made to the public (whether for cash or otherwise) to subscribe for any shares in or debentures of the Company, nor shall the Company allot or agree to allot (whether for cash or otherwise) any shares in or debentures of the Company with a view to all or any of those shares or debentures being offered for sale to the public.

The Company may pay to any person a commission in consideration of his subscribing or agreeing to subscribe, whether absolute or conditional, for any shares in the Company : provided that such commission shall not exceed 10 per cent of the price at which such shares are issued, or an amount equivalent to such percentage; and the requirements of the Act shall be observed.

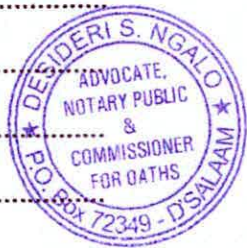
3. a. The Directors may subject to Article 48 hereof allot, grant options over, or otherwise deal with or dispose of any relevant securities of the Company in accordance with the provisions of these Articles and the Act to such persons and generally on such terms and conditions as the Directors think proper.

Dated at.....Dar es Salaam 23-12-2010

Witness to the above signatures

Name :
Signature :
Postal Address :
Qualification :

Desideri
DESIDERI SEBASTIAN NGALO
P.O. BOX 72349
DAR ES SALAAM
TANZANIA



- cc) To vest any moveable or immovable property, right, privilege or interest acquired by or belonging to the Company in any person or company on behalf of or for the benefit of the Company and with or without any declared trust in favour of the Company.
- dd) To procure the Company to be registered or recognised in any place outside the United Republic of Tanzania.
- ee) To conduct any business that will deem to be beneficial to the Company.
- ff) To do all such other things as are or may be deemed incidental or conducive to the attainment of any of the objects and the exercise of any of the powers of the Company. And it is hereby declared that:-

The word "company" in this clause, except where used in reference to this Company, shall be deemed to include any partnership or other body of persons, whether corporate or incorporate, and whether domiciled in the United Republic of Tanzania or elsewhere, and.



The object specified in each of the paragraphs of this clause shall be regarded as independent objects, and accordingly shall in no wise be limited or restricted (except where otherwise expressed in such paragraphs) by reference to or inference from the terms of any other paragraph or the name of the Company, sense as if each of the said paragraphs defined the objects of a separate and distinct company, and

That the meaning of any general word or words in any paragraph of this clause shall not be restricted by being construed ejusdem generis with any particular word or words in the same paragraph.

- 4. The Liability of the Members is Limited.
- 5. The capital of the Company is 30,000,000/= (Thirty million Tanzanian shillings) divided into 300,000 (Three hundred thousand) shares of Shillings 100/= (one hundred) each.

The Company shall have powers to increase its capital and to divide the shares in its capital for the time being into several classes of stock or shares and to attach thereto respectively such preferential, deferred or special rights, privileges, or conditions as may be determined by or in accordance with the Articles of Association of the Company.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, Addresses, and Description of Subscribers.	Number of Shares Taken by Each Subscriber	Signature
SHI LIANKAI No.58,East District, Shixia Village, Longhu County, Jinjiang City, Fujian Province , P. R. China	150,000	
SHI JIANQUAN No.188,South District, Shixia Village, Longhu County, Jinjiang City, Fujian Province , P. R. China	150,000	

places as may from time to time be determined by the company, engage in and or otherwise carry on the business as transporters and transport agents, freight forwarders.

- r) To carry on the business of garage proprietors and service station for motor vehicles of all kinds, to carry on the safe keeping, cleaning, repairing, refueling, panel beating, spraying and the general care of motor vehicles, aircraft, machinery, equipment and plant whether moved by mechanical power or not, implements, utensils, appliances, apparatus, fuel for internal combustion engines, lubricants, cements, solutions, batteries and accessories and all things capable of being used in connection with the said businesses or in the manufacture or maintenance of such vehicles, machinery, equipment and plant.
- s) To manufacture all kinds and varieties of mechanical appliances, instruments and machines and any and all processes and products essential thereto.
- t) To carry on the business of importers, exporters, buying selling, dealers in hardware, building materials, sanitary-ware, wall papers, roofing tiles, flooring tiles, supplying industrial equipment's agricultural implements and equipment's spares of every description, plumbers, decorators, steel fabrication, machine shop, nickel plating, electric plating, making steel windows, doors, frames and roof tresses.
- u) To carry on the business of mining of all types of minerals and gemstones including diamonds in all parts of the United Republic of Tanzania.
- v) To engage in and carry out the business of proprietors, realtors, property developers and managers of hotels, restaurants, cafes, road houses, motels, safari and holiday camps, caravan sites, guest houses, apartment housekeepers, refreshment and tea rooms, milk and snacks bars, tavern, beer house and lodging housekeepers and to provide food and catering services to individuals, private and public institutions and to industrial and business concerns.
- w) To promote tourism in Tanzania and elsewhere in Africa, to carry on business of travel and tourist agents and tour operators, to promote facilitate travelling to organise hunting, tented-camps, fishing and diving expeditions, safari promoters and undertakers generally and in particular to arrange and manager hunting safaris, photo safaris adventure tours, fishing trips, handling of game trophies and animal skins, catching, harbouring, transporting, wildlife and marine products of all kind.
- x) To appropriate any part or parts of the property of the company for the purpose of and to build or let shops, offices and other places of business and to use or lease any part of the property of the company not required for the purposes aforesaid for any purpose for which it maybe conveniently used or let.
- y) To provide or procure the provision by others of every and any service need want or requirement of any business nature required by any persons, firm or company in connection with any business carried on by them.
- z) To carry on any other trade, business or activity whatsoever and to do anything of any nature which can, in the opinion of the Directors of the Company, be advantageously or conveniently carried on by the Company in connection with, as ancillary to or independently of any of its businesses.
- aa) To improve, manage, develop, turn to account, grant rights or privileges in respect of or otherwise deal with any of the property, rights and privileges of the Company.
- bb) To subscribe for, purchase or otherwise acquire and hold shares, stocks, debentures and other securities of any other company and to invest and deal with the monies of the Company in any manner.

types of automotive, motor vehicles, agricultural machinery, implements, equipment, all kinds of industrial projects machinery and equipment, timber, fishing gears, groceries, computers, office equipments, cooking oils, foodstuffs, oils, paints, spirits, sheets, hinges, screws, iron mongery, textiles piece goods, all types of leather goods, shoes, bags, bras, under wears and other similar goods.

- i) To carry on the business of general merchants, general store-keepers, universal providers, importers, exporters, and wholesale and/or retail traders of or otherwise dealers of and in piecewood, paints, hardware, glassware, crockery, cutlery, ironmongery, turners and other household fittings and requirements and other articles and commodities of personal and household use and consumption provisions, textiles, groceries, medicines, drugs, wines, spirits, liquors, chemical, surgical, optical, photographic and other instruments, apparatus and materials, motorbikes and motor vehicles, automobiles and generally in all manufactured goods of all types, and merchandise of all kinds.
- j) To carry on the business as general suppliers of all sorts and types of goods and services to individuals, offices, industries, shops, schools, factories, hospitals, army, military, ministries and all other government offices, universities and all other places where the services of a supplier are needed.
- k) To engage and or otherwise carry on business of importing, exporting and distribution of all types of merchandise and to open shops for wholesale or retail of all types of goods.
- l) To carry on and engage in the business of contractors and sub-contractors of any construction work, network operation, real property, real estate developing, electricity manufacturing and electricity supply to Tanzania in all regions.
- m) To run clinics, hospitals, schools, universities, colleges, culture exchange centers, libraries, day care centers etc.
- n) To carry on the business of miners and mining in all their branches and for the said purpose to peg, purchase, take on lease, or exchange or otherwise acquire concessions, grants, easements, options, claims, properties, cassettes- and effects supposed to contain minerals, diamonds, or other precious stones, and any interest therein, and to explore, mine, work, excise develop and turn to account mines and mining rights and any undertaking connected therewith.
- o) To carry on the business as consultants, commission agents, court brokers, debt collectors, revenue collector, public auctioneers, insurance agents, general brokers, importers, exporters, manufacturers representatives, land and estate agents, technical advisors, clearing and forwarding agents, and all businesses and trades incidental or similar thereto or required to be or capable of being carried on in conjunction therewith.
- p) To carry on the business of transportation, cargo and travel agents, commission agents, customs agents, insurance agents, tourist agents, manufacturers representatives, clearing and forwarding agents, road contractors, cargo superintendents, packers, machinery haulage specialists, warehousemen, engineers, electricians, motor cars, cabs, omnibus, lorries, oil tank and coach proprietors and transporters by any other means of conveyance of people and goods in Tanzania and the neighbouring countries and in such other place or places as may from time to time determined by the Company.
- q) To carry on the business of clearing and forwarding agents, commission agents, transporters, freighters, hauliers, customs bonded warehouse and godown keepers, cargo and travel agents, insurance agents, tourist agents, manufacturers' representatives, road contractors, cargo superintendents, packers, machinery haulage specialists, warehousemen, engineers, electricians, motor cars, cabs, omnibus, lorries, oil tank and coach proprietors and transporters, civil transport contractors and transporters by any other means of conveyance of people and goods in Tanzania and the neighbouring countries and in such other place or

5000/2
12205
23/12/2010
Retained.

2500/2
12205
23/12/2010
Retained.

THE COMPANIES ACT 2002
COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF
KAI QUAN COMPANY LIMITED

1. The name of the company is "KAI QUAN COMPANY LIMITED"
2. The Registered office of the Company will be situated in Tanzania.
3. The objects for which the Company is established are:-
 - a) To acquire, take over, promote, establish, engage in and carry the business of manufacturing all types of household items, electric and electronic items, make-ups, food stuff, building materials, hard wares, machinery ,textile products, clothes, garments, cloth materials, shoes, underwears, sewing machinery, audio and video products, telecommunication tools and equipments, chemicals and detergents, beddings and all related accessories and decorations.
 - b) To carry on the business as exporters, importers, suppliers, distributors, buyers, sellers, general merchants, worldwide traders, wholesalers, retailers, dealers in all kinds of household items, electric and electronic items, make-ups, food stuff, building materials, hard wares, machinery ,textile products, clothes, garments, cloth materials, shoes, underwears, sewing machinery, audio and video products, telecommunication tools and equipments, chemicals and detergents, and all related accessories and decorations.
 - c) To collect, purchase, process plastic scrap and waste and to recycle, and to export processed plastic scrap and plastic material.
 - d) To manufacture plastic products from new and processed plastic scrap
 - e) To establish industries in different fields and areas including plastic products manufacturing.
 - f) To carry on the business of household, domestic appliance and electrical goods, audio visual goods, electronic items, building material, hardwares, foodstuff, agricultural products and merchandise of every nature, kind and description whatsoever as a dealer, wholesaler, retailer, distributor, importer, and exporter.
 - g) To carry on the business of general traders, merchants, wholesalers and retailers, exporters and importers, commissioning agents and manufacturers representatives and to buy, sell, hire, manufacture, barter, trade and deal in property, goods, produce articles and agency, commission, distribution, marketing, commercial, industrial, manufacturing, mercantile, insurance and financial business, to do the agricultural chemicals, equipments, and produce, to buy sell, import, export manufacture, process, pack, can, supply or otherwise deal in food and food products, flowers, confectionery, cosmetics, perfumeries, toiletries and detergents of all kinds, tobacco, medicines and drugs, beverages and to carry on the business of importing and dealing in garments of all kinds, textiles, piece, goods, hosiery, knotting and weaving materials for the manufacture of above products.
 - h) To carry on the business as general traders, importers, exporters, suppliers, merchants, stockists, wholesalers, retailers and dealers in all types of electrical goods, hardware, building materials, spare parts and maintenance, tyres, tubes, tools and accessories for all

THE UNITED REPUBLIC OF TANZANIA

CERTIFICATE OF INCORPORATION

NO.

I HEREBY CERTIFY that

KAI QUAN COMPANY LIMITED

Is this day incorporated under the Companies Act, 2002
And that the Company is Limited

Given under my hand at Dar es Salaam, thisday of
Two thousand and

Asst. Registrar of Company

THE COMPANIES ACT, 2002
COMPANY LIMITED BY SHARES

Memorandum

and

Articles of Association

of

KAI QUAN COMPANY LIMITED

Incorporated this day of , 2010

Drawn by :
SHI JIANQUAN
(Subscriber)
P O Box 80154
Dar es Salaam
Tanzania

THE COMPANIES ACT, 2002
COMPANY LIMITED BY SHARES

Memorandum

and

Articles of Association

of

KAI QUAN COMPANY LIMITED

Incorporated this day of , 2010

Drawn by :
SHI JIANQUAN
(Subscriber)
P O Box 80154
Dar es Salaam
Tanzania

CTIN.: 0691528



TANZANIA REVENUE AUTHORITY

CERTIFICATE OF REGISTRATION FOR TAXPAYER IDENTIFICATION NUMBER (TIN)

(ISSUED UNDER SECTION 133 OF THE INCOME TAX ACT NO. 11 OF 2004)

THIS IS TO CERTIFY THAT

KAI QUAN COMPANY LIMITED

has been registered with the Tanzania Revenue Authority and assigned the Taxpayer

Identification Number

111-814-635

with effect from

26-01-2011



P. N. Kassera

OFFICIAL SEAL

COMMISSIONER FOR DOMESTIC REVENUE

TANZANIA



Certificate of Incorporation

Section 15

No 80655

I HEREBY CERTIFY THAT

KAI QUAN COMPANY LIMITED =====

is this day incorporated under the Companies Act, 2002 and that the Company is Limited

Given under my hand at Dar es salaam

this **27TH** day of **DECEMBER**

TWO THOUSAND AND TEN

A handwritten signature in cursive script, appearing to read 'K. K. K.', written over a horizontal line.

Asst. Registrar of Companies

- (vi) Not erect or commence to erect on the land any building except in accordance with building plans and specifications which shall have been first approved by the Authority as hereinbefore provided;
- (vii) Be responsible for the protection of all beacons on the land throughout the term of the Right. Missing beacons will have to be re-established at any time at the Occupier's expenses as assessed by the Commissioner for Surveys and Mapping.

Approval of plans of any building by the Authority shall not imply that the construction of such a building will satisfy the Occupier's obligation under the conditions of the Right and shall not imply waiver of modification of any condition in the Right.

3.—(i) The Occupier shall not subdivide the land or assign, sublet or otherwise dispose of or deal with the whole or any part of it or of any building on it without the previous written consent of the Commissioner PROVIDED that after condition 2(iv) has been complied with by the Occupier the consent of the Commissioner shall not be necessary—

to a single sub-letting of the whole of the land where the sub-lease contains conditions sufficient to ensure compliance with the conditions of the Right;

~~to a sub-letting of the whole of the land or of the whole or any part of any building on it where the sub-lease contains conditions sufficient to ensure compliance with the conditions of the Right.~~

(ii) Occupation or use of the whole or any part of the land or buildings on it by any person other than the Occupier or his employees agents contractors or members of the household shall be deemed a dealing with the land or buildings.

4. Except as hereinbefore provided the Commissioner shall have an absolute discretion to give or withhold consent under condition 3(i). Any dealing or agreement (other than a mortgage or charge) entered into before compliance with condition 2(iv) will not receive consent except in special circumstances of which the Commissioner shall be the sole judge.

5. The Occupier shall pay to the Minister on demand made by the Commissioner on his behalf:—


- (i) any further fees or stamp duties which may be discovered to be payable by the Occupier in connection with the Right;
- (ii) an amount equal to any contribution in lieu of rates which may be payable by Government for the land during the term of the Right;
- (iii) such sum as the Commissioner shall assess as a proper share payable for the land of the cost of making up the road or improvement of same upon which the land fronts, abuts or adjoins, whether such demand is made before during or after such making or improvement thereof. This condition does not oblige the Government to make or improve roads.

6. Only one main building together with the usual and necessary out-buildings shall be built on the land and the same shall be used for Residential purposes only Use Group 'A' use Classes (a) and (c) as defined in the Town and country Planning (Use Classes) Regulations, 1960.

7. The President may revoke the Right for good cause and in public interest.



TITLE No. 28526
 REGISTERED
 19th November 1983
 Land Form # 11-00 A/1
 Assn. Registrar of Titles



TANZANIA STAMP DUTY ACT
 Stamp Duty Shs. 9/= Paid
 and Revenue Receipt No. 686564
 of 11-6-81 L.O. No. 71352
 [Signature]
 Stamp Duty Officer
 L.D. No. 103318

THE UNITED REPUBLIC OF TANZANIA
 CERTIFICATE OF OCCUPANCY
 (Section 9 of the Land Ordinance)
 The 16th day of November One thousand eighty two
 Stamp Duty Shs. 18/=
 on original Receipt No. 686564
 of 11-6-81
 [Signature]
 Stamp Duty Officer

TITLE No. 28526
 THIS IS TO CERTIFY that MRUTU JUDAS ATHUMANI OF P.O. BOX 9021 DAR ES SALAAM



(hereinafter called "the Occupier") is entitled to a Right of Occupancy (hereinafter called "the Right") in and over the Land described in the Schedule hereto (hereinafter called "the Land") ~~as joint tenants/tenants in common in equal shares~~ for a term of thirty three years from the first January day of January One thousand nine hundred and eighty one according to the true intent and meaning of the Land Ordinance and subject to the provisions thereof and to any regulations made thereunder and to any enactment in substitution therefor or amendment thereof and to the following special conditions:—

1. The Occupier having paid rent up to the thirtieth day of June, 1981, shall thereafter pay rent of six hundred and fifty shillings (650/=) a year in advance on the first day of July in every year of the term without any deduction PROVIDED that the rent may be revised by the Minister for the time being responsible for Lands (hereinafter called "the Minister") on the first day of July in each of the years 1991, 2001, and 2012 or within three years thereafter in each case.
2. The Occupier shall:—
 - (i) Erect on the land buildings (hereinafter called "the buildings") in permanent materials designed for use in accordance with the conditions of the Right and which conform to the building line (if any) decided by the Dar es Salaam City Council (hereinafter called "the Authority");
 - (ii) By the thirtieth day of June 1981, submit to the Authority such plans for the buildings (including block plans showing the position of the buildings) and such drawings, elevations and specifications of them as will satisfy the Authority and as are in accordance with the building condition in sub-paragraph (i) above which said plans and specifications shall be submitted in triplicate;
 - (iii) Within six months from the date of notification by the Authority of approval of the plans and specifications referred to in sub-paragraph (ii) above begin building on the land in accordance with such plans and specifications;
 - (iv) Complete the buildings according to the plans and specifications so that they are ready for use and occupation by the thirty first day of December, 1983;
 - (v) At all times during the term after the thirty first day of December, 1983 have on the land buildings as approved by the Authority and maintain them in good order and repair to the satisfaction of the Commissioner for Lands (hereinafter called "the Commissioner");

CERTIFICATE OF OCCUPANCY

(Issued under Section 9 of the Land Ordinance)

Date of Issue:

Title Number: 28526

Land Office Number: 71352

Land: PLOT NO. 317 BLOCK 'B' CHANG'OMBE DAR ES SALAAM CITY

Term: THIRTY THREE YEARS.

SIGNED and DELIVERED at Dar es Salaam by]
the said JUDAS A. MRUTU who is known to me]
Personally in my presence this 11th day of Dec. 2010]

Jm.

JUDAS A. MRUTU

Before:

Signature:

Name: *SYLVESTER ELISEBI SHATO*

Address: *11934 DAR ESSALAAM*

Qualification: *ADVOCATE*



SIGNED and DELIVERED at Dar es Salaam by]
the said SHI JIANQUAN who is known to me]
Personally in my presence this 11th day of Dec. 2010]

Shi Jianquan

SHI JIANQUAN

Before:

Signature:

Name: *SYLVESTER ELISEBI SHATO*

Address: *11934 DAR ESSALAAM*

Qualification: *ADVOCATE*



CERTIFIED TRUE COPY OF THE ORIGINAL



Beatus E. Mpotwa
15/12/2011

Drawn by:

MC Advocates & Co.
Cooperative Building,
Lumumba Street,
P.O.Box 11934
Dar es Salaam.

