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TANZANIA INVESTMENT CENTRE

PROJECT VERIFICATION VISIT REPORT

ON

APPLICATION FOR EXTENSION OF IMPLEMENTATION PERIOD

BY

HENGYA CEMENT (TANZANIA) COMPANY LIMITED

4/11/2020

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1.0 INTRODUCTION

M/S Hengya Cement (Tanzania) Company Limited is a TIC registered project for cement and clinker production in Tanga. The project is located at Hengya Road 1, Amboni Mabokweni area within Tanga City Council.

The Company was granted a TIC Certificate of Incentives No. 042693 on 20th June 2014 with a plan of establishing a new dry process cement production line, captive coal-fired power station, waste heat recovery system, dedicated jetty, etc; however, due to various challenges the actual establishment and production is yet to commence. These challenges are such as:

- a) Application for construction of a dedicated jetty was rejected by the Tanzania Ports Authority (TPA). Following this rejection, investors had to adjust the investment scale and re-submit application to TIC for adjusting the same before signing the performance contract and start the construction of the cement factory;
- b) In July 2017, Hengya Cement (T) Limited was granted a Special Strategic Investor Status that allowed them to enjoy additional fiscal and non fiscal incentives as provided for in various laws; however, they were informed later by TIC that the National Investment Steering Committee (NISC) had only approved two items out of the eleven items applied for the project;
- c) Delays in obtaining consents to transfer mining licenses from individuals to Hengya Cement (T) Company Limited, which were eventually granted by the Executive Secretary for Mining Commission in 2019 and some in 2020, as presented in **Appendix I** of this Report;
- d) Company's directors delay in signing the Derivative Right (under Section 20) for Plot No. 1 Block "B" situated at Amboni Industrial Area in Tanga City Council. Unsigned Land Form No. 56 on Derivative Right (Draft) is presented as **Appendix II** of this Report;

e) Delay in obtaining Environmental Clearance Certificate from the National Environmental Management Council (NEMC) following change of location from Manza Bay Mtimbwani area in Mkinga District to Amboni Industrial area. A letter from NEMC dated 19th August 2020 is presented as **Appendix III** of this Report.

On September 17, 2020 Hengya Cement (Tanzania) Company Limited submitted to TIC an application for extension of implementation period to facilitate importation of capital goods needed for construction of a cement factory.

The TIC Northern Zone Manager conducted a project physical verification visit (PVV) on Monday, 26th October 2020 for purpose of generating a PVV Report that would help the Executive Director to make a decision on the investor's request.

2.0 PROJECT VISIT FOR VERIFICATION (PVV)

2.1 Findings

During the visit, our Zonal Manager observed and discussed with the company's management some developments made on the site to-date as follows:

2.1.1 Company's General Information obtained at the site

Table 1- Company information

S/N	Information	Description	Current Project Status			
			Shareholder	Nationality	Percentage	
1.	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	Huiling Xu	Chinese	5%	
			Hengyuan International Engineering Group Co. Ltd	Chinese	95%	
			Total			100%
2.	Company Communication Information	Email address	ranaliuxueli@126.com			
		Mobile Number	+255 757428558; +255 768 658888			
		Landline Telephone Number	N/A			
		Physical Address (Plot No., Block No, Street, District and Region)	Hengya Road Plot No. 1, Amboni Mabokweni, Tanga City Council			
3.	Contact Person	Name	Ariel Liu			
		Position	Public Relations Manager			
		Communication Details (Email, Mobile and telephone)	+255 757428558; +255 768 658888 ranaliuxueli@126.com			
4.	Incorporation	Certificate of Incorporation No.	108839			
5.	TIN information	TIN Certificate No.	124-122-147			
6.	Project Objective	Project Core Activity	Cement and clinker production			
7.	Project's Capacity	Project's Production Capacity per Year	3.5 million MT per year			
8.	Direct Employment	Foreign (Men)	400			
		Foreign (Women)	200			
		Local (Men)	600			
		Local (Women)	300			
9.	Indirect Employment	Estimated Total No.	500			
		Type/Areas of Indirect Employment	Suppliers, Transporters and Retailers			

