



**HENGYA CEMENT (TANZANIA) CO., LTD.**

Add: Hengya Road 1#, Amboni, Mabokweni, Tanga Region, Tanzania.

P.O. BOX: 606 TANGA Contact: +255 765 996 666

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**PROJECT PROGRESS REPORT**

**1. Planned Activities for the period**

Hengya Cement (Tanzania) Co., Ltd (hereafter referred as Hengya), was established and registered in June 2014 with a plan of establishing a new dry process cement production line with the capacity of 7500 ton per day, captive coal-fired power station of 2\*25 MW, waste heat recovery system of 12 MW, etc, for the first phase of the project, and the anticipated total investment was USD 530 million.

Up to now, Hengya Cement project has carried out a lot of preparatory work, and received strong support from different departments of Tanzanian government, as well the Prime Minister. The current project progress is as follows:

- 1) Completed the land requisition procedure of 1700 acres for industrial zone, and signed MOU with Tanga City Council regarding on the land.
- 2) Completed the purchase of mineral rights for limestone-the main raw material of proposed industries, with an area of 5.7 square kilometers, as well the detailed investigation within 7 months which found out the total deposit of 280 million ton and capacity of supporting the cement production for 30 years.
- 3) Completed the purchase of mineral rights for gypsum-the main raw material of proposed industries, with an area of 92.27 acres, as well the detailed investigation within 3 months which found out the total deposit of 10 million ton and capacity of supporting the cement production for 20 years.
- 4) Completed preparing EIA and was granted certificate from NEMC for above mentioned plant site area.
- 5) Received approval and renew of tax exemption incentives for equipment and materials from TIC and TRA, following with this, completed equipment importation and customs clearance amounted to USD 3 million which were later transported to the plant site.
- 6) Completed survey and investigation of hydrology, as well EIA and primary design for dedicated jetty within 5 months, which shall be a consolidated base of its approval from TPA and the future construction.
- 7) Started approaching clearing, and the access of track, electricity, water to the plant and leveling up for the first phase of project since December 2017, and a volume of 12000 m<sup>3</sup> of earthwork has been completed till now. It's planned to complete the access of track, electricity, water to the industrial park within 4 months.
- 8) Completed primary design and 55% detailed design for the first phase of the project.
- 9) Completed land clearing of 1250 acres which accounting for 75.5% of the total area.



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10) Due to the rejection of the dedicated jetty application by TPA, Hengya have to shift the plant site to Anboni, Tanga City since November, 2019, and the access road to the new site and temporary buildings have been built, now we are shifting the equipment and machinery to the new site.

### 2. Project Financial Expenditure to date:

	Foreign	Local	Total
Land and Buildings	19,164,061,238.00	-	19,164,061,238.00
Plant and machinery	-	-	-
Vehicles/Aircrafts	11,072,957,000.00	-	11,072,957,000.00
Furniture	1,243,743,950.00	-	1,243,743,950.00
Office equipment	954,968,640.00	-	954,968,640.00
Insurance Cover	-	-	-
Pre-operational expenses	6,864,458,900.45	-	6,864,458,900.45
Working sub-total capital	16,969,347,231.55	-	16,969,347,231.55
<b>GRAND TOTAL</b>	<b>56,269,536,960.00</b>	<b>-</b>	<b>56,269,536,960.00</b>

### 3. Project Financing

#### Capital

The capital for plant is US\$ 106 million, accounting for 20% of the total project investment. It's planned that USD 100 million in the capital will be used for construction, and USD 6 million for initial working capital.

#### Bank Loan

The remaining investment of USD 424 million will be applied from bank loans, including the loan principal of USD 400 million, and loan interest during construction period of USD 24 million with the assumed annual interest rate of 6.0%.

#### Circulating Fund Loan

It is expected to require a circulating fund of USD 30 million in the normal production year of the industrial park, 20% of which will be from self-owned fund. The 20% fund, namely USD 6 million, will be made up of capital fund of USD 4.08 million, and the spare parts of USD 1.92 million; The other 80% will be from bank loan, amounted to USD 24 million with the annual loan rate of 6%.



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The total investment reaches USD530 million.

#### **4. Problems and Solution**

1) Due to the application of dedicated jetty has been rejected by TPA, Hengya have to adjust the investment scale to the above-mentioned scale, so Hengya submitted an application to TIC for adjusting the investment scale so that Hengya could sign the performance contract with TIC and start the construction as soon as possible.

2) In July 2017, Hengya was granted the super strategic investor status, but reply from TIC and NISC only approved two items of the applied eleven incentives of Hengya for this project. An appeal letter has been submitted to attract the attention on the specialty of the project to issue the incentives applied.

3) Anyway the main purpose to extend and replacement the certificate of incentive is with the exception list, to apply for full or partial exemption on the import tariffs of the direct investment the equipment and smoothly push the project progress.

#### **5. Future Plans**

Works will be performed next step as follows:

1) Complete the access of track, electricity, water to the industrial park and leveling up, as well temporary facilities construction at the new site.

2) Complete detailed design and performance of soil investigation, and pile foundation works.

3) Complete the building of perimeter wall, and part of the roads construction.

4) Complete the civil engineering underground works of several workshops.

5) Complete the preparation as much as the plant site can be used to manufacture non-standard equipment and steel structures, and start equipment manufacturing.

6) Complete the construction design of long belt conveyor of 15km.

7) Complete the equipment importing and moving needed for earthwork and erection works.

8) Complete digging and construction work in raw material quarry.

The detail estimated cost please refer to the attachment.

The project photo please refer to the attachment.



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The total construction scale investment for the industrial park is estimated to be USD 530 million, and the total investment is estimated to be USD 530 million.

**6. Recommendation/Comments**

The only thing what we want to do is to make an investment successfully in Tanzania, which would not only benefit ourselves but also benefit the local people and society, meaning reaching a win-win target.