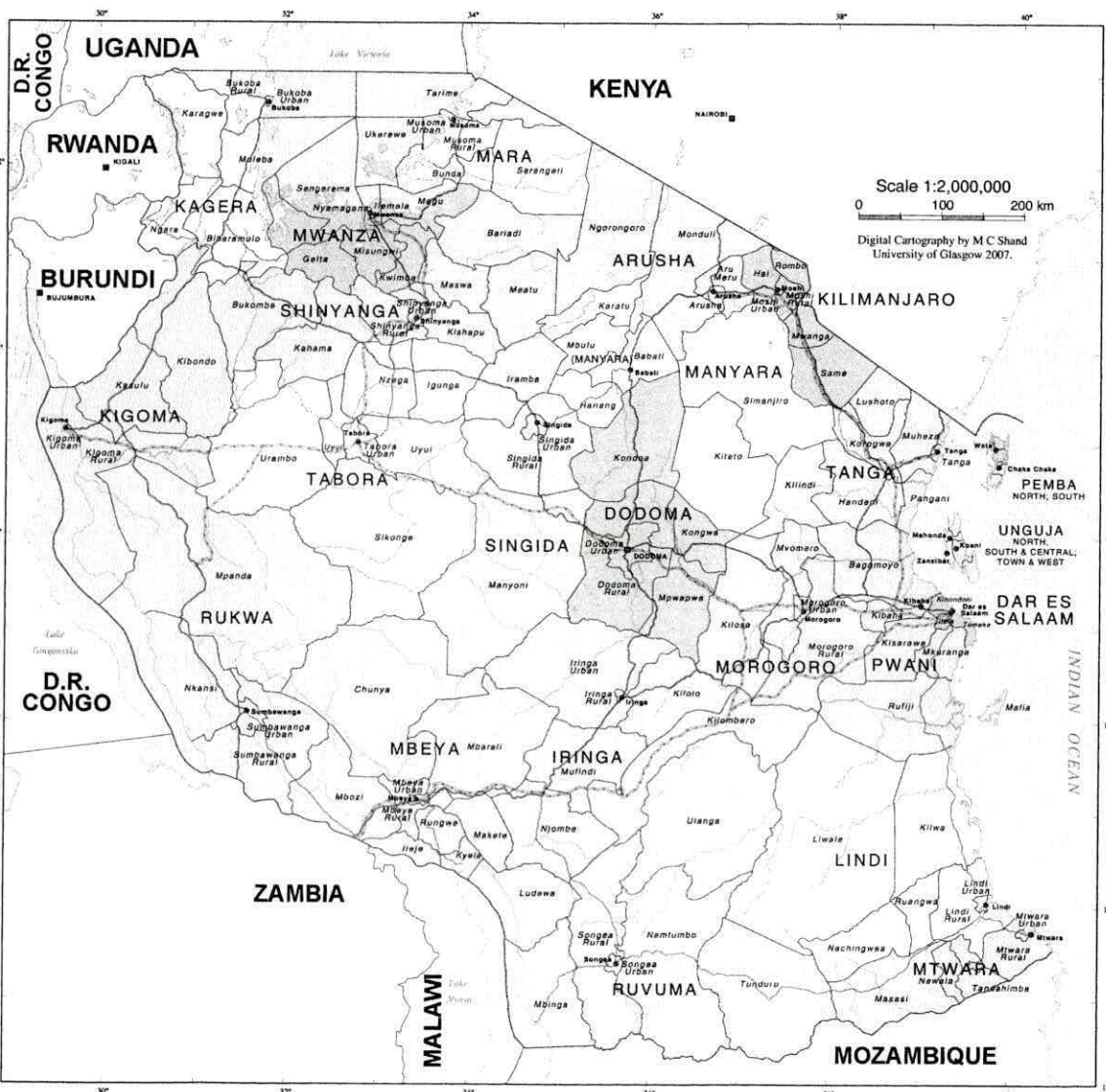
7. All minor repairs shall be carried out by the tenant and all major repairs and renovations shall be carried out by the landlord.
8. THE TENANT shall at all times keep the demised premises in clean and good condition.
9. THE LANDLORD shall have the right to enter the demised premises to check the status of the property provided that he gives to the tenant a reasonable notice in advance and the entry is done in day time.
10. Upon the expiry of the period of tenancy the tenant shall deliver to the landlord the premises in good tenantable state and all damages shall be repaired at the cost of the tenant. Reasonable tear and wear is hereby excepted.
11. The tenant shall remove all structures he has erected on the premises and return the premises in good condition. PROVIDED the landlord may waive this condition or part thereof.
12. The tenant may not assign any part of the premises without a written permit from the landlord.
13. At the end of the period of five years granted herein the parties may negotiate a new lease on such terms and conditions as they may deem fit. In the event of leasing the premises after the period of five years the tenant shall have the first right of refusal before any new tenant is considered.
14. Except in cases of breach of the terms and conditions herein if any party terminates the lease agreement before the end of five years given herein the party terminating shall pay to the other the sum of shillings seven million (Shs 7,000,000.00) upon which the tenancy shall come to and end.
15. In case either party breaches any of the terms and conditions herein or implied by law the party not in breach shall be at liberty to terminate the lease agreement if the breach is not corrected or made good within 14 days after notice in writing pointing such breach.
16. This agreement has been read to both parties and it has been executed in 3 parts all of which are originals on the date and in the manner appearing hereunder. Each party will get an original and the attesting advocate shall keep the 3rd original copy.

LEASE AGREEMENT

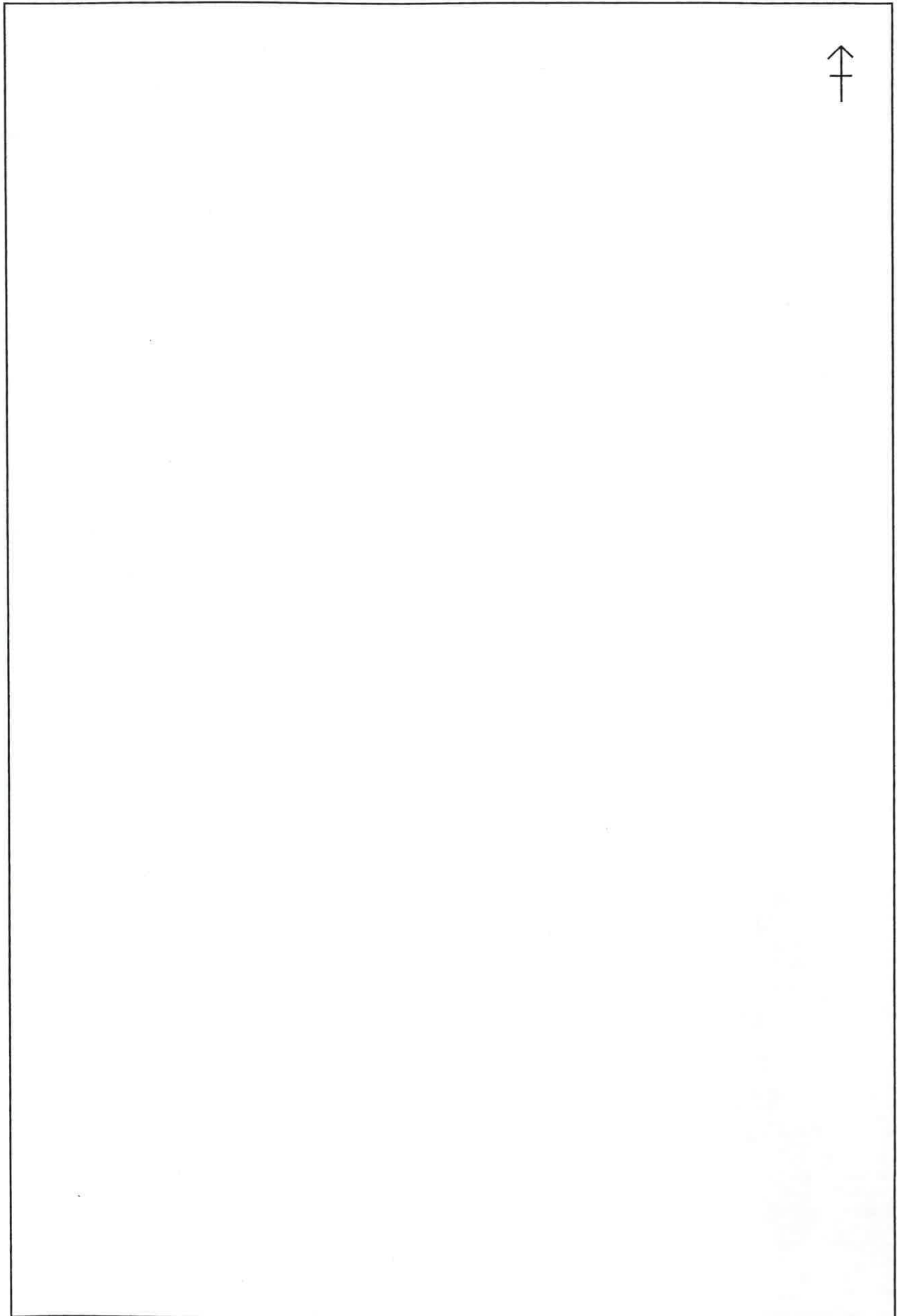
This agreement is made this 11th December, 2010 between JUDAS A. MRUTU of P. O. Box 76941 Dar es Salaam (hereinafter referred to as THE LANDLORD) of the one part and SHI JIANQUAN holding passport Chinese No. G2322965 (hereinafter called THE TENANT) of the other part

WITNESSE THE AND THE PARTIES HERETO AGREE AS FOLLOWS:

1. THE LANDLORD who is the owner of all that land and the demised property standing of Plot No 317 Block 'B' Changombe Area , Dar es Salaam (hereinafter referred to as 'the property' lets to THE TENANT who has agreed to lease the said property on the terms and conditions appearing hereunder.
2. THE LANDLORD assures THE TENANT that he has the full right to lease the property to THE TENANT and if the information he has given to the tenant in this agreement is false he shall be liable for all the losses he shall have caused to the tenant.
3. The said demised property is hereby leased to THE TENANT for a period of five (5) years starting from the 1st January 2011 to the 31st December 2015.
4. THE TENANT shall during the period of the tenancy pay to THE LANDLORD a monthly rent of USD five hundred (USD 500) payable in advance in one lump sum for each year but increased at the rate of 5% over the previous year as follows: -
 - On or before 1st January 2011USD 6000.00
 - On or before 1st January 2012USD 6300.00
 - On or before 1st January 2013USD 6615.00
 - On or before 1st January 2014USD 6945.75
 - On or before 1st January 2015USD 7292.08
5. THE LANDLORD allows the tenant to modify the demised premises to make it fit for carrying his business as a workshop but such modification shall not affect the existing building and it must be approved by THE TENANT and the Municipal authorities. In this respect the tenant may establish a store house at the premises.
6. THE LANDLORD shall cooperate with the tenant in obtaining all necessary utilities including water and electricity but all the costs and bills shall be paid by THE TENANT. However THE LANDLORD shall pay the taxes, rents which are due on the demised property.



SKETCH MAP SHOWING PROJECT LOCATION



Investment Breakdown **US\$/Tshs.M**

Land/Building	.....100,000.....
Plant	.....150,000.....
Vehicles	.....150,000.....
Furniture & Fittings	.....20,000.....
Pre-expenses	.....30,000.....
Others-.....
Working Capital	.....90,000.....
TOTAL	.....540,000.....

Contact Details:

Name:SHI JIAH QUAN..... Title:DIRECTOR.....
Telephone:0717-395757..... Fax:
Email:

Payments to be made payable to:

TANZANIA INVESTMENT CENTRE
STANDARD CHARTERED BANK TANZANIA LTD.
SWIFT ADDRESS: **SCBLTZTX**
ACCOUNT NO.: **8702006002000**

APPLICATION SUMMARY

Company Name: KAI QUAN COMPANY LIMITED

Certificate of Incorporation Number: 80655 Status: NEW

Certificate of Incorporation Date: 27th DATE OF DECEMBER 2010

Post Box: 80154

Town: DAR ES SALAAM

Sector: MANUFACTURING Sub-Sector: HOME TEXTILE MANUF.

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity Local Equity Foreign Loan Local Loan

540,000 - - -

Project Objectives: TO ESTABLISH AND OPERATE BUSINESS IN THE HOME TEXTILE INDUSTRY HENCE PROVIDING QUALITY AND AFFORDABLE PRODUCTS

Capacity:

Employment: Foreign: 5 Local: 26 Total: 31

Implementation Period: 3 YEARS

Project Location

Site/Plot/Block No.: 317 BLOCK (B)

Street: CHANG'OMBE AREA District: TEMBEKE Region: DAR ES SALAAM (Attach sketch map showing project location)

Table with 3 columns: Shareholders, Nationality, %

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 540,000

8. The month and day of the financial year end is 31ST DECEMBER

Note: *failure to provide all the required information will result in the return of the application by the Centre.*

I/We enclose a cheque/cash made payable to the **Tanzania Investment Centre** for Tshs./US\$ USD 100 (ONE HUNDRED ONLY) Being the Registration Fees. *In the event this application is unsuccessful we understand that this fee will not be refunded.*

I, SHI JIANQUAN of Post Office Number 80154, DAR ES SALAAM do solemnly and sincerely declare that I am a director/duly authorized agent of KAI QUAN COMPANY LIMITED

AND that all the requirements of the Tanzania Investment Act, 1997 in respect of matters precedent to the registration of the business enterprise under the Act and incidental thereto have been complied with, AND I make this solemn declaration conscientiously believing the same to be true.

Declared at Dar es Salaam }
..... }
The 15 day of AUGUST 2011... }

施建泉
Applicant

Before me:

Beatus E. Mpotwa
Commissioner for Oaths



UNITED REPUBLIC OF TANZANIA

THE TANZANIA INVESTMENT ACT

(No. 26 of 1997)

APPLICATION FOR REGISTRATION

(Made under Regulation 42)

To: The Executive Director
Tanzania Investment Centre
P. O. Box 938
DAR ES SALAAM
Tanzania

1. I/we SHI JIANQUAN
(director/directors/agent of KAI QUAN COMPANY LIMITED
(name of business enterprise) apply for registration of TIC CERTIFICATE OF INCENTIVES
under Section 17 of the Act and Part IV of the Investment Regulations, 2002.
2. The registered office of the company will be situated at PLOT NO: 317,
BLOCK 'B' CHANG'OMBE AREA, DAR ES SALAAM.

Copies of the following documents are attached to this application:

- (i) The Memorandum and Articles of Association/or partnership agreement
 - (ii) Certificate of Incorporation/Registration
 - (iii) A copy of the Project Profile or Feasibility Study showing the implementation programme of implementation and operative date
 - (iv) Evidence of financing and evidence of land ownership for the project
3. The Head Office of the Company will be situated at PLOT NO. 317, BLOCK 'B' CHANG'OMBE AREA, DSM.
4. The Principal Officers of the Company are 1. SHI LIANKAI
2. SHI JIANQUAN
5. Auditors of the Company are
6. The authorized share capital of the Company is Tshs./US\$ 30,000,000/=



TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

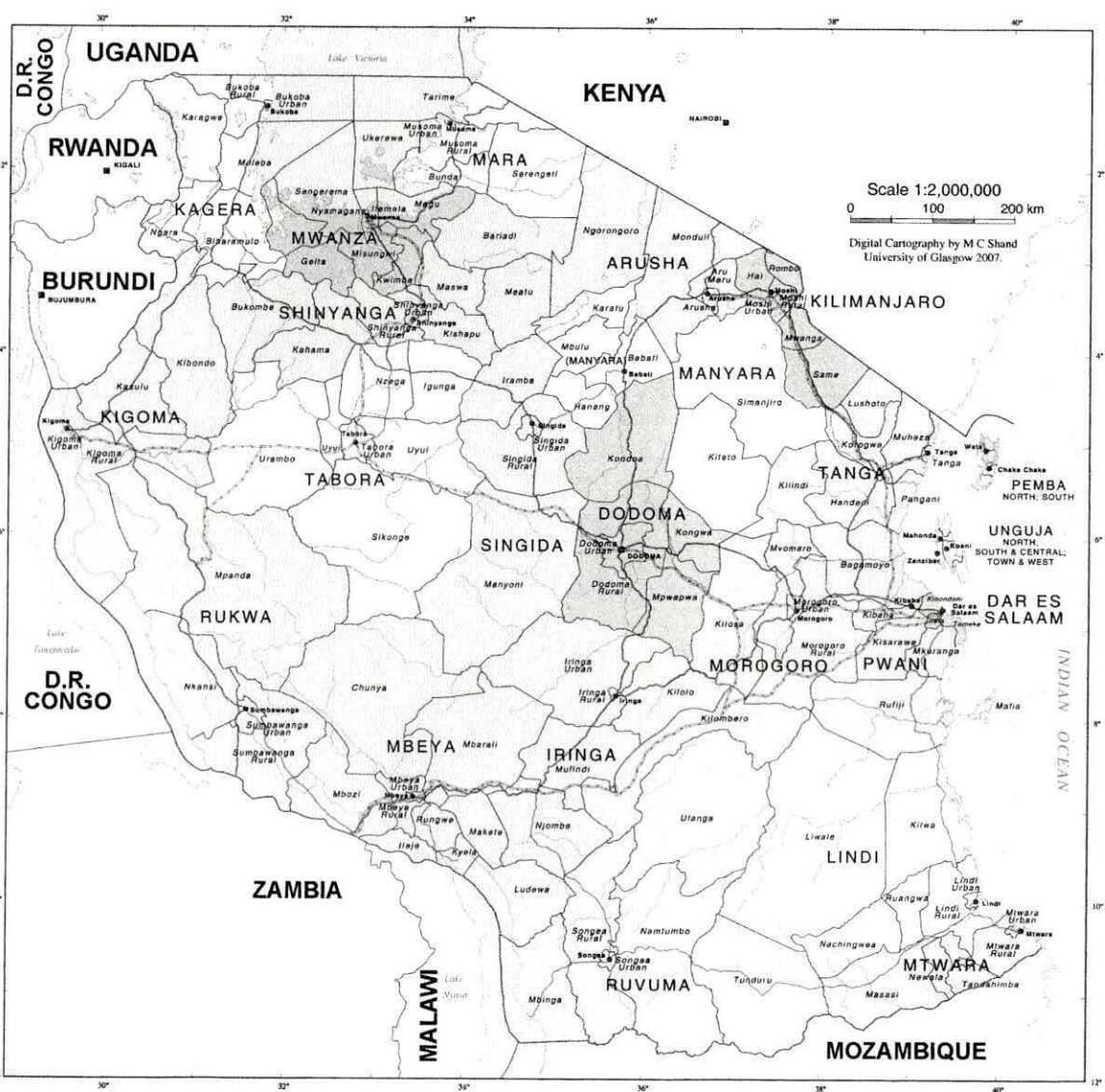
FOR

CERTIFICATE OF INCENTIVES

**(Tanzania Investment Act 1997, Section 17 and 18,
and the Investment Regulations:
Regulation 42, Government Notice No. 318A of 2002)**

Tanzania Investment Centre
9A & B Shaaban Robert Street
P. O. Box 938
DAR ES SALAAM
Tel. 022 2116328
Fax. 022 2118253
e-mail: information@tic.co.tz
Website: www.tic.co.tz

(Please fill the form in duplicate)



SKETCH MAP SHOWING PROJECT LOCATION



Investment Breakdown **US\$/Tshs.M**

Land/Building	.....100,000.....
Plant	.....150,000.....
Vehicles	.....150,000.....
Furniture & Fittings	.....20,000.....
Pre-expenses	.....30,000.....
Others-.....
Working Capital	.....90,000.....
TOTAL	.....540,000.....