2.1.2 Project's Financial Expenditure

Table 2- Financial Expenditure

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings	19,164,061,238	-	19,164,061,238
Plant and Machinery	-	-	-
Vehicles/Aircrafts	11,072,957,000	-	11,072,957,000
Furniture	1,243,743,950	-	1,243,743,950
Office Equipment	954,968,640	-	954,968,640
Insurance Cover	-	-	-
Pre-operational Expenses	6,864,458,900.45	-	6,864,458,900.45
Working Capital	16,969,347,231.55	-	16,969,347,231.55
Total	56,269,536,960	-	56,269,536,960

2.1.3 Project Financing

The project has been financed as shown in the table below:

Table 3- Financing

	Amount (USD)	Percentage	Source Country
Local Equity	30,000,000	6%	Tanzania
Local Loans	-	-	-
Foreign Equity	500,000,000	94%	Chinese
Foreign Loans	-	-	-
Total Investment	530,000,000	100%	

2.1.4 Remaining Activities

As per investors' explanations, the pending activities are as follows:

- (i) Levelling up the land as well as construction of temporary facilities at the Amboni site;

- (ii) Completion of the access of track, electricity installation and water connection to the Industrial Park;
- (iii) Importation of utility trucks, dump trucks, plant, machinery and industrial spare parts as approved by the NISC;
- (iv) Recruitment of Chinese experts and Tanzanians during the project construction and operation;
- (v) Construction of cement factory, designs (architectural, technical, electrical and mechanical);
- (vi) Construction of long belt conveyor of 15km.

All these activities are estimated at 3 years and 8 months before commissioning of the project.

2.2 Challenges

As explained in the Introduction Section, between 2014 and 2020 the company had experienced some challenges that to a large extent made the project's development move at a very slow pace contrary to investors' expectations. These are such as:

2.2.1 Application for construction of a dedicated jetty has been rejected by the Tanzania Ports Authority (TPA). Following this rejection, investors had to adjust the investment scale and submit an application to TIC for adjusting the same before they sign the performance contract with TIC and start the construction of the cement factory;

2.2.2 In July 2017, Hengya Cement (T) Limited was granted the Special Strategic Investor Status that allowed them enjoy additional fiscal and non fiscal incentives as provided for

in various laws; however, they were informed later by TIC that the National Investment Steering Committee (NISC) had only approved two items out of the eleven items applied for the project;

- 2.2.3 Delays in obtaining consents to transfer mining licenses from individuals to Hengya Cement (T) Company Limited, which were granted by the Executive Secretary for Mining Commission in 2019 and some in 2020;
- 2.2.4 Company's directors delay in signing the Derivative Right (under Section 20) for Plot No. 1 Block "B" situated at Amboni Industrial Area in Tanga City Council;
- 2.2.5 Delay in obtaining Environmental Clearance Certificate from the National Environmental Management Council (NEMC) following change of location from Manza Bay Mtimbwani area in Mkinga District to Amboni Industrial area.

3.0 CONCLUSIONS

In view of the findings above, the following are our conclusions regarding the objective of the PVV:

- 3.1 Challenges reported by the investors are sound;
- 3.2 The pictures attached to this PVV Report are genuine, and that they reflect a true picture of the current affairs of the project at site. These pictures are presented as **Appendix VI** of this Report ;
- 3.3 The investors have already invested heavily to the tune of US\$ 530,000,000 in their project to-date which is above the investment capital threshold required for Special Strategic Investor Status. This is a healthy investment effort;
- 3.4 From economic point of view, grant of the requested extension of the implementation period for this company will generate substantial benefits to the community and project promoters.

