
***YICHENG INVESTMENT COMPANY
LIMITED***

BUSINESS PLAN - OCTOBER 2022

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EXECUTIVE SUMMARY

Yicheng Investment Company Limited ("*Yicheng*" or "*The Company*") is a Private limited liability company registered under the Companies Act No. 12 of 2002, and licensed to carry on the business of mining, processing, transportation and sale of building materials within the United Republic of Tanzania.

Yicheng Investment Company Limited is located at House No. 1040 on Plot No. 1040, Masaki Street, Msasani Ward, Kinondoni District within Dar es Salaam City with 12631 as its registered Postal Address.

Yicheng has since its incorporation established itself as a leading and reliable company in mining of rocks for Gravel production, processing, transportation and sale of Sand and Bitumen to numerous major projects within the United Republic of Tanzania and thus entering into contracts with several major contractors for the provision of such materias in large quantities.

The company is owned mainly by Meiyun Zhang and Suxia Zhuang as major shareholders while Guocong Guo is the only minority shareholder amongst them. The major shareholders Mr Meiyun and Mr. Suxia have extensive experience in the building materials Production and supply industry.

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1. INTRODUCTION TO YICHENG

WHAT WE SELL OR PROVIDE?

Yicheng Investments is and will be especially attractive to companies, entities and individual persons in need of production and supply of Bitumen, Sand and Gravel of all measurements within the United Republic of Tanzania, as many other providers do not give an increased element of choice of the product and do not have reliable delivery service to customers. The Company intends to highly increase its production capacity and will specialize in the increased accuracy of production and deliveries.

Yincheng has been running its operations since the year 2020 largely concentrating in the production and delivery of sand, bitumen and Gravel. The company intends to further increase its fleet and its production ability and begin to independently handle all its delivery consignments to retailers, product distributors, contractors, government projects and etc.

WHO WE SELL TO?

Yicheng Investments has been operating and further intends to operate as a leading producer of Gravel, sand, Bitumen and other building materials for companies, major contractors, government entities and individuals, all around the United Republic of Tanzania.

The company has contracts of production and supply of Gravel to numerous private companies government related projects. that handle several major construction contracts and thus requiring the supply of a large volume of gravel.

As such, it is quite clear to say that the company forecasts a possible rise in the list of clientele if granted the support requested since it will have the licensure and the ability to effectively supply almost any amount of building materials required by any of its customers.

2. PROJECT BACKGROUND AND HISTORY

YICHENG INVESTMENT COMPANY LIMITED is an on going business with offices located along House No. 1040 on Plot No. 1040, Masaki Street, Msasani Ward, Kinondoni District within Dar es Salaam City. This is a limited liability company incorporated under the laws of the Republic of Tanzania, registered under the Companies Act CAP 212 R.E 2019.

Yicheng Investment Company Limited commenced operations in 2020 with a focus of supplying building materials for construction to cater for both local and international companies. This is a family business with a full succession plan in place.

Initially, the company focused more in the mining and production of the Gravel quantities required by its clients and left transporting and freight to other companies that acted as independent contractors, wherever necessary. However, this has been too problematic due to the poor and unreliable freight services issued by the independent contractors

One of the keys to success in the building material production and supply industry and any other industry of the sort is to find a niche and dominate it, which is why ultimately Yicheng intends to as well increase its production ability and further initiate its independency in the freight and transportation of its produced gravel, sand or bitumen to all its delivery point.

The Company seeks to raise its capacity of production and further increase its interest in its freight/trucking department by seeking out financial and practical support. By showing that the Company has a well-thought-out plan, Meiyun Zhang and Suxia Zhuang believes that business people and financial institutions will recognize the potential in this endeavor and will support it.

Yicheng would appreciate your serious consideration of this business plan. The production increase and Freight section of Yicheng can be launched for approximately United States Dollars One Million Fifty Thousand Six Hundred Twenty Five only (USD 1,050,625) largely representing the cost of purchase of two excavators, one break Hammer, wheel loader and Five Foton Tipper of 330 HP.