Contact Details:

Name:*SHI JIAH QUAN*..... Title:*DIRECTOR*.....
Telephone:*0717-395757*..... Fax:
Email:

Payments to be made payable to:

TANZANIA INVESTMENT CENTRE
STANDARD CHARTERED BANK TANZANIA LTD.
SWIFT ADDRESS: **SCBLTZTX**
ACCOUNT NO.: **8702006002000**

APPLICATION SUMMARY

Company Name: KAI QUAN COMPANY LIMITED

Certificate of Incorporation Number: 80655 Status: NEW

Certificate of Incorporation Date: 27th DATE OF DECEMBER 2010

Post Box: 80154

Town: DAR ES SALAAM

Sector: MANUFACTURING Sub-Sector: HOME TEXTILE MANUF.

Investment Financing Plan in Million US\$/Tshs.

Foreign Equity Local Equity Foreign Loan Local Loan

540,000 - - -

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Capacity:

Employment: Foreign: 5 Local: 26 Total: 31

Implementation Period: 3 YEARS

Project Location

Site/Plot/Block No.: 317 BLOCK 'B'

Street: CHANG'OMBE AREA District: TEMBEKE Region: DAR ES SALAAM (Attach sketch map showing project location)

Table with 3 columns: Shareholders, Nationality, %

UNITED REPUBLIC OF TANZANIA

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4. The Principal Officers of the Company are 1. SHI LIANKAI
2. SHI JIANQUAN
5. Auditors of the Company are
6. The authorized share capital of the Company is Tshs./US\$ 30,000,000/-

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 540,000.....
8. The month and day of the financial year end is 31ST DECEMBER.....

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Declared at Dar es Salaam }
..... }

The 15 day of AUGUST 2011..... }


Applicant

Before me:


.....
Commissioner for Oaths





TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

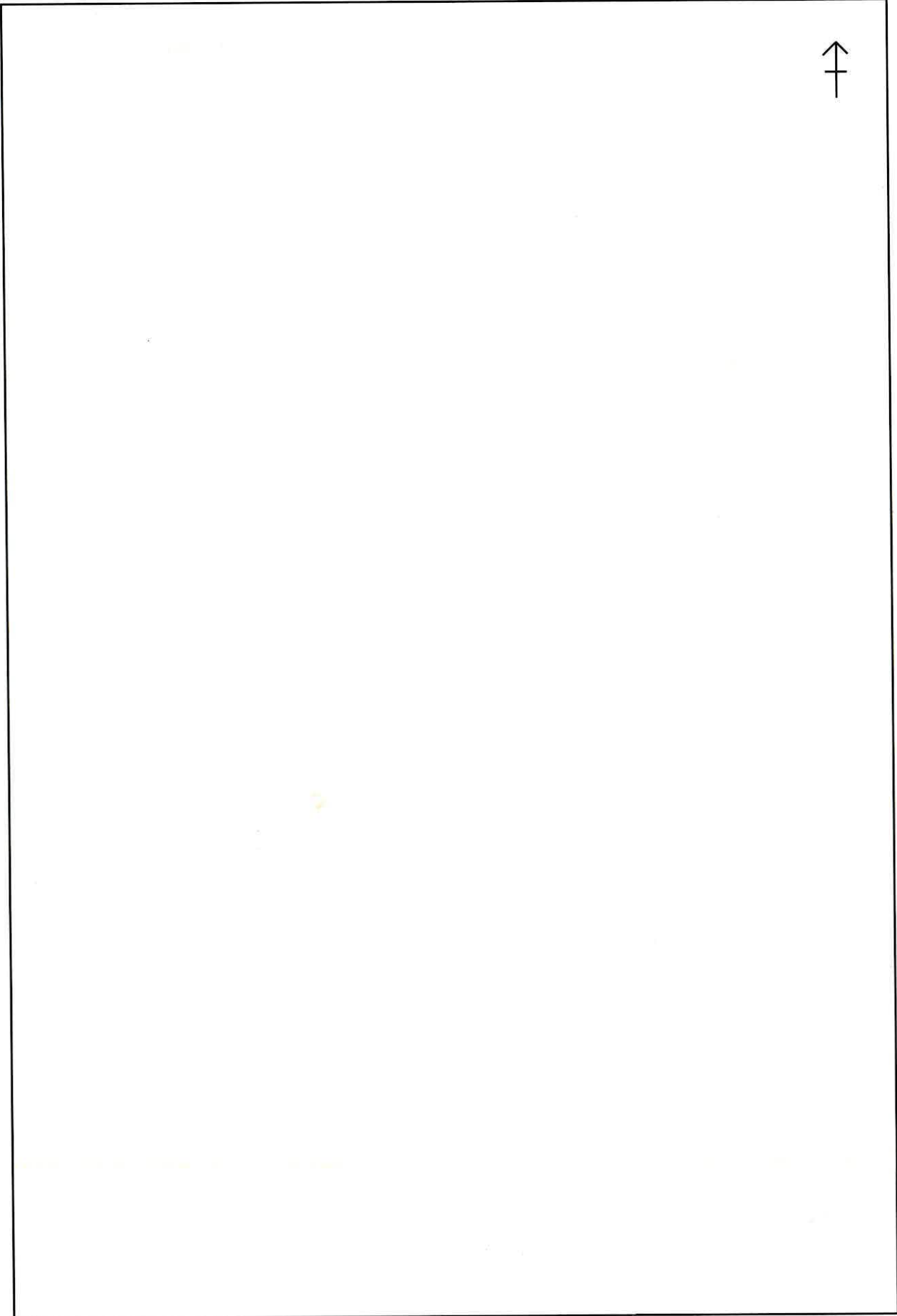
CERTIFICATE OF INCENTIVES

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SKETCH MAP SHOWING PROJECT LOCATION



Investment Breakdown US\$/Tshs.M

Land/Building 100,000
Plant 150,000
Vehicles 150,000
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Others -
Working Capital 90,000
TOTAL 540,000

Contact Details:

Name: SHI JIAH QUAN Title: DIRECTOR

Telephone: 0717-395757 Fax:

Email:

Payments to be made payable to:

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SWIFT ADDRESS: SCBLTZTX
ACCOUNT NO.: 8702006002000

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Post Box: 80154

Town: DAR ES SALAAM

Sector: MANUFACTURING Sub-Sector: HOME TEXTILE MANUF.

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Foreign Equity Local Equity Foreign Loan Local Loan

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Employment: Foreign: 5 Local: 26 Total: 31

Implementation Period: 3 YEARS

Project Location

Site/Plot/Block No.: 317 BLOCK 'B'

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Table with 3 columns: Shareholders, Nationality, %

7. The intended capital investment of the Company in terms of Section 2(2) of the Act is Tshs./US\$ 500,000
8. The month and day of the financial year end is 31ST DECEMBER

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AND that all the requirements of the Tanzania Investment Act, 1997 in respect of matters precedent to the registration of the business enterprise under the Act and incidental thereto have been complied with, AND I make this solemn declaration conscientiously believing the same to be true.

Declared at Dar es Salaam }
 }
 The 15 day of AUGUST 2011 }

施建泉
 Applicant

Before me:

[Signature]
 Commissioner for Oaths



UNITED REPUBLIC OF TANZANIA

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(No. 26 of 1997)

APPLICATION FOR REGISTRATION
(Made under Regulation 42)

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 - (iv) Evidence of financing and evidence of land ownership for the project
3. The Head Office of the Company will be situated at PLOT NO. 317, BLOCK 'B' CHANG'OMBE AREA, DSM.
4. The Principal Officers of the Company are
1. SHI WANKAI
2. SHI JIANQUAN
5. Auditors of the Company are
6. The authorized share capital of the Company is Tshs./US\$ 30,000,000/-

JAMHURI YA MUUNGANO WA TANZANIA
THE UNITED REPUBLIC OF TANZANIA

STAKABADHI YA SERIKALI

EXCHEQUER RECEIPT

NIMEPOKEA KWA

Received from

KAI QUAN CO. LTD



KIASI
Amount

Shs.										Cts.		
U	S	D	=	=	=	=	=	1	0	0	=	

JUMLA YA SHILINGI (Kwa maneno)

The sum of Shillings (Words)

USDOLLAR ONE HUNDRED ONLY

NA SENTI
And Cents

KWA MALIPO YA

In respect of

REGISTRATION FEE

KWA FEDHA TASLIMU/HUNDI

NAMBA By Cash/Cheque No. CASH

SAHIHI YA MPOKEAJI - Receiving Officer's

Signature

CHEO - Title

ACC

TAREHE - Date

22 JUNY 2011

KITUO - Station

DSM.

NPC-KIUTA

7268

37894613

1

09373

TFN. 614 (Rev. 8.94)

FOR EXPORT
Tanzania Investment Centre



TANZANIA INVESTMENT CENTRE

REGISTRATION FORM

FOR

CERTIFICATE OF INCENTIVES

**(Tanzania Investment Act 1997, Section 17 and 18,
and the Investment Regulations:
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9A & B Shaaban Robert Street
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e-mail: information@tic.co.tz
Website: www.tic.co.tz

(Please fill the form in duplicate)

This Certificate is issued in accordance with the provisions of Section 17 of the Tanzania Investment Act, 1997 and subject to the conditions prescribed under item 14 and 15 hereafter:—

- | | | | |
|-----|--|--|--------------------------|
| 1. | Shareholders | Nationality | Shareholding (%) |
| | Shi Jianquan | Chinese | 50 |
| | Shi Liankai | Chinese | 50 |
| 2. | Proposed Activities : To establish home textile manufacturing facility | | |
| 3. | Sector: Manufacturing | Subsector: Home Textile Manufacturers | |
| 4. | Investment cost: | Foreign USD 0.54m. | Local - Total USD 0.54m. |
| 5. | Project Financing: | Equity USD 0.54m. | Loans - Total USD 0.54m. |
| 6. | Source, terms and conditions of loan | | |
| 7. | Assets to be invested: | | |
| | Capital items: | Foreign USD 0.54m. | Local - Total USD 0.54m. |
| 8. | Technology Agreement | None | |
| 9. | Date of TIC Registration: | 26th September 2011 | |
| 10. | Implementation period | September 2011 - August 2014 | |
| 11. | Operative date | September 2014 | |
| 12. | Investment Incentive Grade: As defined in part III Section 19 (1), (2) and Section 20 of the Tanzania Investment Act, 1997 | | |
| | (i) Applicable Import Duty | And VAT as per Customs Tariff Act, 1976 & VAT Act, 1997 | |
| | (ii) Applicable with-holding Tax | As per Income Tax Act, 2004 (as amended) | |
| | (iii) Eligibility of Capital Allowances | As per Income Tax Act, 2004 (as amended) | |
| 13. | Protection of Investment, Arbitration and Transfer of Foreign Currency: as defined in part III Section 21, 22 and 23 of the Act. | | |
| 14. | Conditions attached to this Certificate of Incentives | | |
| | (i) | Date of Commencement of investment has to be notified to the Centre. | |
| | (ii) | Certificate not to be transferred, assigned or amended | |
| | (iii) | Failure to commence implementation within two years invalidates Certificate | |
| | (iv) | Failure to operate investment must be notified to the Centre | |
| | (v) | Changes in shareholding, project activities and level of invested capital must be notified to the centre | |
| 15. | Additional conditions attached to Certificate | | |
| | Finished goods are not allowed under this Certificate | | |

Signed 
Ag. Executive Director



00218072

THE UNITED REPUBLIC OF TANZANIA

Certificate of Incentives

(Section 17 of the Tanzania Investment Act, 1997)

No: 042085

This is to certify that

KAI QUAN COMPANY LIMITED

of address P.O. BOX 80154

DAR ES SALAAM

has been granted a Certificate of Incentives to invest in a new, ~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXX~~ enterprise known as

KAI QUAN COMPANY LIMITED

Which is located at PLOT NO. 317 BLOCK B CHANG'OMBE AREA

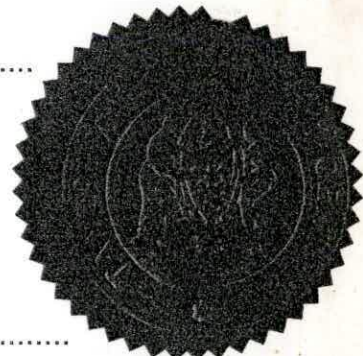
TEMEKE - DAR ES SALAAM

Further particulars required by Section 17 of the Tanzania Investment Act are set out overleaf.


Ag. Executive Director

Tanzania Investment Centre
P.O. Box 938, Dar es Salaam

Dated 4TH OCTOBER 2011



STAKABADHI YA SERIKALI
EXCHEQUER RECEIPT

37895657

1

NIMEPOKEA KWA

Received from

KAI QUAN Co Ltd



KIASI
Amount

Shs				Cts			
US	D	7	50				

JUMLA YA SHILINGI (Kwa maneno)

The sum of Shillings (Words)

US DOLLAR SEVEN HUNDRED FIFTY ONLY

NA SENTI

And Cents

KWA MALIPO YA

In respect of

CERTIFICATE OF INCENTIVES

KWA FEDHA TASLIMU/HUNDI

NAMBA By Cash/Cheque No.

DIRECT DEPOSIT 29 SEP 2011

KITOO - Station

Djm

SAHIMI YA MPOKEAJI - Receiving Officer's

Signature

[Signature]

CHEO - Title

Acc

TAREHE - Date

29 SEP 2011



NPC-KIUTA

TICC/PP.10/042085/6

26th September, 2011

Tanzania Investment Centre
Standard Chartered Bank (T) Ltd
US Dollar A/C 8702006002000
T.Shs A/C 0102006002000

We wish you every success in the implementation of the project.

Yours sincerely,

TANZANIA INVESTMENT CENTRE



B.D. Chonjo

FOR: EXECUTIVE DIRECTOR

Copy to: Permanent Secretary,
Ministry of Finance,
P. O. Box 9111,
DAR ES SALAAM

Permanent Secretary,
Ministry of Industry, Trade and Marketing,
P.O. Box 9503,
DAR ES SALAAM

Commissioner General,
Tanzania Revenue Authority,
P. O. Box 11491,
DAR ES SALAAM

6

TICC/PP.10/042085/6

26th September, 2011

Managing Director,
Kai Quan Co. Ltd.,
P.O. Box 80154,
DAR ES SALAAM

**RE: CERTIFICATE OF INCENTIVES FOR INVESTMENT IN THE
ESTABLISHMENT OF HOME TEXTILE MANUFACTURING FACILITY**

We wish to acknowledge receipt of your project proposal to establish home textile manufacture facility as presented in the TIC P.A. 1 Form No. 09373 and Feasibility Study with a projected investment of USD 0.54m.

We have studied your project proposal and are pleased to inform you that your investment proposal is now officially registered and therefore your project will be granted a CERTIFICATE OF INCENTIVES, given under authority conferred upon TIC under Part III, Section 17 (1-8) of the Tanzania Investment Act, 1997.

You will be required to submit to the Centre a Progress Report on the implementation of the project after every six months for our information and review. Guidelines for the preparation of the report are contained in annexure 2 also attached to this letter. Please do not hesitate to contact the Centre for any clarification if the need arises. Please also note that a facilitation fee equivalent to US\$ 750.00 is payable at the ruling exchange rate before your Certificate of Incentives is prepared. Please make deposit direct to the bank as per bank details below:-

.../2



5

TIC Evaluation Report

Name of the Company
Kai Quan Co. Ltd.

Post Box	Chang'ombe Area, Plot No. 317 Block B	COI Number	80655	Contact	Shu Jiah Quan
Post Office	80154	COI Date	27/12/2010	Designation	Director
Region	Dar Es Salaam	Application F. No	09373	Phone	0
Country	Tanzania	Status		Direct Phone	0
		Sector	Manufacturing	Cell Phone	0717 395 757
		Sub Sector	Home Textile Manufacturers	Fax	0
		File No	042085	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD											
Plot/Block	Plot No. 317 Block B	<table border="1"> <tr> <th>Foreign Equity</th> <th>Local Equity</th> <th>Foreign Loan</th> <th>Local Loan</th> </tr> <tr> <td>0.54</td> <td>0</td> <td>0</td> <td>0</td> </tr> </table>	Foreign Equity	Local Equity	Foreign Loan	Local Loan	0.54	0	0	0			
Foreign Equity	Local Equity		Foreign Loan	Local Loan									
0.54	0		0	0									
Street	Chang'ombe Area												
District	Temeke												
Region	Dar es Salaam												

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	0.1
Shi Jianquan	Chinese	50	Plant	0.15
Shi Liankai	Chinese	50	Vehicles	0.15
			Furniture & Fittings	0.02
			Pre-expenses	0.03
			Others	0
			Working Capital	0.09
			Total	0.54

Employment	31	Evaluated By	wf officer4
Capacity	xxxxx	Drawn By	wf regist3
Project Turn Over		Project Type	Foreign

Description

To establish home textile manufacturing facility

Recommendations

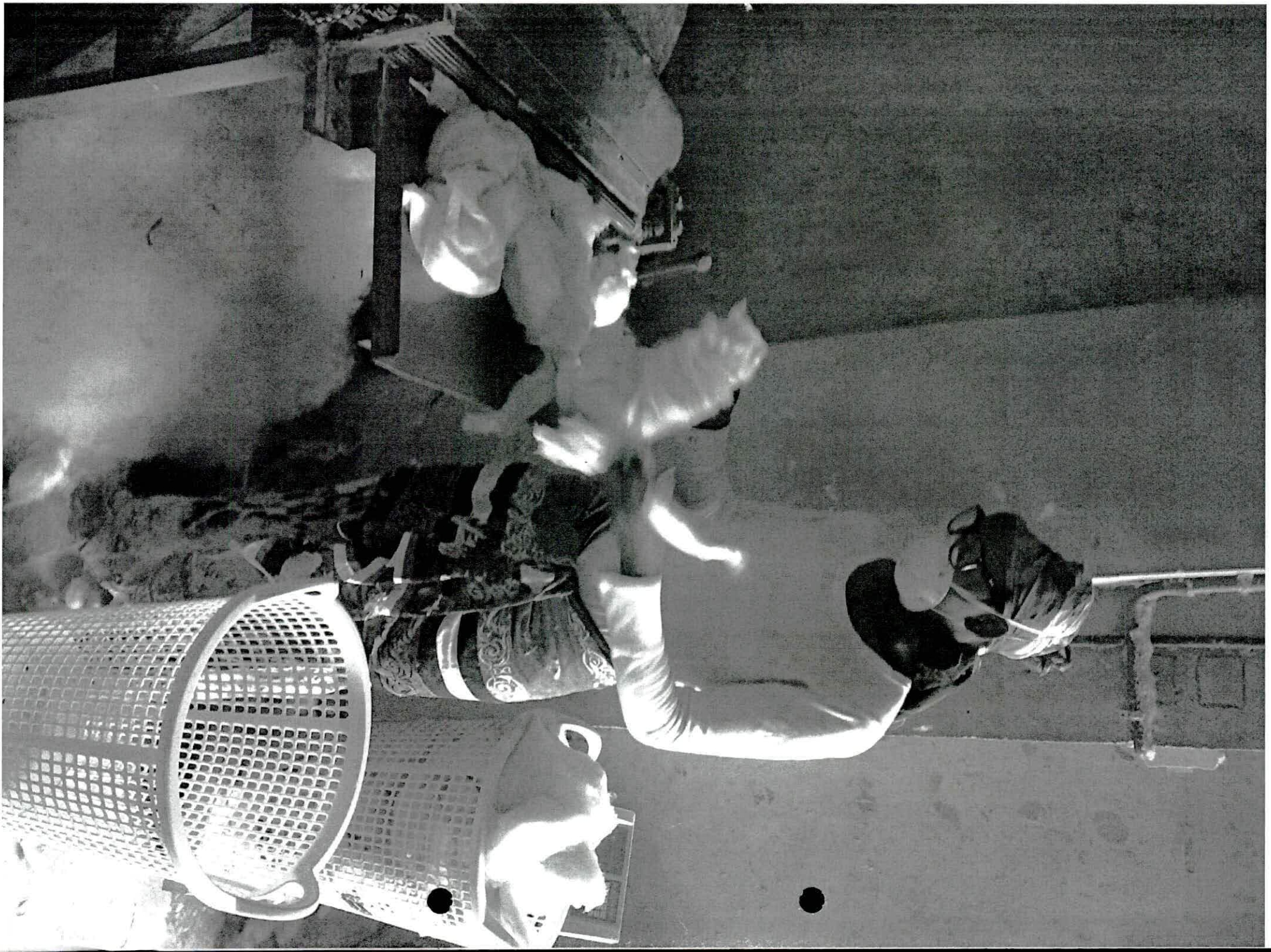
Be approved subject to providing evidence as required by section 17 of Tanzania Investment Act, 1997