4.0 RECOMMENDATIONS

From the above findings and conclusions, I wish to recommend the following:

- 4.1 That, the company's efforts in investment and challenges reported above justify approval of the additional extension of the implementation period applied for. This will assist investors complete construction of cement factory and import utility trucks, dump trucks, plant, machinery, industrial spare parts relevant to the project before commissioning of the project;
- 4.2 That, based on the above reasons, nature and status of the project (as *special strategic investors*) I am of the opinion that TIC approves the final extension of the implementation period for 3 further years (starting from the expiry date of the certificate) to enable them complete implementation of the project as requested. **However, the approval for such proposed additional implementation period should be subject to signing Derivative Right and payment of any outstanding land rent and TIC facilitation fees.**

I humbly submit,



.....
Daudi Riganda
TIC Northern Zone Manager

ANNEX I: CONSENTS TO TRANSFER MINING LICENSES

CONSENT TO TRANSFER MINING LICENCE

I, Prof. Shukrani E. Manya, Executive Secretary for Mining Commission, pursuant to Section 9(2) of the Mining Act, Cap.123 hereby consent the transfer of **100%** shares under the Mining Licence No. ML **621/2019** from **M/S FAITH BONIFACE KISSUI** to M/S **HENGYA CEMENT TANZANIA COMPANY LIMITED**.

The foregoing transfer has been duly recorded on terms and conditions contained in the above **Mining Licence**.

IN WITNESS WHEREOF this consent to transfer shares under the Mining Licence has been duly issued and recorded

this.....^{09th}.....day of.....**JANUARY**.....2020.


Prof. Shukrani E. Manya
EXECUTIVE SECRETARY
MINING COMMISSION

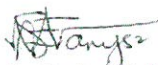
CONSENT TO TRANSFER MINING LICENCE

I, Prof. Shukrani E. Manya, Executive Secretary for Mining Commission, pursuant to Section 9(2) of the Mining Act, Cap.123 hereby consent the transfer of **100%** shares under the Mining Licence No.ML **600/2019** from **M/S KHADIJA KHALFAN** to **HENGYA CEMENT (T) COMPANY LIMITED**.

The foregoing transfer has been duly recorded on terms and conditions contained in the above **Mining Licence**.

IN WITNESS WHEREOF this consent to transfer shares under the Mining Licence has been duly issued and recorded

this.....^{28th}.....day of.....^{MAY}.....2019.



Prof. Shukrani E. Manya
EXECUTIVE SECRETARY
MINING COMMISSION

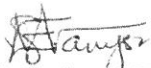
CONSENT TO TRANSFER MINING LICENCE

I, Prof. Shukrani E. Manya, Executive Secretary for Mining Commission, pursuant to Section 9(2) of the Mining Act, Cap.123 hereby consent the transfer of **100%** shares under the Mining Licence No.ML **601/2019** from **M/S HEMED P. MASOUD** to **HENGYA CEMENT (T) COMPANY LIMITED**

The foregoing transfer has been duly recorded on terms and conditions contained in the above **Mining Licence**.

IN WITNESS WHEREOF this consent to transfer shares under the Mining Licence has been duly issued and recorded

this.....^{28th}.....day of.....^{MAY}.....2019.


Prof. Shukrani E. Manya
EXECUTIVE SECRETARY
MINING COMMISSION


CONSENT TO TRANSFER MINING LICENCE

I, Prof. Shukrani E. Many, Executive Secretary for Mining Commission, pursuant to Section 9(2) of the Mining Act, Cap.123 hereby consent the transfer of **100%** shares under the Mining Licence No.ML **602/2019** from **M/S AMIRI SAID KALIWANJE** to **HENGYA CEMENT (T) COMPANY LIMITED**.

The foregoing transfer has been duly recorded on terms and conditions contained in the above **Mining Licence**.

IN WITNESS WHEREOF this consent to transfer shares under the Mining Licence has been duly issued and recorded

this.....^{28th}.....day of.....^{MAY}.....2019.