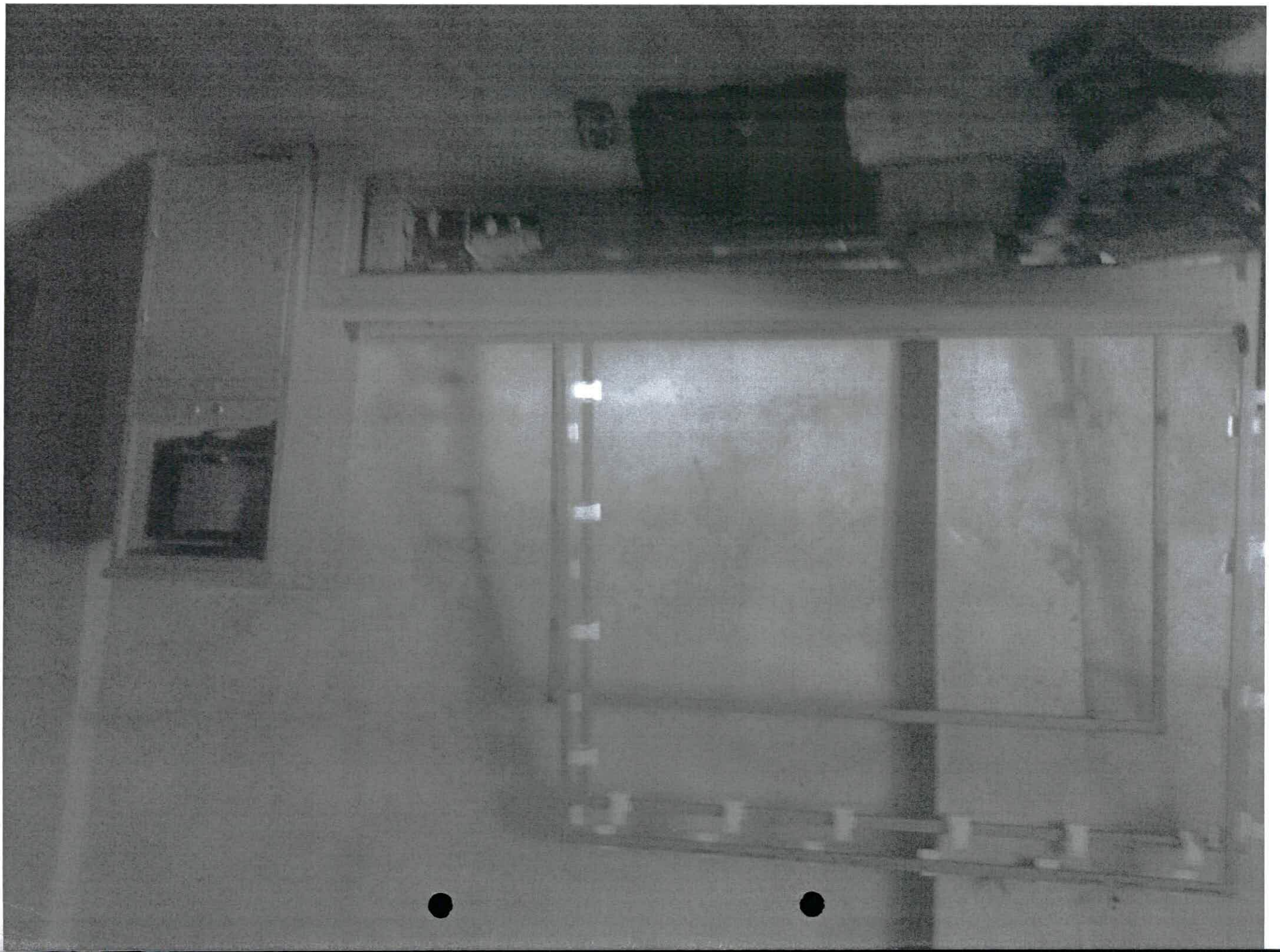
Decision

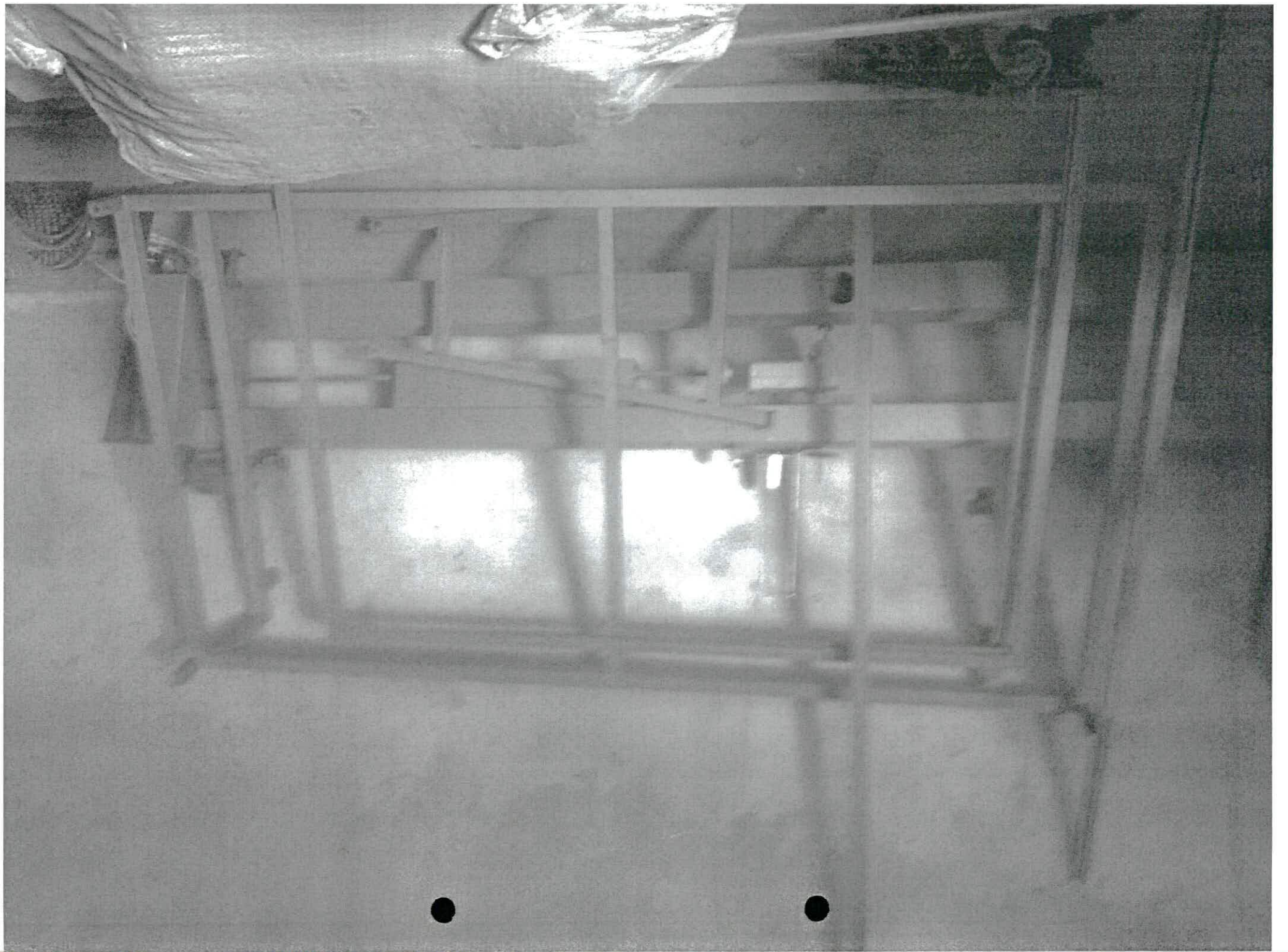
I approve the project.

Ag EXD
22/09/11

















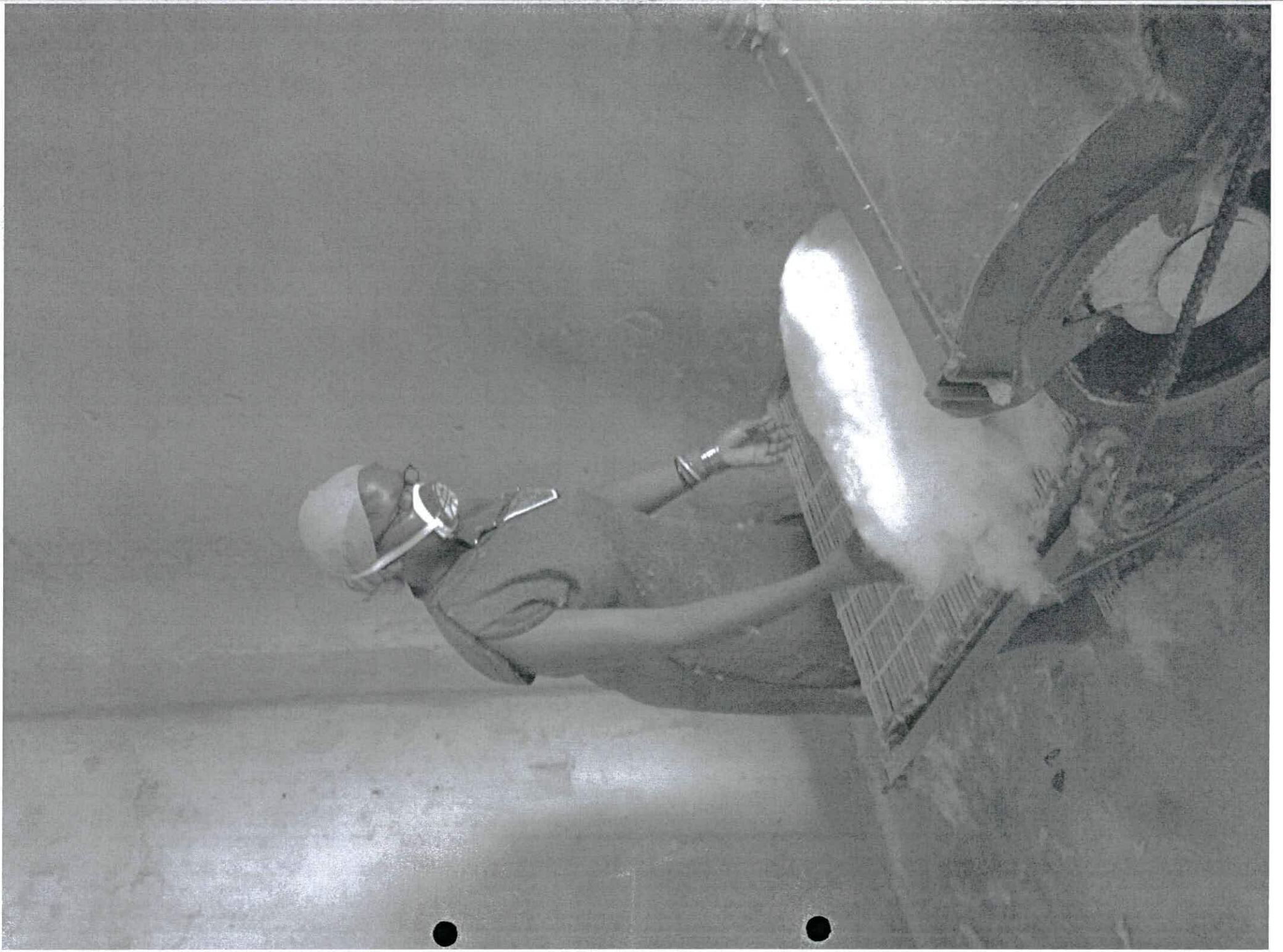












3.3 The project has created employment of **13** local employees and **2** foreigners.

3.4 The project plan to import other machines after getting TIC Certificate so that to expand its production unit, the expansion will create additional employments of **13** people

4.0 **CONCLUSION**

After visiting the industrial premises and interviewing Managing Director, We have found that this is serious investor who needs to be facilitated by TIC.

4.1 **RECOMMENDATIONS**

We recommend that the project should be given TIC Certificate of Incentives

We beg to submit for your further guidance

Mr. I.Kahwa.....*[Signature]*

Date: 7/9/2011

Mr. Adam Ling'wetu.....*[Signature]*

Date: 7/9/2011

**BRIEF PROJECT VISIT REPORT
FOR
KAI QUAN COMPANY LTD**

1. 0 INTRODUCTION

KAI QUAN COMPANY LTD is a company incorporated in Tanzania with Certificate of incorporation No. 80655 dated 27th December 2011.

The company deals with manufacturing of bed cover, bed sheet and pillow.

The company is applying for TIC Certificate of incentives.

2.0 PROJECT VISIT OBJECTIVE

The main objective of the project visit was to assess current status of the project and to evaluate if at all the there is a need for TIC Certificate.

3.0 FINDINGS

On 6September 2011, a team of two officers from TIC comprising **Mr. Adam Ling'wetu** and **Mr. Innocent M. Kahwa** conducted project visit to company's industrial premises at **Plot No. 317, Block B, Chang'ombe, Temeke, Dar es Salaam**

3.1 During the project visit, we managed to visit various production units such as:

- Designing unit
- Production unit
- Store (finished goods and raw materials)

For reference pictures attached

3.2 The company has already started operation by manufacturing various products:

- bed cover,
- bed sheet and pillow,

3



TIC Evaluation Report

Name of the Company
Kai Quan Co. Ltd.

Post Box	Chang'ombe Area, Plot No. 317 Block B	COI Number	80655	Contact	Shu Jiah Quan
Post Office	80154	COI Date	27/12/2010	Designation	Director
Region	Dar Es Salaam	Application F. No	09373	Phone	0
Country	Tanzania	Status	New	Direct Phone	0
		Sector	Manufacturing	Cell Phone	0717 395 757
		Sub Sector	Home Textile Manufacturers	Fax	0
		File No	042085	E-Mail Address	0

Project Location		Investment Finance Plan in Millions USD											
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Region	Dar es Salaam												

Shareholders Detail			Investment Breakdown (USD Million)	
Name	Nationality	(%)	Land/Building	Plant
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Shi Liankai	Chinese	50	Vehicles	0.15
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			Pre-expenses	0.03
			Others	0
			Working Capital	0.09
			Total	0.54

Employment	31	Evaluated By	wf officer4
Capacity	xxxxx	Drawn By	wf regist3
Project Turn Over		Project Type	Foreign

Description

To establish home textile manufacturing facility

Recommendations

Be approved subject to providing evidence as required by section 17 of Tanzania Investment Act, 1997

Decision

Conduct PVV and report

Ag ExD

24-08-11



CRDB Bank Limited

2

PRIVATE AND CONFIDENTIAL

17 Aug 2011

Our Ref:CRDB/BM/AUG/680-2



TO WHOM IT MAY CONCERN

Dear Sir/Madam

RE:M/S KAI QUAN COMPANY LTD

We hereby advise that the above named is an esteemed client of CRDB Bank PLC (Tanzania) Ltd and operates his account to the Bank's satisfaction.

We do advise that he can access certain credit facilities In form of guarantees ,bonds and working capital subject to the fulfillment of usual credit assessment terms and conditions .

Any assistance accorded to him will be highly appreciated.

This opinion is furnished in strictest confidence and neither the Bank nor any of its officers or employees incurs any liability , responsibility , accountability or commitment of what so ever nature-pecuniary or otherwise white this report is acted upon by you.

Your's faithfully,
For CRDB Bank Limited
Branch Account Manager

Authorized Signatory

KAI QUAN COMPANY LIMITED

BOARD RESOLUTION

*Special Meeting of the Directors Held On 10th August, 2011 at the Company's Head office,
Dar es Salaam*

Attendance: 1. SHI LIANKAI - Director (Chairman)
2. SHI JIANQUAN - Director (Secretary)

Agenda: 1. *Opening of the meeting*
2. *Applying for Certificate of Incentives at the TIC*
3. *Closing of the meeting*

Min.1.0 *The meeting was opened by the Chairman at 10.00 pm by introducing the agenda.*

Min.2.0 *Application for Certificate of Incentives from TIC:*

The Directors discussed on the establishment of a home textile manufacturing project with the aim of producing quality and standard household textile products to be established in Chang'ombe Area – Temeke District, Dar es Salaam Tanzania in the name of KAI QUAN COMPANY LIMITED. The project requires considerable resources for its project set up and operation. Board members agreed that every measure must be taken to maximize cost efficiency of the project investment.

Resolution:

A resolution was passed to the effect that the company must apply for a Certificate of Incentives from the Tanzania Investment Centre, to enable it enjoy the investment incentives prescribed by Tanzania Investment Act of 1997. The Chairman and Director resolved to pursue the application process of the TIC Certificate of Incentives as soon as possible.

Min.3.0 *Closing of the Meeting:*

The meeting was closed at 11.15 a.m. by the Chairman.



CHAIRMAN (DIRECTOR)

Date: 10/08/2011



SECRETARY

KAI QUAN COMPANY LIMITED

P.O. Box 80154
DAR ES SALAAM

Plot No. 317 Block 'B'-Chang'ombe Area,
Temeke District - Dar es Salaam

Ref: KQ/AP.01/11

15th August, 2011

The Executive Director
Tanzania Investment Centre
P. O. Box 938
Dar es Salaam.



Dear Sir,

RE: APPLICATION FOR TIC CERTIFICATE OF INCENTIVES

M/S KAI QUAN COMPANY LIMITED is a Tanzanian Incorporated Company located in Temeke District, Dar es Salaam. We are a new project establishing in home textile manufactured products of the highest quality and meeting international standards and also wish to apply for a TIC Certificate of Incentives so as to benefit from the Investment Incentives as prescribed by *Tanzania Investment Act of 1997*.

We hereby request your good office to facilitate our project to enable us to fully implement our operations and also contribute to the growth of the manufacturing sector in Tanzania.

We look forward to your cooperation and support.

Yours sincerely,


Shi Jianquan
DIRECTOR



wordofdream@yahoo.com

MINUTE SHEET

Dokezo
No.

Investor be given a chance to implement
the project by approving the registration
of the project. It is also recommended that
a very close up project on the
Project implementation status

21/09/2011



DIF

4 DIF

I approve the project.

~~Ag EXD~~

Ag EXD

22/09/11

EXD

(5) In response to the TIC letter of registration dated 26th Sept 2011
the project has submitted the required documents namely: -

- (a) Company Board Resolution.
- (b) Reference letter/Financing from CRDB Bank LTD
- (c) Lease Agreement and title deed as evidence of land.

With the above submission EXD is requested to sign Certificate of
Incentives No. 042085 herein attached.

4/10/2011



EXD

MINUTE SHEET

Dokezo
No.

M₁ Chawla / ADAMS

Plse Conduct PUV as per folio 3

28/08/2011

DIF

M₂ DIF

On 6 September 2011, we conducted PUV as instructed in folio 3. During the PUV we found that the investor is serious in implementing the project, the investor has already started implementing the project and has created employment of 13 local people and plan to expand after getting TIC Certificate, for reference some pictures have been attached with report. Due to the above fact we recommend TIC to file the investor,

1. Submit for further guidance

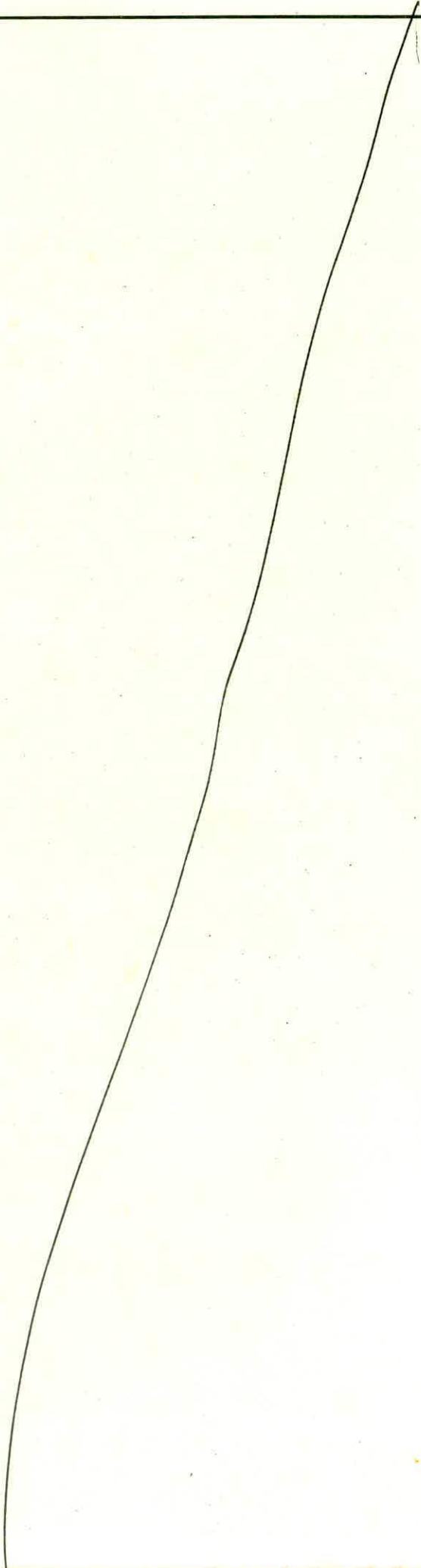
1. ^{Adms} Innocent M. Kshirs

2.

3. Ag EXD M₂, F 4, F 5 ✓
Re following PUV conducted by TIC officials, and the report presented (F4), the investor has shown that he is serious to implement the project (F4).
Based on the recommendations made by officials, I hereby recommend that

MINUTE SHEET

Dokezo
No.



MINUTE SHEET

Dokezo

No. 1.0

Ag. EXD

The approved project has fulfilled the investment requirements, which are: -

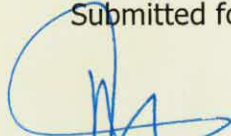
(a) Minimum finance investment threshold has been exceeded, the project expects to invest US\$ 0.54M

(b) Legal entity has been incorporated under certificate

No. 80655 of 27/17/2010

Based on the above, the letter of approval is hereby submitted for signature in order for the project to comply with the requirements of Section 17 of Tanzania Investment Act, 1997.

Submitted for signature.



N.A Senzia

DIF

26th September, 2011

5.0 **TECHNICAL ASPECT OF THE PROJECT**

5.1 **The Products**

The company set out is to produce the following home textile products:-

- Bed Linen items (Bed sheets, duvet cover, pillow cases, cushions)
- Kitchen products (Aprons, kitchen cloths, gloves, kitchen linen, napkins)
- Other textile products.

5.2 **Modification of the building**

This undertaking will require a period of 12 months to completion.

5.3 **Ordering of Machinery / Equipment / Vehicles / Furniture**

Timely ordering will have to be executed to match the rate of development of the project. Time needed will run into few days.

Machinery and Plant

The machinery and equipment to be procured for the project will be of modern status, with appropriate technological set up, fully provided with all the necessary accessories.

5.4 **Installation of Machinery / Equipment / Furniture**

Once the building is renovated then will follow the installation of machinery / equipment/furniture and fittings upon arrival at the project site

5.5 **Motor Vehicles**

The project will require different types of motor vehicles to undertake different activities of the Company. The project will require a Two (2)-Tons Pick-ups or Vans to be used for distribution and for deliveries of products to Customers in other regions.

5.6 Advertisements Efforts

These will be carried out when 80% percent of civil works are completed. This is intended to facilitate prompt acquisition of extra potential customers.

5.7 Raw Materials

The raw materials for the manufacture of textile products requires raw cotton which can be purchased locally or imported from any other source depending on the quality and price competitiveness from time to time.

5.8 Plant Location and Civil Works

5.8.1 Site and Location

The project will be located within Dar es Salaam city at Plot no.317, Block 'B' Chang'ombe - Temeke Area in Temeke District. This location takes into consideration such important factors like availability of reliable power and security.

- **Production Building Required**

The buildup area required for production will be medium sized taking into consideration the kind of operations to be undertaken.

- **Office Building**

An office block to accommodate the administrative and clerical staff will also be required.

5.9 Utility Services

5.9.1 Water

The rented premises have reliable supply of water. This is due to the fact that there is connection to the city water supply network and also due to water storage facilities installed within the premises.

5.9.2 Electricity

As said earlier in this report, the source of energy for the proposed project will be electric power.

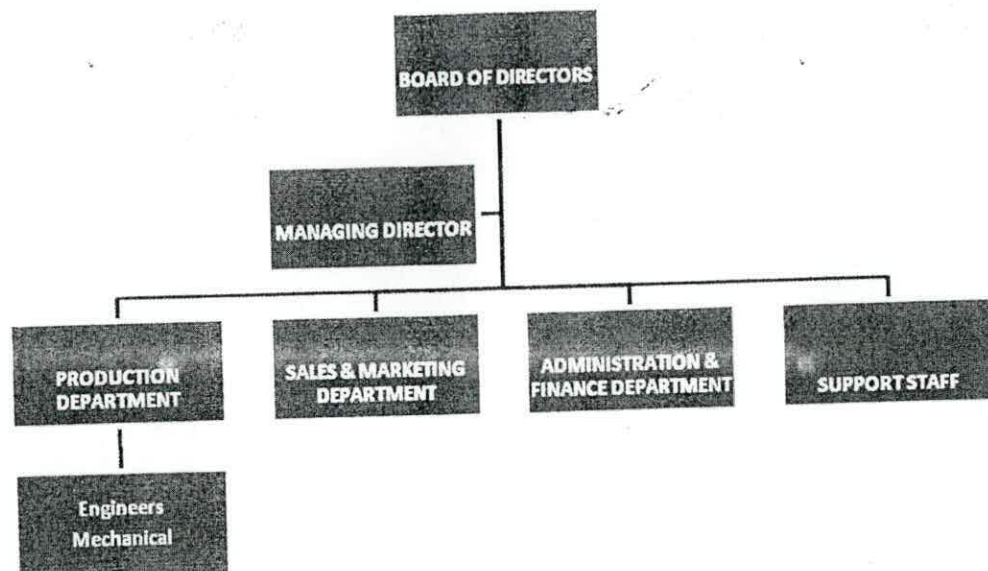
A standby power generator has also been budgeted for to avoid inconveniences caused by frequent power cuts by TANESCO.

6 MANAGEMENT AND ORGANIZATION

6.1 Organization Structure

With the vision of the company, it is expected that the company will grow to an extent that it will require a structured management system. This entails the design of management flow system with clear outlined duties and responsibilities of each member of management.

The organization structure takes into account the fact that within the next one year; the company's total workforce will have more than 30 employees of different levels of qualifications and responsibility once fully established. This will require a properly designed administration policy and guidelines for each work category. The organization structure is shown herein below:-



6.2 Manpower and Plant Organization

The proposed project will have three independent departments, namely:-

- Production
- Sales and Marketing
- Administration and Finance

6.3 Organization

The Board of Directors of **M/S KAI QUAN COMPANY LIMITED** shall manage the project at policy level. The top most person in the day to day running of the company will be the Managing Director. Under the Managing Director's office will be the three Departments mentioned above. Each will be under a Manager and will comprise a number of Sections each headed by a Section Head as follows:-

6.3.1 Production Department

Sections:-

- Operations
- Maintenance

6.3.2 Sales and Marketing Department

Sections:-

- Research and Promotion
- Sales

6.3.3. Administration and Finance Department

Sections:-

- Human Resources and Administration
- Finance and Accounts

Each Department will be manned by a number of personnel with varying education levels and work experiences.

The management team of M/S KAI QUAN COMPANY LIMITED will comprise the Managing Director, Production Manager, Finance and Administration Manager and Sales and Marketing Manager.

6.4 Responsibilities

Responsibilities will be as follows:-

6.4.1 Production Department

The Manager will be responsible for plant operations, and planning and overseeing daily manufacturing activities being carried out. He will further be responsible for repair and maintenance of company assets and research and development activities. The Department will comprise Sections, namely:

- **The Production Section** which will be responsible for overseeing manufacturing operations. An expatriate will be employed to train the local technicians in this aspect of operations.
- **Maintenance Section** which will manage plant and machinery maintenance.

6.4.2 Finance and Administration Department

An Administration and Finance Manager will head the Department. He will be responsible for the administration of the company as well as overseeing the financial aspects of the company. An Accountant will manage the finance function while a Human Resources Section

Head will oversee company human resource issues. The following important units will be under the Department.

- The personnel and administration unit which will be responsible for the general administrative matters of the company as well as personnel issues.
- The finance unit, which will be responsible for financial issues. It will also be responsible for the proper maintenance of books of accounts and financial planning.
- The purchasing unit which will be responsible for the purchase of raw materials, spare parts and equipment. This section will also be responsible for the receipt, storage and issues of purchased materials.

6.4.3 Sales and Marketing Department

This Department will be headed by the Sales and Marketing Manager who will be responsible for the development of a sustainable sales and distribution network. This will involve developing distribution network and recruitment and training of qualified and well motivated marketing and sales personnel.

There will be two Section Heads under the Department. One Section will be responsible for Research and Promotion and another will handle Sales function.

6.5 Manpower Requirement

The permanent manpower requirement for running the proposed factory is 31; several other employees will be contracted on temporary basis.

6.6 Source of Manpower and Wage Bill

Manpower for proposed project will be employed from local sources, except for a few expatriates who would basically be engaged in the training of local staff. The workers will be given *on-the-job* training to familiarize them with the proposed machinery and equipment. After the initial 2 years, depending on the results of the training, local counter parts will replace the expatriates.

6.7 Occupational Health and Safety

It can generally be said that the owner or operator shall carry out plastic manufacturing operations and fulfill the obligations under his project and shall have full responsibility therefore and assume all the risks thereof. Plant operations shall be carried out in a competent manner and in accordance to good international marketing practices.

The owner or operator shall take all reasonable steps necessary to secure the safety, health and welfare of persons engaged in the manufacturing operations in, outside or about the project area. All the said requirements will be governed by the Tanzania Regulations, together with acceptable international practice.

7.0 INVESTMENT AND FINANCING

7.1 Investment Cost

The project is estimated to cost **USD 540,000** when it is fully implemented as shown on table below:-

Investment Plan					
<i>planning years >></i>	2011	2012	2013	2014	2015
	USD	USD	USD	USD	USD
<i>Investment</i>	100,000	0	0	0	0
Land and building	100,000	0	50,000	0	0
Plant & Machinery	100,000	0	50,000	0	0
Motor vehicles	20,000	0	0	0	0
Furniture's	30,000	0	0	0	0
Computers	50,000	0	0	40,000	0
Working Capital	400,000	0	100,000	40,000	0
Total investment	400,000	0	100,000	40,000	0
Fixed assets accumulated: at cost	400,000	400,000	500,000	540,000	540,000

7.2 Sources of Finance

The project will be financed by existing shareholders contribution in terms of equity. No bank loan is envisaged to be applied at the mean time.

7.3 Project Implementation

The project will require three years to be fully implemented and operational.

7.4 Assumptions

The financial projections to determine the viability of the project by **M/S KAI QUAN COMPANY LIMITED** are based on the following key assumptions:

- Installation of plant facilities will start immediately. Thereafter manufacturing operations and production of finished products will commence.
- The company market will be local initially with expectation of acquisition of export market in the near future.
- Financial calculations are based on current market prices and costs are assumed constant throughout the operating period under review on the assumption that if operation costs change, selling prices will change proportionally to preserve the profit margins.

8.0 FINANCIAL AND ECONOMIC ANALYSIS

8.1 Financial Analysis

The project's financial projection depicts the project to be viable, as it is shown by some of the indicators on the summary sheets appended.

8.2 Internal Rate of Return (IRR) after Tax

The project's internal rate of return after tax is as shown on table below:

INTERNAL RATE OF RETURN						
<i>planning years >></i>		2011	2012	2013	2014	2015
NET CASHFLOW		48,177	-269,605	-73,461	152,215	405,780
DCF (20%)	0.2	0.833	0.694	0.482	0.233	0.054
NPV AT (20%DCF)		40,147	-	-	35,400	21,948
Total NPV at 20% DCF		96,755				
DCF(10%)	0.1	0.909	0.826	0.683	0.467	0.218
NPV AT (10%DCF)		-	-	-	103,963	251,990
Total NPV at 10% DCF		32,138	222,814	55,192		
Total NPV at 10% DCF		45,808				
IRR=		14.7217				

8.3 Payback Period

This gives an estimated period from start of operation to the time when initial fixed investment is recovered through profits after tax and depreciation charges. The payback period for this undertaking is estimated at around **5 years**.

PAY BACK PERIOD		2011	2012	2013	2014	2015
<i>planning years >></i>						
Profit After Tax		-85,140	105,981	164,002	219,651	310,144
Depreciation		35,000	35,000	42,500	36,500	36,500
Total		-50,140	140,981	206,502	256,151	346,644
Discounted Cashflow		-45,582	116,513	141,044	119,497	75,440
Capital Cost	400,000	0	100,000	40,000	0	0
Remaining amount		-	-	-328,025	-208,528	-133,088
Pay Back Period						5

8.4 Break-even Analysis 3rd year

The break-even analysis on the 3rd year of operation is as shown below:-

BREAK EVEN ANALYSIS		2011	2012	2013	2014	2015
<i>planning years >></i>						
Sales Revenue		445,100	708,840	852,506	949,087	1,118,267
Variable Costs		422,240	499,927	537,017	563,399	606,604
Contribution Margin		22,860	208,913	315,489	385,688	511,663
Fixed Costs		400,000	400,000	500,000	540,000	540,000
Contribution Margin Ratio %		19.47	38.89	38.89	39.25	45.42
Beak even Sales		20,544	10,284	12,858	13,757	11,889
Break even Point (%)		0.22	0.69	0.66	0.69	0.94

12.0 ECONOMIC ADVANTAGES

On the basis of the above account the analysis has overwhelmingly proved that the project is financial sound and techno-economically viable.

Furthermore, the project has immense potential towards the earning of the badly needed Forex earnings. It is hereby recommended that the project be implemented. The envisaged undertaking will be viable and profitable if it is implemented early.

Full execution of the envisaged project will make it one of the upcoming manufacturing companies in the country which will contribute to economic and social development in terms of employment, economic activities and infrastructure development.

Several Social Economic benefits that will be apprehended in the course of operating this undertaking will include the following:

12.1 Social and Economic Impact of the Project

The project will have both economic and social benefits to the community and the country as a whole. The first and foremost important benefit will be to the Municipality in which the plant will be located with potential for increasing the standard of living for people in that particular area. The following are the benefits of the project:-

12.1.1 Employment Effect

The project will create employment to both skilled, semi skilled, unskilled staff and casual labourers. The company will also create

employment opportunities to locals. The employees will also benefit from contribution by the employer for social security fund. In addition, the plant operations will increase activity levels consequently trigger income spillover effect to the neighboring people.

12.1.2 Foreign Exchange Contribution

The major thrust of **KAI QUAN COMPANY LIMITED** is to produce high quality home textile products and to be able to compete effectively in the export market. It is expected that 20% of home textile products will be sold in the neighbouring countries. This means that the country will earn foreign currency, which will be used to import other important items for the benefits of the nation.

12.1.3 Linkage Effect

The project shall provide a linkage effect with other sectors of the economy. A number of companies will have to provide services to the company like power supply, water and those involved in transportation.

12.1.4 Contribution to Government Revenue

The project will contribute to the Government reserve in form of taxes, payroll levy, land rent, and other taxes and duties on local and export sales. In addition, the project will have a multiplier effect in the economy as a whole.

12.1.5 Social Impact

The project will create employment and will also be involved in support to social activities and local experts will be trained to be professionals within the country.

The company has potential for growth and competitiveness in the market. This can be achieved provided that the operational plan and marketing strategies set out in the business plan are implemented. This entails acquisition of the required equipment, development of export market channel, the use of experts in undertaking the projects' implementation. Given the project's economic, social and financial benefits, it is recommended for approval for Certificate of Incentives.

10.0 PROJECT SENSITIVITY TO ENVIRONMENT

The environmental impact assessment is a key guide to this project. In that sense the project will do a thorough research on the nature of the environment around the site and by means of national guidelines, use all means possible to keep the environment natural within the project area. No interruptions will be done unnecessarily and where necessary the highest precaution will be made.

10.1 Mitigation Measures to Environmental issues

Under normal circumstances the project will have no any serious negative environmental impact which will be realized in the short or long term periods.

- **Solid Waste Management:** Usually waste management costs include both capital investment and operating costs. The latter generally comprises the cost of labor, tax and consumables, the cost of energy, in addition to other items. The operating costs assigned to waste management are usually very small, whereas capital costs have a significant share.
- **Waste Water (Odor):** No waste water shall be allowed to enter into any stream that flows in the neighborhood of the project site.
- **Vibration:** All measures will be taken in the project site to keep vibration well below level. (Vibration is the range of frequencies from 1 Hz to 25 kHz.)
- **Gardening:** Most of the un-built-up area will be put under gardening that shall be well-maintained with flowers and trees of various species.
- **Dust & Noise:** All efforts shall be taken to maintain low levels of dust emission and noise.

The project is therefore environmentally friendly, as it preserves it, develops it and cares for its sustainability.

11.0 CONCLUSION AND RECOMMENDATION

The project is consistent with the governments Industrial Policy, financially and economically viable, socially desirable and environmentally friendly, hence it is recommended for approval and implementation.