Prof. Shukrani E. Many
EXECUTIVE SECRETARY
MINING COMMISSION

ANNEX II: DRAFTED DERIVATIVE RIGHT

Land Form No. 56

TANZANIA INVESTMENT CENTRE

THE LAND ACT
(No. 4 of 1999)

DERIVATIVE RIGHT
(Under Section 20)

C.T. No: 57928
L.O. No: 794908
LD. No: TCC/47745

Made and entered into this.....day of2020

BETWEEN

TANZANIA INVESTMENT CENTRE (TIC)

A body corporate established under The Tanzania Investment Act, 1997 (Act No. 26 of 1997) by order published in the Official Gazette as Government Notice no. 291 of 1997; of P.O Box 938 DAR ES SALAAM (hereinafter referred to as the "LESSOR") on the one part

AND

HENGYA CEMENT (TANZANIA) COMPANY LIMITED

of P.O Box 105889 DAR ES SALAAM and having certificate of incentives No. 042693 (hereinafter referred to as the "LESSEE") on the other part.

THIS LEASE WITNESSES as follows:

WHEREAS the Lessor is the holder of a Right of Occupancy registered in the Land Registry at TANGA under Title No. 57928 in respect of land within Plot No. 1 Block 'B' situated at **Amboni Industrial Area** in **Tanga City Council** and in the terms thereof is authorized to grant leases, the Lessor hereby demises unto the Lessee the land being more fully described in the schedule hereto for a term of **Ninety Eight** years commencing on the **First** day of **January, Two Thousand and Eighteen** and expiring on the **Thirty First** day of **December, Two Thousand One Hundred and Sixteen** subject to the provisions of the land Act No. 4 of 1999 and regulations made thereunder and subject to the following conditions:

1

The Land shall be used for **Special Industrial Purposes Only**; Use Group 'N' Use Class (a) defined in the Town and Country Planning (Use Classes) Regulations, 1960 as amended in 1993.

PART A: THE LESSEE SHALL:

1. **HAVING** paid in advance Land Rent up to June, 2019, thereafter continue to pay Tshs **72,936,990/=** (Tanzania Shillings Seventy Two Million Nine Hundred Thirty Thousand Nine Hundred and Ninety) or any other amount as assessed by the Commissioner for Lands or Authorised Officer being annual Land Rent, and 10% thereto being TIC Facilitation Fee, payable on the first day of July in every year of the term.
2. **BE** liable to pay any and all costs arising here from and in particular;
 - (i) Any fees or stamp duties which may be discovered to be payable in connection with the Lease;
 - (ii) An amount or amounts levied by the duly authorized institutions by way of rates or like local property taxes;
 - (iii) An amount or amounts equal to any rates or like levy paid by the Lessor in respect of the Land or improvements thereon;
3. **DEVELOP** the land by establishing a cement and clinker production factory **within thirty-six months** from the date of signing of this Derivative Right. To that end, the lessee shall;
 - (i) Submit building plans to the **Tanga City Council** within six months from the commencement of this lease.
 - (ii) Begin construction of building(s) in permanent materials within six months after the approval of the plans.
 - (iii) Complete construction within thirty six months from the day of commencement of this lease.
4. **BE RESPONSIBLE** for:
 - i. The protection of all beacons on the Land throughout the term of the Lease. Missing beacons will have to be re-established at any time at the Lessee's expenses as assessed by the Director responsible for Surveys and Mapping.
 - ii. Preserving the environment and protecting the soil against soil erosion: and do all things which may be required by the authorities responsible for environment, to achieve such objective.
 - iii. Fence the land with a good quality fencing, car parking spaces shall be provide as required by the Authority. Loading unloading facilities shall be provided within the boundaries of the land

3. **NOT** make any disposition to the leased land without prior consent of the lessor. In case of transfer the lessee is required to have developed the land substantially, while regarding mortgage the Lessee should present to the lessor a project evaluation report showing that the level of development on the land is at least 60% of the total investment cost as indicated in the investor's Business Plan.
4. Allow the lessor or any other authorized government officer to get access to the leased land for official duties.
5. **SUBJECT** to the foregoing conditions, enjoy permanent and exclusive rights of the leased land throughout the term of the Lease.
6. **YIELD** up the Lessor the Land and improvement in good order and condition upon determination of the Lease by affliction of time or otherwise.