FINANCIAL STATEMENTS

Confidential

KAI QUAN COMPANY LIMITED
Income statement

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Total net sales	445,100	708,840	852,506	949,087	1,118,267
Home Textile product 1 (Bedroom items)	159,500	191,400	245,630	270,193	339,671
Home Textile product 2 (Kitchen & Dining items)	134,400	295,680	345,576	380,134	442,744
Other textile products	151,200	221,760	261,300	298,760	335,852
Total revenues	445,100	708,840	852,506	949,087	1,118,267
Cost of goods sold COGS	262,603	325,520	360,888	385,496	426,873
Raw material	89,020	141,768	170,501	189,817	223,653
Semi finished products / components	0	0	0	0	0
Energy	8,902	14,177	17,050	18,982	22,365
Utilities	4,451	7,088	8,525	9,491	11,183
Salaries & Wages	75,230	77,487	79,812	82,206	84,672
Production workspace	80,000	80,000	80,000	80,000	80,000
Other production costs	5,000	5,000	5,000	5,000	5,000
Gross profit	182,497	383,320	491,618	563,591	691,393
Selling, general and administrative expenses SG&A	159,637	174,407	176,129	177,903	179,730
Salaries	55,735	57,407	59,129	60,903	62,730

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	75,000	75,000	75,000	75,000	75,000
Workspace	8,902	22,000	22,000	22,000	22,000
Marketing & sales expenses	20,000	20,000	20,000	20,000	20,000
General office and utilities expenses	0	0	0	0	0
Other					
Operating profit / EBITDA	22,860	208,913	315,489	385,688	511,663
Depreciation	35,000	35,000	42,500	36,500	36,500
Interest expenses (loan from bank)	33,000	33,000	29,700	26,400	23,100
Interest income from investments (bank deposit)	0	0	0	0	0
Extraordinary charges (or incomes)	40,000	26,000	9,000	9,000	9,000
Currency exchange adjustments	30,000	20,000	5,000	5,000	5,000
Fees and provisions	10,000	6,000	4,000	4,000	4,000
Other					
Income tax	0	8,932	70,287	94,136	132,919
Net profit (or loss)	-85,140	105,981	164,002	219,651	310,144

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KAI QUAN COMPANY LIMITED
Balance sheet

Income statement	<i>planning years >></i>	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Long-term assets						
Fixed assets: property, plant and equipment		365,000	330,000	387,500	391,000	354,500
Long-term financial investments		0	0	0	0	0
Goodwill		0	0	0	0	0
Total long-term assets		365,000	330,000	387,500	391,000	354,500
Current assets						
Cash & cash equivalents (current account)		48,177	142,992	200,114	362,339	644,447
Deposit account		0	0	0	0	0
Accounts receivable		14,633	23,304	28,028	31,203	36,765
Inventories		2,158	2,676	2,966	3,168	3,509
Total current assets		64,969	168,971	231,108	396,710	684,721
Total assets		429,969	498,971	618,608	787,710	1,039,221
Long-term liabilities						
Long-term loans		300,000	270,000	240,000	210,000	180,000
Total long-term liabilities		300,000	270,000	240,000	210,000	180,000
Current liabilities						
Accounts payable		15,109	18,729	20,763	22,179	24,560
Other provisions		0	0	0	0	0

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Total current liabilities	15,109	18,729	20,763	22,179	24,560
Shareholders equity					
Share capital	200,000	200,000	200,000	200,000	200,000
Reserves	0	0	0	0	0
Retained earnings (or - accumulated losses)	-85,140	10,243	157,845	355,531	634,661
Total shareholders' equity	114,860	210,243	357,845	555,531	834,661
Total liabilities & equity	429,969	498,971	618,608	787,710	1,039,221
Balance sheet check (numbers should be zero)	0	0	0	0	0

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KAI QUAN COMPANY LIMITED

Cash flow statement

Income statement

planning years >>

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Cash flow from operating activities					
Operating profit (EBITDA)	22,860	208,913	315,489	385,688	511,663
Interest expenses	-33,000	-33,000	-29,700	-26,400	-23,100
Interest income from investments (bank deposit)	0	0	0	0	0
Extraordinary charges (or incomes)	-40,000	-26,000	-9,000	-9,000	-9,000
Income tax	0	-8,932	-70,287	-94,136	-132,919
Movements in working capital					
Decrease (or - increase) in accounts receivable	-14,633	-8,671	-4,723	-3,175	-5,562
Decrease (or - increase) in inventories	-2,158	-517	-291	-202	-340
Increase (or - decrease) in accounts payable	15,109	3,620	2,035	1,416	2,381
Increase (or - decrease) in other provisions	0	0	0	0	0
Total cash flow from operating activities	-51,823	135,413	203,523	254,190	343,123
Cash flow from investing activities					
Sale (or - purchase) of fixed assets	-400,000	0	-100,000	-40,000	0
Sale (- purchase) of long-term financial investments	0	0	0	0	0
Decrease (or - increase) of goodwill	0	0	0	0	0
cash placed in the deposit account	0	0	0	0	0
Total cash flow from investing activities:	-400,000	0	-100,000	-40,000	0

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Free cash flow	-451,823	135,413	103,523	214,190	343,123
<i>Cash flow from financing activities</i>					
Long term loans drawn	300,000	0	0	0	0
Repayments of loans made	0	-30,000	-30,000	-30,000	-30,000
Equity contribution (or - withdrawal)	200,000	0	0	0	0
Dividend paid	0	-10,598	-16,400	-21,965	-31,014
Total cash flow from financing activities	500,000	-40,598	-46,400	-51,965	-61,014
Total net increase (- decrease) in cash	48,177	94,815	57,123	162,225	282,108
Cash balance: beginning of the year	0	48,177	142,992	200,114	362,339
Cash balance: end of the year	48,177	142,992	200,114	362,339	644,447

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KAI QUAN COMPANY LIMITED

Investment and depreciation plan

Income statement

planning years >>

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Investment	100,000	0	0	0	0
Land and building	100,000	0	50,000	0	0
Plant & Machinery	100,000	0	50,000	0	0
Motor vehicles	20,000	0	0	0	0
Furnitures	30,000	0	0	0	0
Computers	50,000	0	0	40,000	0
Working Capital	400,000	0	100,000	40,000	0
Total investment	400,000	400,000	500,000	540,000	540,000
Fixed assets accumulated: at cost					
Depreciation	4,000	4,000	4,000	4,000	4,000
1-Depreciation for Land and building	10,000	10,000	15,000	15,000	15,000
2-Depreciation for Plant & Machinery	5,000	5,000	7,500	7,500	7,500
3-Depreciation for Motor vehicles	1,000	1,000	1,000	1,000	1,000
4-Depreciation for Furnitures	10,000	10,000	10,000	0	0
5-Depreciation for Computers	5,000	5,000	5,000	9,000	9,000
6-Depreciation for Working Capital	35,000	35,000	42,500	36,500	36,500
Total depreciation	35,000	70,000	112,500	149,000	185,500
Total depreciation accumulated					
	365,000	330,000	387,500	391,000	354,500
Net asset book value					

Depreciation period: linear, in years

Land and building

Plant & Machinery	10
Motor vehicles	20
Furnitures	20
Computers	3
Working Capital	10

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**Salaries - Cost of goods sold
COGS**

No.	Personnel Function / category	Number of employees					Expected annual salary increase %
		2011	2012	2013	2014	2015	
1	Production manager	1	1	1	1	1	3%
2	Storage control	2	2	2	2	2	3%
3	Equipment maintenance	2	2	2	2	2	3%
4	Product line workers	16	16	16	16	16	3%
5		0	0	0	0	0	0%
6		0	0	0	0	0	0%
Subtotal		21	21	21	21	21	

No.	Personnel Function / category	Annual salary (1)/ employee USD				
		2011	2012	2013	2014	2015
1	Production manager	5,000	5,150	5,305	5,464	5,628
2	Storage control	4,000	4,120	4,244	4,371	4,502
3	Equipment maintenance	4,000	4,120	4,244	4,371	4,502
4	Product line workers	2,500	2,575	2,652	2,732	2,814
5		0	0	0	0	0
6		0	0	0	0	0
Subtotal						

Social insurance as % of salary	Training expenses as % of salary	Fringe benefits as % of salary	Total cost / employee USD				
			2011	2012	2013	2014	2015
		2.00%	5,850	6,026	6,206	6,392	6,584
10.00%	5.00%	2.00%	4,560	4,697	4,838	4,983	5,132
10.00%	2.00%	2.00%	4,680	4,820	4,965	5,114	5,267
10.00%	5.00%	1.00%	2,800	2,884	2,971	3,060	3,151
10.00%	1.00%	0.00%	0	0	0	0	0
0.00%	0.00%	0.00%	0	0	0	0	0
0.00%	0.00%	0.00%	0	0	0	0	0
Subtotal							

No.	Personnel Function / category	Total cost / category					USD
		2011	2012	2013	2014	2015	
1	Production manager	5,850	6,026	6,206	6,392	6,584	
2	Storage control	9,120	9,394	9,675	9,966	10,265	
3	Equipment maintenance	9,360	9,641	9,930	10,228	10,535	
4	Product line workers	44,800	46,144	47,528	48,954	50,423	
5		0	0	0	0	0	
6		0	0	0	0	0	
Subtotal		69,130	71,204	73,340	75,540	77,806	

Salaries - Selling, general and administrative expenses SG&A

No.	Personnel Function / category	Number of employees					Expected annual salary increase %
		2011	2012	2013	2014	2015	
1	Managing Director	1	1	1	1	1	3%
2	Procurement manager	2	2	2	2	2	3%
3	Marketing and sales specialists	2	2	2	2	2	3%
4	Secretariat	3	3	3	3	3	3%
5	Accountants	2	2	2	2	2	3%
6		0	0	0	0	0	0%
7		0	0	0	0	0	0%
Subtotal		10	10	10	10	10	
Total		31	31	31	31	31	

Notes:
(1) Includes fixed and variable part / bonus

No.	Personnel Function / category	Annual salary (1)/ employee					Euro
		2011	2012	2013	2014	2015	
1	Managing Director	9,000	9,270	9,548	9,835	10,130	
2	Procurement manager	5,000	5,150	5,305	5,464	5,628	
3	Marketing and sales specialists	5,000	5,150	5,305	5,464	5,628	
4	Secretariat	2,500	2,575	2,652	2,732	2,814	
5	Accountants	4,000	4,120	4,244	4,371	4,502	
6		0	0	0	0	0	
7		0	0	0	0	0	
Subtotal							
Total							

Social insurance as % of salary	Training expenses as % of salary	Fringe benefits as % of salary	Total cost / employee					Euro
			2011	2012	2013	2014	2015	
20.00%	5.00%	3.00%	11,520	11,866	12,222	12,588	12,966	
20.00%	2.00%	2.00%	6,200	6,386	6,578	6,775	6,978	
20.00%	4.00%	2.00%	6,300	6,489	6,684	6,884	7,091	
20.00%	4.00%	1.00%	3,125	3,219	3,315	3,415	3,517	
20.00%	2.00%	1.00%	4,920	5,068	5,220	5,376	5,538	
0.00%	0.00%	0.00%	0	0	0	0	0	
0.00%	0.00%	0.00%	0	0	0	0	0	
Subtotal								
Total								

KAI QUAN COMPANY LIMITED
Reconciliation of shareholders equity

<i>planning years >></i>	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Beginning shareholders equity	0	114,860	231,439	379,041	576,727
+ Net profit (or - loss)	-85,140	105,981	164,002	219,651	310,144
+ Equity contribution (or - withdrawal)	200,000	0	0	0	0
- Dividends paid	0	-10,598	-16,400	-21,965	-31,014
Ending shareholders equity	114,860	231,439	379,041	576,727	855,857
Additional reserves	0	0	0	0	0
Dividends paid	0	10,598	16,400	21,965	31,014
Retained earnings (or accumulated losses)	-85,140	95,383	147,602	197,686	279,130

Calculation of income tax

<i>planning years >></i>	2011	2012	2013	2014	2015
Income statement					
Net profit after extraordinary items	-85,140	114,913	234,289	313,788	443,063
Income tax rate	30%	30%	30%	30%	30%
Net loss carried forward	-85,140	0	0	0	0
Taxable income	0	29,773	234,289	313,788	443,063
Income tax	0	8,932	70,287	94,136	132,919

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KAI QUAN COMPANY LIMITED

Financing plan

Income statement

planning years >>

	2011	2012	2013	2014	2015
Shareholders equity					
Equity contribution (or withdrawal)	200,000	0	0	0	0
Share capital	200,000	200,000	200,000	200,000	200,000
Long-term loans from bank					
Loans drawn at the beginning of the year	300,000	0	0	0	0
Repayments made at the end of the year	0	30,000	30,000	30,000	30,000
Basis for interest calculation - end of year	300,000	300,000	270,000	240,000	210,000
Interest rate	11%	11%	11%	11%	11%
Interest expenses	33,000	33,000	29,700	26,400	23,100
Loan balance: year end (goes to balance sheet)	300,000	270,000	240,000	210,000	180,000
Liquidity control					
Operating costs	422,240	499,927	537,017	563,399	606,604
Minimum cash in relation to operating costs	10%	10%	10%	10%	10%
Minimum cash balance required (to be available at the end of the year)	42,224	49,993	53,702	56,340	60,660
Actual cash balance at the end of the year	48,177	142,992	200,114	362,339	644,447
Dept to equity relation control					
Dept to equity ratio - planned	██████████	1.4	0.7	0.4	0.2
Dept to equity ratio - acceptable by the bank	2.0	2.0	2.0	2.0	2.0
Deposit of excess liquidity to a bank account					

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KAI QUAN COMPANY LIMITED

INTERNAL RATE OF RETURN						
<i>planning years >></i>		2011	2012	2013	2014	2015
NET CASHFLOW		48,177	-269,605	-73,461	152,215	405,780
DCF (20%)	0.2	0.833	0.694	0.482	0.233	0.054
NPV AT (20%DCF)		40,147	-187,226	-35,427	35,400	21,948
Total NPV at 20% DCF	96,755					
DCF(10%)	0.1	0.909	0.826	0.683	0.467	0.218
NPV AT (10%DCF)		-32,138	-222,814	-55,192	103,963	251,990
Total NPV at 10% DCF	45,808					
IRR=	<u>14.7217</u>					

KAI QUAN COMPANY LIMITED

PAY BACK PERIOD						
<i>planning years >></i>		2011	2012	2013	2014	2015
Profit After Tax		-85,140	105,981	164,002	219,651	310,144
Depreciation		35,000	35,000	42,500	36,500	36,500
Total		-50,140	140,981	206,502	256,151	346,644
Discounted Cashflow		-45,582	116,513	141,044	119,497	75,440
Capital Cost	400,000	0	100,000	40,000	0	0
Remaining amount		-445,582	-429,069	-328,025	-208,528	-133,088
Pay Back Period						5

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KAI QUAN COMPANY LIMITED

BREAK EVEN ANALYSIS

planning years >>

	2011	2012	2013	2014	2015
Sales Revenue	445,100	708,840	852,506	949,087	1,118,267
Variable Costs	422,240	499,927	537,017	563,399	606,604
Contribution Margin	22,860	208,913	315,489	385,688	511,663
Fixed Costs	400,000	400,000	500,000	540,000	540,000
Contribution Margin Ratio %	19.47	38.89	38.89	39.25	45.42
Beak even Sales	20,544	10,284	12,858	13,757	11,889
Break even Point (%)	0.22	0.69	0.66	0.69	0.94

KAI QUAN COMPANY LIMITED

Ratio summary sheet

<i>planning years >></i>	2011	2012	2013	2014	2015
Liquidity ratios					
Current ratio	4.3	9.0	11.1	17.9	27.9
Quick test ratio	4.2	8.9	11.0	17.7	27.7
Efficiency ratios					
Inventory turnover -days	3	3	3	3	3
Accounts receivable turnover -days	12	12	12	12	12
Accounts payable turnover -days	21	21	21	21	21
Fixed asset turnover	1.2	2.1	2.2	2.4	3.2
Total asset turnover	1.0	1.4	1.4	1.2	1.1
Profitability ratios					
Gross profit margin	41%	54%	58%	59%	62%
Net profit margin	-19%	15%	19%	23%	28%
Operating profit margin	5%	29%	37%	41%	46%
Return on assets	-20%	21%	27%	28%	30%
Return on equity	-74%	50%	46%	40%	37%
Dividend payout	0%	10%	10%	10%	10%
Solvency ratios					
Debt to equity ratio	2.7	1.4	0.7	0.4	0.2

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Total assets to equity ratio	3.7	2.4	1.7	1.4	1.2
Total assets to total liabilities ratio	1.4	1.7	2.4	3.4	5.1
Capitalisation ratio	0.7	0.6	0.4	0.3	0.2
Interest coverage ratio	0.7	6.3	10.6	14.6	22.1

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KAI QUAN COMPANY LIMITED

PROPOSED BUSINESS PLAN FOR THE ESTABLISHMENT OF HOME TEXTILE PRODUCTS MANUFACTURING PROJECT

Prepared By:

Kai Quan Co.Ltd.
P.O. Box 80154
Dar es Salaam.

KAI QUAN COMPANY LIMITED

**PROPOSED BUSINESS PLAN FOR THE ESTABLISHMENT OF
HOME TEXTILE PRODUCTS MANUFACTURING PROJECT**

Prepared By:

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P.O. Box 80154
Dar es Salaam.**

BUSINESS PLAN FOR THE

ESTABLISHMENT OF THE PROPOSED

HOME TEXTILE MANUFACTURING PLANT IN

DAR ES SALAAM, TANZANIA

JULY 2011

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1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION AND BACKGROUND

1.1.1 Introduction

This is a report for a business plan for the **KAI QUAN COMPANY LIMITED** for the purposes of establishing a home textile products manufacturing project in Dar es Salaam.

The home textile production project will involve production of bed sheets, bed covers, pillow covers, cushions, curtains, rugs, quilt, kitchen aprons, gloves, napkins and table cloths.

1.1.2 Background

KAI QUAN COMPANY LIMITED is a registered Limited company incorporated under the Companies Act, 2002 and with registration No. 80655.

The main role that is going to be assumed by **KAI QUAN COMPANY LIMITED** is to establish a home textile production unit which will produce high quality home textile products for both local and export market.

1.2 THE MARKET

1.2.1 General Market Review

Market observations reveal that there is still high demand for various home textiles such as bed sheets, bed-covers, pillow covers, cushions, curtains, napkins, table clothes etc. in Dar es Salaam and in the country in general. However, trade liberalization has created a somewhat more competitive environment in terms of quality services and pricing.

1.2.2 The Home Textile Products in the Market

Home Textile products have gained notable importance in different spheres of activity with an ever increasing per capita consumption. The demand for home textile products is constant as these products wear and tear.

The textile industry in Tanzania is growing at a fast pace. However, with an increasing economical liberalization, competition in this industry is expected to increase considerably. To survive the growing competition, the following adjustments need to be adopted by **KAI QUAN COMPANY LIMITED**.

1. Cost reduction by adopting more radical methods and approaches;
2. Putting more strength on the processing stage to reduce time and cost associated with the production of the final products.

1.2.3 Business Analysis

- **KAI QUAN COMPANY LIMITED** potential and capability for survival is based on the following facts:
- **KAI QUAN COMPANY LIMITED** products and services are reputed for quality.
- **KAI QUAN COMPANY LIMITED** workers have requisite capability and experience.
- The location of **KAI QUAN COMPANY LIMITED** in Dar es Salaam region which is the largest and most affluent of the regions in the country.

1.2.4 Planned Objectives

The planned objectives are meant for the home textile production company to be well- equipped so as to ensure a sustainable manufacturing and servicing programme that will satisfy clients' needs.

1.2.5

Strategies

In order to achieve the above objectives it is planned to implement the following strategies;

1. Equip the project adequately by installing state-of –the-art facilities and support infrastructure;
2. Institute a preventive maintenance programme;
3. Develop and implement an effective marketing policy- **Target Marketing**; develop and implement an advertising and promotional programme;
4. Establish an effective financial and resources management.

1.2.6

Financial Appraisal

The company's financial projections have been prepared over the period of five years. As mentioned no bank loan is expected to be sought during the initial stage of the project implementation period.

1.2.7

Financial Review

The financial review as shown on appendices attached to this document of **KAI QUAN COMPANY LIMITED** business shows that:-

5. The project is profitable;
6. The liquidity position is sound and that it should be able to meet its financial commitment without any undue difficulty;
7. The operations are financially viable;
8. The key ratios are acceptable.

1.2.8

Summary and Conclusion

The Business Plan should be given an opportunity to be implemented as conceived in this presentation.

2.0 OVERVIEW OF THE MANUFACTURING INDUSTRY

In the end of the 20th century, manufacturing activities in Tanzania have exemplified a steady growth, registering average annual growth of over 4 percent. Nevertheless, manufacturing activities in Tanzania, are relatively small and at an infancy stage. Its contribution to GDP has averaged 8% over the last decade, with most activities concentrated on manufacture of simple consumer goods - food, beverages, tobacco, **textiles** and furniture and wood allied products. Most of the present industries were established in the light of import substitution strategy, whereas production focused in substituting previously imported goods in view of saving the country's meagre foreign exchange.

The government decision to liberalise trade and investment policies, effected since 1986, witnessed a number of firms even those believed to be as strong, clumping down as they could hardly withstand competition from imported manufactures. A number of measures were taken in view of revamping competitiveness of the local industries and enhancing their penetration into export markets.

The government starting in the early 1990s launched a deliberate programme to restructure and privatise publicly owned enterprises. Out of this programme some sheds of hope are now emerging. The overall utilisation of installed industrial capacities is improving, rising from an average of 20% in 1990 to around 50% at the turn of the 21st Century. Some of the recently privatised industries have undergone intensive rehabilitations - improving their capital structure, production technologies and management and marketing system as well as retrenched workers to match with production levels and improved quality and lower costs of production.

The manufacturing sector is of significant importance in the Tanzania's economy. Up to 1999, the sector employed about 140,000 people or about 48% of total monthly wage earners, making it the largest urban employer. It remains to be the most reliable source of government revenue in terms of import sales, corporate and income taxes. It accounts for over half of government annual revenue collection. Though manufacturing export has been in a declining trend, yet it earns the country a fifth of total foreign exchange earnings to become a third important sector coming after agriculture and tourism. Moreover, it is the industrial sector that provides reliable field to practice

invention, innovation and nurturing modern technologies for production and service provision.

2.1 Industrial Firms in Tanzania:

Textiles, Clothing, Leather and Footwear:

Activities undertaken in this category include spinning, weaving, finishing of textiles; the manufacture of made-up textile goods; knitting, manufacture of carpets, rugs, cordage, rope and twines.

For the leather and footwear activities involved include tanneries; leather finishing and manufacturing of products from leather such as luggage, handbags and purposes. The leather sub-sector was the first to be identified for privatisation. Hitherto, all the three large tanneries and two shoe making factories have been privatised.

Chemicals, Petroleum, Rubber and Plastics:

The chemical subsector comprise the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials and products, medicinal and pharmaceuticals, soap, detergents, perfumes and other cosmetics, paints and other chemical products. While the petroleum subsector comprise of petroleum refineries, fuel oils, lubricating oils and manufacture of asphalt materials. Rubber products produced in the country include tyres and tubes conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear. Production, albeit characterized by peaks and troughs, has remained approximately constant since the early nineties.

Food, Beverage and Tobacco:

The food manufacturing in Tanzania include manufacturing of dairy products, canning and preservative of fruits and vegetables, canning fish and similar foods, manufacture of animal and vegetable oils, grain milling baking, sugar and confectionery as well as prepared animal feeds. The beverages include the distilling of ethyl alcohol, distilling rectifying and blending of spirits; manufacture of wines, cider and beer. Also included is the production of soft drinks and carbonated waters and the bottling of natural spring

and minerals waters. The tobacco subsector comprises manufacturing of cigarettes, tobacco and other tobacco production.

Wood and Wooden Products, excluding Furniture Activities:

Accounted in the subsector include sawmills, planing and other wood mills manufacturing goods. Also included in this subsector is the manufacturing of wooden containers, cane products and wooden products.

Paper and Paper Products:

This comprises the manufacturing of pulp, paper, paperboard, fibreboards, light packaging, heavy packaging, stationery and other paper products.

Non-metallic Mineral Products:

This includes manufacture of pottery, china and earthenware, glass and glassware products, bricks, tiles, cement, concrete, gypsum and plaster products. Physical volume of production has been in the up swing since the early nineties and particularly towards the end of the decade following privatisation of the cement mills. Level of employment has similarly been sustained.

Basic Metal Products:

This comprises rolling mills and foundries to produce products such as slabs, bars, sheets, plates, strips, tubes, pipes and rods.

Fabricated Metals, Machinery and Equipment:

This include manufacture of cutlery, hand tools and general hardware, furniture and fixtures, doors, metal staircases and window frames. Others are electrical motors transformers, electrical control devices and switchboard apparatus as well as radios and transport equipment, mainly bicycles and animal and auto-pulled carts.

See table 2 below showing Industrial Sector Contribution to Employment.

Table 2: Industrial Sector Contribution to Employment

Industry Activity	2000	2001	2002	Total	%
Food Processing	43,602	46,217	49,776	139595	37.29
Textile Manufacturing	41,537	44,029	46,451	132017	35.26
Manufacture of leather goods	1,072	1,137	1,397	3606	0.96
Foot Wear	3,323	3,522	3,523	10368	2.77
Timber and timber products	5,965	6,323	12,254	24542	6.56
Manufacture of wood furniture	4,733	5,017	9,722	19472	5.20
Manufacture of non-metallic products	5,235	5,549	6,304	17088	4.56
Basic metal industries	7,958	8,436	11,313	27707	7.40
Total	113425	120230	140740	374395	100

Source: National Bureau of Statistics

2.4 Production

Manufacturing industries showed good performance in production include: pharmaceuticals, packaging materials (sacks, boxes, bottles and bags), foodstuffs and beverages), **textiles**, soap, metal, cement, corrugated iron sheets, paints and sisal ropes. Production in the manufacturing industries hides, leather goods, paper and paper products, continued to be low due to investors failure to complete rehabilitation or have not yet been divested. Production of metal and metal products in 2002 slightly increased from 16,340 tons 2001 to 25,418 tons, an increase of 55.6 percent compared to 46.1 per cent in 2001. **Following the restructuring of capital, plant and management in textile industries production increased by 26.06 percent from 84,325,000 square metres in 2001 to 106,305 square metres in 2002 (Economic Survey, 2002).**

3.0 PROJECT DESCRIPTION

3.1 The Project

The company sees a bright future to the Tanzania economy and manufacturing sector in particular as such the company has decided to venture into the manufacturing sector. This business plan sets out a proposal for establishing a home textile manufacturing plant to be based in Dar es Salaam. Specifically the company will manufacture home textile products such as bed linen items, curtains, quilt, cotton aprons, napkins and table cloths for local and export market.

3.2 The Project Promoters

The project promoters of this project are **M/S KAI QUAN COMPANY LIMITED** whose shareholders are as shown below:-

S/NO.	Name	Shares	Nationality
1.	Shi Liankai	150,000	Chinese
2.	Shi Jianquan	150,000	Chinese

3.3 Directors' Profile

The project is backed by well established and experienced people with vast experience in the manufacturing sector and also with sound technical, financial and managerial aspects.

3.4 Location

The proposed manufacturing project will be established at Plot No. 317 Block 'B' Chang'ombe located at Temeke area - Dar es Salaam.

3.5 Project Objectives

Major objectives for which the company was established is:-

- (i) *To establish and operate a home textile manufacturing project;*
- (ii) *To manufacture 100% cotton and polyester textile products and ensure consumer product safety (free from allergy) and of high quality.*

The project is therefore intending to meet the following objectives:-

- (i) To manufacture high quality textile products made of cotton, polyester and linen which are free from allergies (Consumer Safety Products);
- (ii) Creation of employment opportunities to a number of Tanzanians who will be directly employed in the industry and those who will be indirectly engaged in the project.
- (iii) The project will impart new skills and technology of manufacturing textile products in an environmental friendly manner.

3.6 Target Markets

The targeted market for this project is for both domestic and export markets.

3.7 Investment Cost

The project is estimated to cost **USD 540,000** when it is fully implemented.

3.8 Project Financing

The project will be financed by existing shareholders contribution in terms of equity. No bank loan is envisaged to be applied at the mean time.

3.9 Financial Appraisal

The company's financial projections have been prepared over the period of five years. As mentioned no bank loan is expected to be sought during the initial stage of the project implementation period.

3.9.1 Implementation

It is expected that the project will be implemented in three year period that involves plot renovation and minor civil works, power and water network improvement in year 1 and from year 2 more concentration will be given to plant consolidation and production growth. The project is expected to be implemented in three years.

4.0 MARKETS AND MARKETING ASPECTS OF THE PROJECT

4.1 Target Markets and Segmentation

The project targets for both domestic and export markets. It is expected that 80% of home textile products will be sold to the local market and the remaining 20% will be exported.

The project is also intending to sell its products directly to wholesalers, retailers and entrepreneurs, particularly women, who buy their products in smaller portions according to their individual capital capacity. Markets will be segmented on the basis of volume of purchase, place of domicile and requirements.

4.1.1 Production Capacity

The production capacity is expected to increase depending on the market demand for company products.

4.2 Marketing Strategies

On the basis of the market survey it has been found that only few existing manufacturers and suppliers carry out promotional efforts. This is an indication of the existence of un-satisfied demand. Nevertheless, in order to penetrate the market quickly and accrue position, the project will carry out project advertisement efforts to promote the products.

The company will then come up with strategies related to products quality, price and pricing strategy, sales strategy. Other strategies shall include promotion, communication and facility strategies.

4.3 Competitive Analysis

The primary competition is not from other local manufacturers in the country, but rather from home textile products imported from abroad.

M/S KAI QUAN COMPANY LIMITED is determined to produce home textile products that are both of good quality, meeting international standards, and are also sold for a price that is affordable for those with an average income.

The management of **M/S KAI QUAN COMPANY LIMITED** is determined to acquire all important machinery, tools and equipment in order to be effective, efficient and competitive in the manufacturing sector.

4.4 Distribution System

The products will be distributed locally directly to sub-wholesalers and retailers using company motor vehicles. The latter will sell to other retailers and final users respectively.

5.0 TECHNICAL ASPECT OF THE PROJECT

5.1 The Products

The company set out is to produce the following home textile products:-

- Bed Linen items (Bed sheets, duvet cover, pillow cases, cushions)
- Kitchen products (Aprons, kitchen cloths, gloves, kitchen linen, napkins)
- Other textile products.

5.2 Modification of the building

This undertaking will require a period of 12 months to completion.

5.3 Ordering of Machinery / Equipment / Vehicles / Furniture

Timely ordering will have to be executed to match the rate of development of the project. Time needed will run into few days.

Machinery and Plant

The machinery and equipment to be procured for the project will be of modern status, with appropriate technological set up, fully provided with all the necessary accessories.

5.4 Installation of Machinery / Equipment / Furniture

Once the building is renovated then will follow the installation of machinery / equipment/furniture and fittings upon arrival at the project site

5.5 Motor Vehicles

The project will require different types of motor vehicles to undertake different activities of the Company. The project will require a Two (2)-Tons Pick-ups or Vans to be used for distribution and for deliveries of products to Customers in other regions.

5.6 Advertisements Efforts

These will be carried out when 80% percent of civil works are completed. This is intended to facilitate prompt acquisition of extra potential customers.

5.7 Raw Materials

The raw materials for the manufacture of textile products requires raw cotton which can be purchased locally or imported from any other source depending on the quality and price competitiveness from time to time.

5.8 Plant Location and Civil Works

5.8.1 Site and Location

The project will be located within Dar es Salaam city at Plot no.317, Block 'B' Chang'ombe - Temeke Area in Temeke District. This location takes into consideration such important factors like availability of reliable power and security.

- **Production Building Required**

The buildup area required for production will be medium sized taking into consideration the kind of operations to be undertaken.

- **Office Building**

An office block to accommodate the administrative and clerical staff will also be required.

5.9 Utility Services

5.9.1 Water

The rented premises have reliable supply of water. This is due to the fact that there is connection to the city water supply network and also due to water storage facilities installed within the premises.

5.9.2 Electricity

As said earlier in this report, the source of energy for the proposed project will be electric power.

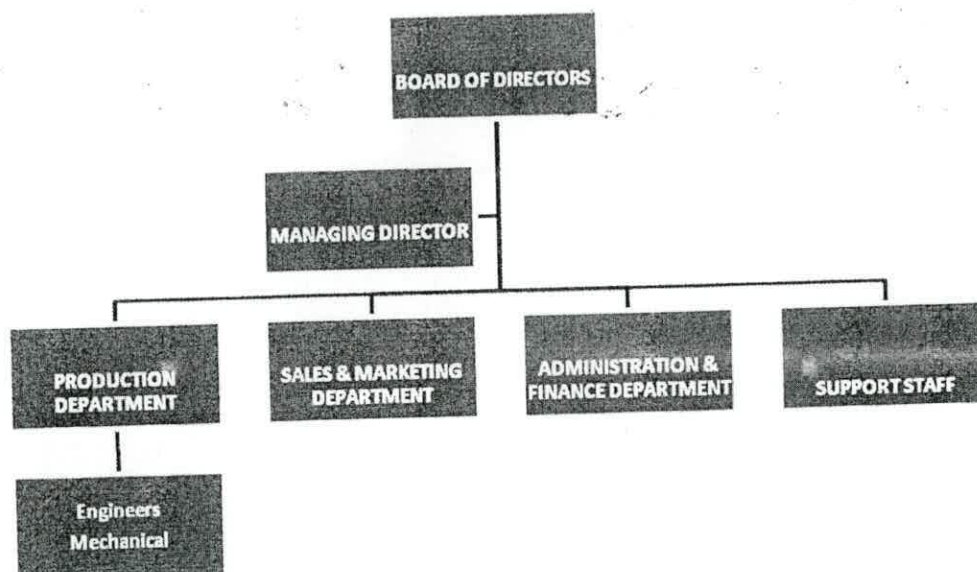
A standby power generator has also been budgeted for to avoid inconveniences caused by frequent power cuts by TANESCO.

6 MANAGEMENT AND ORGANIZATION

6.1 Organization Structure

With the vision of the company, it is expected that the company will grow to an extent that it will require a structured management system. This entails the design of management flow system with clear outlined duties and responsibilities of each member of management.

The organization structure takes into account the fact that within the next one year; the company's total workforce will have more than 30 employees of different levels of qualifications and responsibility once fully established. This will require a properly designed administration policy and guidelines for each work category. The organization structure is shown herein below:-



6.2 Manpower and Plant Organization

The proposed project will have three independent departments, namely:-

- Production
- Sales and Marketing
- Administration and Finance

6.3 Organization

The Board of Directors of **M/S KAI QUAN COMPANY LIMITED** shall manage the project at policy level. The top most person in the day to day running of the company will be the Managing Director. Under the Managing Director's office will be the three Departments mentioned above. Each will be under a Manager and will comprise a number of Sections each headed by a Section Head as follows:-

6.3.1 Production Department

Sections:-

- Operations
- Maintenance

6.3.2 Sales and Marketing Department

Sections:-

- Research and Promotion
- Sales

6.3.3. Administration and Finance Department

Sections:-

- Human Resources and Administration
- Finance and Accounts

Each Department will be manned by a number of personnel with varying education levels and work experiences.

The management team of M/S KAI QUAN COMPANY LIMITED will comprise the Managing Director, Production Manager, Finance and Administration Manager and Sales and Marketing Manager.

6.4 Responsibilities

Responsibilities will be as follows:-

6.4.1 Production Department

The Manager will be responsible for plant operations, and planning and overseeing daily manufacturing activities being carried out. He will further be responsible for repair and maintenance of company assets and research and development activities. The Department will comprise Sections, namely:

- **The Production Section** which will be responsible for overseeing manufacturing operations. An expatriate will be employed to train the local technicians in this aspect of operations.
- **Maintenance Section** which will manage plant and machinery maintenance.

6.4.2 Finance and Administration Department

An Administration and Finance Manager will head the Department. He will be responsible for the administration of the company as well as overseeing the financial aspects of the company. An Accountant will manage the finance function while a Human Resources Section

Head will oversee company human resource issues. The following important units will be under the Department.

- The personnel and administration unit which will be responsible for the general administrative matters of the company as well as personnel issues.
- The finance unit, which will be responsible for financial issues. It will also be responsible for the proper maintenance of books of accounts and financial planning.
- The purchasing unit which will be responsible for the purchase of raw materials, spare parts and equipment. This section will also be responsible for the receipt, storage and issues of purchased materials.

6.4.3 Sales and Marketing Department

This Department will be headed by the Sales and Marketing Manager who will be responsible for the development of a sustainable sales and distribution network. This will involve developing distribution network and recruitment and training of qualified and well motivated marketing and sales personnel.

There will be two Section Heads under the Department. One Section will be responsible for Research and Promotion and another will handle Sales function.

6.5 Manpower Requirement

The permanent manpower requirement for running the proposed factory is 31; several other employees will be contracted on temporary basis.

6.6 Source of Manpower and Wage Bill

Manpower for proposed project will be employed from local sources, except for a few expatriates who would basically be engaged in the training of local staff. The workers will be given *on-the-job* training to familiarize them with the proposed machinery and equipment. After the initial 2 years, depending on the results of the training, local counter parts will replace the expatriates.

6.7 Occupational Health and Safety

It can generally be said that the owner or operator shall carry out plastic manufacturing operations and fulfill the obligations under his project and shall have full responsibility therefore and assume all the risks thereof. Plant operations shall be carried out in a competent manner and in accordance to good international marketing practices.

The owner or operator shall take all reasonable steps necessary to secure the safety, health and welfare of persons engaged in the manufacturing operations in, outside or about the project area. All the said requirements will be governed by the Tanzania Regulations, together with acceptable international practice.

7.0 INVESTMENT AND FINANCING

7.1 Investment Cost

The project is estimated to cost **USD 540,000** when it is fully implemented as shown on table below:-

Investment Plan					
<i>planning years >></i>	2011	2012	2013	2014	2015
	USD	USD	USD	USD	USD
Investment	100,000	0	0	0	0
Land and building	100,000	0	50,000	0	0
Plant & Machinery	100,000	0	50,000	0	0
Motor vehicles	20,000	0	0	0	0
Furniture's	30,000	0	0	0	0
Computers	50,000	0	0	40,000	0
Working Capital	400,000	0	100,000	40,000	0
Total investment	400,000	0	100,000	40,000	0
Fixed assets accumulated: at cost	400,000	400,000	500,000	540,000	540,000

7.2 Sources of Finance

The project will be financed by existing shareholders contribution in terms of equity. No bank loan is envisaged to be applied at the mean time.

7.3 Project Implementation

The project will require three years to be fully implemented and operational.

7.4 Assumptions

The financial projections to determine the viability of the project by **M/S KAI QUAN COMPANY LIMITED** are based on the following key assumptions:

- Installation of plant facilities will start immediately. Thereafter manufacturing operations and production of finished products will commence.
- The company market will be local initially with expectation of acquisition of export market in the near future.
- Financial calculations are based on current market prices and costs are assumed constant throughout the operating period under review on the assumption that if operation costs change, selling prices will change proportionally to preserve the profit margins.

8.0 FINANCIAL AND ECONOMIC ANALYSIS

8.1 Financial Analysis

The projects financial projection depicts the project to be viable, as it is shown by some of the indicators on the summary sheets appended.

8.2 Internal Rate of Return (IRR) after Tax

The project's internal rate of return after tax is as shown on table below:

INTERNAL RATE OF RETURN						
	<i>planning years >></i>	2011	2012	2013	2014	2015
NET CASHFLOW		48,177	-269,605	-73,461	152,215	405,780
DCF (20%)	0.2	0.833	0.694	0.482	0.233	0.054
NPV AT (20%DCF)		40,147	-	-	35,400	21,948
Total NPV at 20% DCF		96,755	187,226	35,427		
DCF(10%)	0.1	0.909	0.826	0.683	0.467	0.218
NPV AT (10%DCF)		-	-	-	103,963	251,990
Total NPV at 10% DCF		32,138	222,814	55,192		
IRR=		14.7217				

8.3 Payback Period

This gives an estimated period from start of operation to the time when initial fixed investment is recovered through profits after tax and depreciation charges. The payback period for this undertaking is estimated at around **5 years**.

PAY BACK PERIOD						
<i>planning years >></i>	2011	2012	2013	2014	2015	
Profit After Tax	-85,140	105,981	164,002	219,651	310,144	
Depreciation	35,000	35,000	42,500	36,500	36,500	
Total	-50,140	140,981	206,502	256,151	346,644	
Discounted Cashflow	-45,582	116,513	141,044	119,497	75,440	
Capital Cost	400,000	0	100,000	40,000	0	0
Remaining amount	-	-	-328,025	-208,528	-133,088	
Pay Back Period	445,582	429,069				5

8.4 Break-even Analysis 3rd year

The break-even analysis on the 3rd year of operation is as shown below:-

BREAK EVEN ANALYSIS						
<i>planning years >></i>	2011	2012	2013	2014	2015	
Sales Revenue	445,100	708,840	852,506	949,087	1,118,267	
Variable Costs	422,240	499,927	537,017	563,399	606,604	
Contribution Margin	22,860	208,913	315,489	385,688	511,663	
Fixed Costs	400,000	400,000	500,000	540,000	540,000	
Contribution Margin Ratio %	19.47	38.89	38.89	39.25	45.42	
Beak even Sales	20,544	10,284	12,858	13,757	11,889	
Break even Point (%)	0.22	0.69	0.66	0.69	0.94	

12.0 ECONOMIC ADVANTAGES

On the basis of the above account the analysis has overwhelmingly proved that the project is financial sound and techno-economically viable.

Furthermore, the project has immense potential towards the earning of the badly needed Forex earnings. It is hereby recommended that the project be implemented. The envisaged undertaking will be viable and profitable if it is implemented early.

Full execution of the envisaged project will make it one of the upcoming manufacturing companies in the country which will contribute to economic and social development in terms of employment, economic activities and infrastructure development.