PART B. THE LESSOR SHALL:

1. **ENSURE** that the Lessee paying rent and other charges hereby reserved in PART "A" Clause (1) hereof and complying with other terms and conditions hereinbefore contained shall peaceably and quietly hold and enjoy the land and improvements during the said term without interruption from the Lessor or any other person claiming under or in trust for the Lessor.
2. **UPON** breach by the Lessee of any of the foregoing terms and conditions re-enter upon the land and improvements thereon and forfeit the Lease and immediately thereupon the said term shall absolutely determine and whenever this power of re-entry and forfeiture shall arise the Lessor shall serve upon the Lessee a written notice specifying the nature and extent of the breach and requiring the Lessee to remedy the breach within the time to be specified in the said notice and also the action to be taken by the Lessor if the breach is not remedied within the specified period.

PART C: ARBITRATION

In the event of any dispute arising between the parties hereto in respect hereof either the Lessor or the Lessee may commence arbitration proceedings in conformity with the provision of Section 23 of the Tanzania Investment Act, 1997 or under the provision of the Arbitration Ordinance, Cap 15 of the Laws of Tanzania.

We, the within-named **HENGYA CEMENT (TANZANIA) COMPANY LIMITED** hereby accept the terms and conditions contained in the foregoing Lease Agreement.

SCHEDULE

ALL that Land known as Plot No. 1 Block 'B' situated at **Amboni Industrial Area** in **Tanga City Council**, measuring **One hundred fifteen decimal point seven seven three (115.773) Hectares**, shown for identification only edged red on the plan attached to this Lease Agreement and defined on the registered Survey Plan Numbered **91682** deposited at the Office responsible for Surveys and Mapping at Dar es Salaam.

SEALED with the COMMON SEAL of the said]
TANZANIA INVESTMENT CENTRE and]
DELIVERED in the presence of us this]
day of2020]

Signature.....
Postal Address.....
Qualification.....

Signature.....
Postal Address.....
Qualification.....

SEALED with the COMMON SEAL of the said]
HENGYA CEMENT (TANZANIA) COMPANY]
LIMITED and]
DELIVERED in the presence of us this.....day]
of.....2020]

Signature.....
Postal Address.....
Qualification.....

Signature.....
Postal Address.....
Qualification.....

ANNEX III: A LETTER OF NO OBJECTION FROM NEMC



NATIONAL ENVIRONMENT MANAGEMENT COUNCIL(NEMC)
BARAZA LA TAIFA LA HIFADHI NA USIMAMIZI WA MAZINGIRA

Telephone: +255 22 2774889,
Direct line: +255 22 2774852
Mobile: 0713 608930
Fax: +255 22 2774901
Email: dg@nemc.or.tz
Website: www.nemc.or.tz

35 Regent Street,
P. O. Box 63154
11404 Dar es Salaam
TANZANIA

In reply please quote:

Ref: CB.145/205/441/10

Date: 19/08/2020

Director General,
Hengya Cement (Tanzania) Co. Limited,
P.O. Box 105899,
Dar es Salaam.

RE: RESPONSE LETTER TO CHANGE OF PROJECT SITE AND TERMS OF REFERENCE FOR THE PROPOSED ESTABLISHMENT OF CEMENT MANUFACTURING PLANT AND SUPPORTING POWER STATION FROM MKINGA DISTRICT TO MZIZIMA WARD TANGA CITY IN TANGA REGION

We acknowledge receipt of your consultant letter dated 14th May, 2020 with regard to the change of project site and submission of ToR for the proposed project from Mkinga District to Amboni area Mzizima ward Tanga City in Tanga Region.

Please be informed that the Council has no objection on the change of the project site location. In this regard, please find attached new review cost invoice (*NEMC Proforma Invoice No.05754* of 14th August 2020) as per new project site for proper record keeping.

Please, contact us in case you need additional information or clarification on this process through Telephone No. +255 759113328.

Yours Sincerely,


Ndimbumi Joram

For: Director General.

Cc: EnviroPlanners Limited,
P. O. Box 33151,
Dar es Salaam.

All correspondence should be addressed to the Director General

ANNEX IV: PROJECT PICTURES