Several Social Economic benefits that will be apprehended in the course of operating this undertaking will include the following:

12.1 Social and Economic Impact of the Project

The project will have both economic and social benefits to the community and the country as a whole. The first and foremost important benefit will be to the Municipality in which the plant will be located with potential for increasing the standard of living for people in that particular area. The following are the benefits of the project:-

12.1.1 Employment Effect

The project will create employment to both skilled, semi skilled, unskilled staff and casual labourers. The company will also create

employment opportunities to locals. The employees will also benefit from contribution by the employer for social security fund. In addition, the plant operations will increase activity levels consequently trigger income spillover effect to the neighboring people.

12.1.2 Foreign Exchange Contribution

The major thrust of **KAI QUAN COMPANY LIMITED** is to produce high quality home textile products and to be able to compete effectively in the export market. It is expected that 20% of home textile products will be sold in the neighbouring countries. This means that the country will earn foreign currency, which will be used to import other important items for the benefits of the nation.

12.1.3 Linkage Effect

The project shall provide a linkage effect with other sectors of the economy. A number of companies will have to provide services to the company like power supply, water and those involved in transportation.

12.1.4 Contribution to Government Revenue

The project will contribute to the Government reserve in form of taxes, payroll levy, land rent, and other taxes and duties on local and export sales. In addition, the project will have a multiplier effect in the economy as a whole.

12.1.5 Social Impact

The project will create employment and will also be involved in support to social activities and local experts will be trained to be professionals within the country.

The company has potential for growth and competitiveness in the market. This can be achieved provided that the operational plan and marketing strategies set out in the business plan are implemented. This entails acquisition of the required equipment, development of export market channel, the use of experts in undertaking the projects' implementation. Given the project's economic, social and financial benefits, it is recommended for approval for Certificate of Incentives.

10.0 PROJECT SENSITIVITY TO ENVIRONMENT

The environmental impact assessment is a key guide to this project. In that sense the project will do a thorough research on the nature of the environment around the site and by means of national guidelines, use all means possible to keep the environment natural within the project area. No interruptions will be done unnecessarily and where necessary the highest precaution will be made.

10.1 Mitigation Measures to Environmental issues

Under normal circumstances the project will have no any serious negative environmental impact which will be realized in the short or long term periods.

- **Solid Waste Management:** Usually waste management costs include both capital investment and operating costs. The latter generally comprises the cost of labor, tax and consumables, the cost of energy, in addition to other items. The operating costs assigned to waste management are usually very small, whereas capital costs have a significant share.
- **Waste Water (Odor):** No waste water shall be allowed to enter into any stream that flows in the neighborhood of the project site.
- **Vibration:** All measures will be taken in the project site to keep vibration well below level. (Vibration is the range of frequencies from 1 Hz to 25 kHz.)
- **Gardening:** Most of the un-built-up area will be put under gardening that shall be well-maintained with flowers and trees of various species.
- **Dust & Noise:** All efforts shall be taken to maintain low levels of dust emission and noise.

The project is therefore environmentally friendly, as it preserves it, develops it and cares for its sustainability.

11.0 CONCLUSION AND RECOMMENDATION

The project is consistent with the governments Industrial Policy, financially and economically viable, socially desirable and environmentally friendly, hence it is recommended for approval and implementation.

FINANCIAL STATEMENTS

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KAI QUAN COMPANY LIMITED
Income statement

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Total net sales	445,100	708,840	852,506	949,087	1,118,267
Home Textile product 1 (Bedroom items)	159,500	191,400	245,630	270,193	339,671
Home Textile product 2 (Kitchen & Dining items)	134,400	295,680	345,576	380,134	442,744
Other textile products	151,200	221,760	261,300	298,760	335,852
Total revenues	445,100	708,840	852,506	949,087	1,118,267
Cost of goods sold COGS	262,603	325,520	360,888	385,496	426,873
Raw material	89,020	141,768	170,501	189,817	223,653
Semi finished products / components	0	0	0	0	0
Energy	8,902	14,177	17,050	18,982	22,365
Utilities	4,451	7,088	8,525	9,491	11,183
Salaries & Wages	75,230	77,487	79,812	82,206	84,672
Production workspace	80,000	80,000	80,000	80,000	80,000
Other production costs	5,000	5,000	5,000	5,000	5,000
Gross profit	182,497	383,320	491,618	563,591	691,393
Selling, general and administrative expenses SG&A	159,637	174,407	176,129	177,903	179,730
Salaries	55,735	57,407	59,129	60,903	62,730

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Workspace	75,000	75,000	75,000	75,000	75,000
Marketing & sales expenses	8,902	22,000	22,000	22,000	22,000
General office and utilities expenses	20,000	20,000	20,000	20,000	20,000
Other	0	0	0	0	0
Operating profit / EBITDA	22,860	208,913	315,489	385,688	511,663
Depreciation	35,000	35,000	42,500	36,500	36,500
Interest expenses (loan from bank)	33,000	33,000	29,700	26,400	23,100
Interest income from investments (bank deposit)	0	0	0	0	0
Extraordinary charges (or incomes)	40,000	26,000	9,000	9,000	9,000
Currency exchange adjustments	30,000	20,000	5,000	5,000	5,000
Fees and provisions	10,000	6,000	4,000	4,000	4,000
Other					
Income tax	0	8,932	70,287	94,136	132,919
Net profit (or loss)	-85,140	105,981	164,002	219,651	310,144

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KAI QUAN COMPANY LIMITED
Balance sheet

Income statement	<i>planning years >></i>	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Long-term assets						
Fixed assets: property, plant and equipment		365,000	330,000	387,500	391,000	354,500
Long-term financial investments		0	0	0	0	0
Goodwill		0	0	0	0	0
Total long-term assets		365,000	330,000	387,500	391,000	354,500
Current assets						
Cash & cash equivalents (current account)		48,177	142,992	200,114	362,339	644,447
Deposit account		0	0	0	0	0
Accounts receivable		14,633	23,304	28,028	31,203	36,765
Inventories		2,158	2,676	2,966	3,168	3,509
Total current assets		64,969	168,971	231,108	396,710	684,721
Total assets		429,969	498,971	618,608	787,710	1,039,221
Long-term liabilities						
Long-term loans		300,000	270,000	240,000	210,000	180,000
Total long-term liabilities		300,000	270,000	240,000	210,000	180,000
Current liabilities						
Accounts payable		15,109	18,729	20,763	22,179	24,560
Other provisions		0	0	0	0	0

Total current liabilities	15,109	18,729	20,763	22,179	24,560
Shareholders equity					
Share capital	200,000	200,000	200,000	200,000	200,000
Reserves	0	0	0	0	0
Retained earnings (or - accumulated losses)	-85,140	10,243	157,845	355,531	634,661
Total shareholders' equity	114,860	210,243	357,845	555,531	834,661
Total liabilities & equity	429,969	498,971	618,608	787,710	1,039,221
Balance sheet check (numbers should be zero)	0	0	0	0	0

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KAI QUAN COMPANY LIMITED

Cash flow statement

Income statement

planning years >>

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Cash flow from operating activities					
Operating profit (EBITDA)	22,860	208,913	315,489	385,688	511,663
Interest expenses	-33,000	-33,000	-29,700	-26,400	-23,100
Interest income from investments (bank deposit)	0	0	0	0	0
Extraordinary charges (or incomes)	-40,000	-26,000	-9,000	-9,000	-9,000
Income tax	0	-8,932	-70,287	-94,136	-132,919
Movements in working capital					
Decrease (or - increase) in accounts receivable	-14,633	-8,671	-4,723	-3,175	-5,562
Decrease (or - increase) in inventories	-2,158	-517	-291	-202	-340
Increase (or - decrease) in accounts payable	15,109	3,620	2,035	1,416	2,381
Increase (or - decrease) in other provisions	0	0	0	0	0
Total cash flow from operating activities	-51,823	135,413	203,523	254,190	343,123
Cash flow from investing activities					
Sale (or - purchase) of fixed assets	-400,000	0	-100,000	-40,000	0
Sale (- purchase) of long-term financial investments	0	0	0	0	0
Decrease (or - increase) of goodwill	0	0	0	0	0
cash placed in the deposit account	0	0	0	0	0
Total cash flow from investing activities:	-400,000	0	-100,000	-40,000	0

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	-451,823	135,413	103,523	214,190	343,123
Free cash flow					
<i>Cash flow from financing activities</i>					
Long term loans drawn	300,000	0	0	0	0
Repayments of loans made	0	-30,000	-30,000	-30,000	-30,000
Equity contribution (or - withdrawal)	200,000	0	0	0	0
Dividend paid	0	-10,598	-16,400	-21,965	-31,014
Total cash flow from financing activities	500,000	-40,598	-46,400	-51,965	-61,014
Total net increase (- decrease) in cash	48,177	94,815	57,123	162,225	282,108
Cash balance: beginning of the year	0	48,177	142,992	200,114	362,339
Cash balance: end of the year	48,177	142,992	200,114	362,339	644,447

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KAI QUAN COMPANY LIMITED

Investment and depreciation plan

Income statement

planning years >>

	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Investment					
Land and building	100,000	0	0	0	0
Plant & Machinery	100,000	0	50,000	0	0
Motor vehicles	100,000	0	50,000	0	0
Furnitures	20,000	0	0	0	0
Computers	30,000	0	0	0	0
Working Capital	50,000	0	0	40,000	0
Total investment	400,000	0	100,000	40,000	0
Fixed assets accumulated: at cost	400,000	400,000	500,000	540,000	540,000
Depreciation					
1-Depreciation for Land and building	4,000	4,000	4,000	4,000	4,000
2-Depreciation for Plant & Machinery	10,000	10,000	15,000	15,000	15,000
3-Depreciation for Motor vehicles	5,000	5,000	7,500	7,500	7,500
4-Depreciation for Furnitures	1,000	1,000	1,000	1,000	1,000
5-Depreciation for Computers	10,000	10,000	10,000	0	0
6-Depreciation for Working Capital	5,000	5,000	5,000	9,000	9,000
Total depreciation	35,000	35,000	42,500	36,500	36,500
Total depreciation accumulated	35,000	70,000	112,500	149,000	185,500
Net asset book value	365,000	330,000	387,500	391,000	354,500
Depreciation period: linear, in years	25				
Land and building					

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Plant & Machinery
Motor vehicles
Furnitures
Computers
Working Capital

10
20
20
3
10

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**Salaries - Cost of goods sold
COGS**

No.	Personnel Function / category	Number of employees					Expected annual salary increase %
		2011	2012	2013	2014	2015	
1	Production manager	1	1	1	1	1	3%
2	Storage control	2	2	2	2	2	3%
3	Equipment maintenance	2	2	2	2	2	3%
4	Product line workers	16	16	16	16	16	3%
5		0	0	0	0	0	0%
6		0	0	0	0	0	0%
Subtotal		21	21	21	21	21	

No.	Personnel Function / category	Annual salary (1)/ employee USD				
		2011	2012	2013	2014	2015
1	Production manager	5,000	5,150	5,305	5,464	5,628
2	Storage control	4,000	4,120	4,244	4,371	4,502
3	Equipment maintenance	4,000	4,120	4,244	4,371	4,502
4	Product line workers	2,500	2,575	2,652	2,732	2,814
5		0	0	0	0	0
6		0	0	0	0	0
Subtotal						

Social insurance as % of salary	Training expenses as % of salary	Fringe benefits as % of salary	Total cost / employee USD				
			2011	2012	2013	2014	2015
10.00%	5.00%	2.00%	5,850	6,026	6,206	6,392	6,584
10.00%	2.00%	2.00%	4,560	4,697	4,838	4,983	5,132
10.00%	5.00%	2.00%	4,680	4,820	4,965	5,114	5,267
10.00%	1.00%	1.00%	2,800	2,884	2,971	3,060	3,151
0.00%	0.00%	0.00%	0	0	0	0	0
0.00%	0.00%	0.00%	0	0	0	0	0
Subtotal							

No.	Personnel Function / category	Total cost / category					USD
		2011	2012	2013	2014	2015	
1	Production manager	5,850	6,026	6,206	6,392	6,584	
2	Storage control	9,120	9,394	9,675	9,966	10,265	
3	Equipment maintenance	9,360	9,641	9,930	10,228	10,535	
4	Product line workers	44,800	46,144	47,528	48,954	50,423	
5		0	0	0	0	0	
6		0	0	0	0	0	
Subtotal		69,130	71,204	73,340	75,540	77,806	

Salaries - Selling, general and administrative expenses SG&A

No.	Personnel Function / category	Number of employees					Expected annual salary increase %
		2011	2012	2013	2014	2015	
1	Managing Director	1	1	1	1	1	3%
2	Procurement manager	2	2	2	2	2	3%
3	Marketing and sales specialists	2	2	2	2	2	3%
4	Secretariat	3	3	3	3	3	3%
5	Accountants	2	2	2	2	2	3%
6		0	0	0	0	0	0%
7		0	0	0	0	0	0%
Subtotal		10	10	10	10	10	
Total		31	31	31	31	31	

Notes:

(1) Includes fixed and variable part / bonus

No.	Personnel Function / category	Annual salary (1)/ employee					Euro
		2011	2012	2013	2014	2015	
1	Managing Director	9,000	9,270	9,548	9,835	10,130	
2	Procurement manager	5,000	5,150	5,305	5,464	5,628	
3	Marketing and sales specialists	5,000	5,150	5,305	5,464	5,628	
4	Secretariat	2,500	2,575	2,652	2,732	2,814	
5	Accountants	4,000	4,120	4,244	4,371	4,502	
6		0	0	0	0	0	
7		0	0	0	0	0	
Subtotal							
Total							

Social insurance as % of salary	Training expenses as % of salary	Fringe benefits as % of salary	Total cost / employee					Euro
			2011	2012	2013	2014	2015	
20.00%	5.00%	3.00%	11,520	11,866	12,222	12,588	12,966	
20.00%	2.00%	2.00%	6,200	6,386	6,578	6,775	6,978	
20.00%	4.00%	2.00%	6,300	6,489	6,684	6,884	7,091	
20.00%	4.00%	1.00%	3,125	3,219	3,315	3,415	3,517	
20.00%	2.00%	1.00%	4,920	5,068	5,220	5,376	5,538	
0.00%	0.00%	0.00%	0	0	0	0	0	
0.00%	0.00%	0.00%	0	0	0	0	0	
Subtotal								
Total								

KAI QUAN COMPANY LIMITED
Reconciliation of shareholders equity

	<i>planning years >></i>		2011	2012	2013	2014	2015
			USD	USD	USD	USD	USD
Beginning shareholders equity			0	114,860	231,439	379,041	576,727
+ Net profit (or - loss)			-85,140	105,981	164,002	219,651	310,144
+ Equity contribution (or - withdrawal)			200,000	0	0	0	0
- Dividends paid			0	-10,598	-16,400	-21,965	-31,014
Ending shareholders equity			114,860	231,439	379,041	576,727	855,857
Additional reserves			0	0	0	0	0
Dividends paid			0	10,598	16,400	21,965	31,014
Retained earnings (or accumulated losses)			-85,140	95,383	147,602	197,686	279,130

Calculation of income tax

Income statement	<i>planning years >></i>		2011	2012	2013	2014	2015
Net profit after extraordinary items			-85,140	114,913	234,289	313,788	443,063
Income tax rate			30%	30%	30%	30%	30%
Net loss carried forward			-85,140	0	0	0	0
Taxable income			0	29,773	234,289	313,788	443,063
Income tax			0	8,932	70,287	94,136	132,919

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KAI QUAN COMPANY LIMITED

Financing plan

Income statement

planning years >>

	2011	2012	2013	2014	2015
Shareholders equity					
Equity contribution (or withdrawal)	200,000	0	0	0	0
Share capital	200,000	200,000	200,000	200,000	200,000
Long-term loans from bank					
Loans drawn at the beginning of the year	300,000	0	0	0	0
Repayments made at the end of the year	0	30,000	30,000	30,000	30,000
Basis for interest calculation - end of year	300,000	300,000	270,000	240,000	210,000
Interest rate	11%	11%	11%	11%	11%
Interest expenses	33,000	33,000	29,700	26,400	23,100
Loan balance: year end (goes to balance sheet)	300,000	270,000	240,000	210,000	180,000
Liquidity control					
Operating costs	422,240	499,927	537,017	563,399	606,604
Minimum cash in relation to operating costs	10%	10%	10%	10%	10%
Minimum cash balance required (to be available at the end of the year)	42,224	49,993	53,702	56,340	60,660
Actual cash balance at the end of the year	48,177	142,992	200,114	362,339	644,447
Dept to equity relation control					
Dept to equity ratio - planned	██████████	1.4	0.7	0.4	0.2
Dept to equity ratio - acceptable by the bank	2.0	2.0	2.0	2.0	2.0

Deposit of excess liquidity to a bank account

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Amount deposited (at the end of the year)	0	0	0	0	0
Total amount deposited (per end of year) - basis for the interest calculation	0	0	0	0	0
Total amount deposited (per end of year) - basis for the balance sheet	0	0	0	0	0
Interest rate	0%	0%	0%	0%	0%

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KAI QUAN COMPANY LIMITED

INTERNAL RATE OF RETURN

	<i>planning years >></i>				
	2011	2012	2013	2014	2015
NET CASHFLOW	48,177	-269,605	-73,461	152,215	405,780
DCF (20%)	0.2	0.833	0.694	0.233	0.054
NPV AT (20%DCF)	40,147	-187,226	-35,427	35,400	21,948
Total NPV at 20% DCF	96,755				
DCF(10%)	0.1	0.909	0.826	0.467	0.218
NPV AT (10%DCF)	-32,138	-222,814	-55,192	103,963	251,990
Total NPV at 10% DCF	45,808				
IRR=	<u>14.7217</u>				

KAI QUAN COMPANY LIMITED

PAY BACK PERIOD

	<i>planning years >></i>				
	2011	2012	2013	2014	2015
Profit After Tax	-85,140	105,981	164,002	219,651	310,144
Depreciation	35,000	35,000	42,500	36,500	36,500
Total	-50,140	140,981	206,502	256,151	346,644
Discounted Cashflow	-45,582	116,513	141,044	119,497	75,440
Capital Cost	400,000	0	100,000	0	0
Remaining amount	-445,582	-429,069	-328,025	-208,528	-133,088
Pay Back Period					5

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KAI QUAN COMPANY LIMITED

BREAK EVEN ANALYSIS

planning years >>

	2011	2012	2013	2014	2015
Sales Revenue	445,100	708,840	852,506	949,087	1,118,267
Variable Costs	422,240	499,927	537,017	563,399	606,604
Contribution Margin	22,860	208,913	315,489	385,688	511,663
Fixed Costs	400,000	400,000	500,000	540,000	540,000
Contribution Margin Ratio %	19.47	38.89	38.89	39.25	45.42
Beak even Sales	20,544	10,284	12,858	13,757	11,889
Break even Point (%)	0.22	0.69	0.66	0.69	0.94

KAI QUAN COMPANY LIMITED

Ratio summary sheet

<i>planning years >></i>	2011	2012	2013	2014	2015
Liquidity ratios					
Current ratio	4.3	9.0	11.1	17.9	27.9
Quick test ratio	4.2	8.9	11.0	17.7	27.7
Efficiency ratios					
Inventory turnover -days	3	3	3	3	3
Accounts receivable turnover -days	12	12	12	12	12
Accounts payable turnover -days	21	21	21	21	21
Fixed asset turnover	1.2	2.1	2.2	2.4	3.2
Total asset turnover	1.0	1.4	1.4	1.2	1.1
Profitability ratios					
Gross profit margin	41%	54%	58%	59%	62%
Net profit margin	-19%	15%	19%	23%	28%
Operating profit margin	5%	29%	37%	41%	46%
Return on assets	-20%	21%	27%	28%	30%
Return on equity	-74%	50%	46%	40%	37%
Dividend payout	0%	10%	10%	10%	10%
Solvency ratios					
Debt to equity ratio	2.7	1.4	0.7	0.4	0.2

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Total assets to equity ratio	3.7	2.4	1.7	1.4	1.2
Total assets to total liabilities ratio	1.4	1.7	2.4	3.4	5.1
Capitalisation ratio	0.7	0.6	0.4	0.3	0.2
Interest coverage ratio	0.7	6.3	10.6	14.6	22.1

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