This will increase the company's production volumes, speed up supply of gravel and other building materials and thus reduce the freight costs as Mr. Meiyun Zhang and Mr. Suxia Zhuang plans that Yicheng will initially serve as an independent contractor serving all deliveries to all the major projects across the country. The Company expects to fund the start-up costs through a loan and personal contributions. Within three years, Yicheng Freight section will seek to expand by hiring more employees and purchasing additional machinery and trucks.

3. ORGANISATION AND MANAGEMENT

The company is owned mainly by Meiyun Zhang and Suxia Zhuang as major shareholders while Guocong Guo is the only minority shareholder amongst them. The major shareholders Mr Meiyun and Mr. Suxia have extensive experience in the Gravel Production and building materials supply industry.

The company is managed mainly by the three shareholders who are also named directors of the company. Under them, the directors are closely assisted by a group of competent personnel ranging from semi-skilled manpower to technicians. The company has a board of directors which commands and directs a work force of over 30 people.

The company is led by the managing directors responsible for all day-to-day decisions, overall running of business, setting up business plans, monitoring implementation and achievements against set goals, financial planning and administration.

4. OPPORTUNITY

4.1 Market analysis Summary

Tanzania offers massive options for Large established companies to involve themselves in numerous production activities and have their own truck fleets, but many smaller companies have smaller production abilities and outsource the freight transportation function. The latter vary in the scale of their operations, but have a steady demand for reliable production and transportation solutions. If facilitated Yicheng aims to actively solicit such customers to meet this need.

Yicheng Investment Company Limited seeks to increase its ability in the manufacture and production of building materials (gravel and sand production) so as to cover the gap currently existing for all ranges of potential clients requiring such services in accomplishing their building projects. However, to achieve this goal, the company will be required to raise their financial ability and capital.

It is quite true to say that there is still a high deficit between the demand for quality and accessible production and supply services of both Gravel and other building materials and the actual services that is being offered so far.

4.2 Market Segments and Analysis

Tanzania offers two major markets which range from the Government and Government Agency market and the Private sector which is highly growing each day.

The government Markets

As you may refer to Para 1 of this Plan the list of production and supply contracts would largely entail a great need for our services by major government projects. Yicheng Investments Limited has a comparative advantage on the government project markets due to its well developed linkage and excellent distribution network with partners, which provide accessibility to its customers.

The private Sector Markets

Yicheng has been a reliable and dependable service provider to a large group of private persons and entities at both the corporate and Individual levels.

These contracts/ clients amongst many others include the following: -

- a) Gravel production and supply on the 95.2 Km project of the Third Company of China Railway 15th Bureau Group.
- b) Gravel Production and Supply on the deepening and strengthening berths 1-7 and construction of Terminals at the Port of Dar es Salaam with China harbour engineering Company Limited.
- c) Sand, backfilling soil and Gravel (crushed stones) production and supply for China Harbour engineering Company Limited.
- d) Transportation or freight agreement with Lupan Construction Company Limited for the supply of Qualified Ballast to Zanzibar.
- e) Transportation or freight agreement with Wan-tong Transport Company Limited for the supply of qualified ballast to Bagamoyo Bandari.
- f) Gravel production and supply for black gravels for supply to the Mang Gwapani mixing station in Zanzibar with Lupan Construction Company Limited

4.3 Market Strategies

Experience from running a building material production Plant and supplying the relevant product to our final consumers have shown that there is a combination of key success factors which a player like Yicheng Investments Company Limited need to recognize and understand for it to remain in the market and for it to achieve its sustainable operations.

Irrespective of the high competition the company has designed comprehensive market dominance strategy that will ensure a steady growth of its market dominance.

The company strives to offer the best quality design in the standard required, cost estimates, repairs and alterations to suit construction needs. The company intends to finance the business by further securing a loan. This financial assistance shall facilitate acquiring trucks as part of the assets.

Yicheng if facilitated with the requested funds intends to do the following to cement its market dominance: -

- To cater for new markets opportunities by penetrating more into the governmental ministries and government agencies which are untapped.

- To ensure that the company satisfies the increasing demand and keep up with the new production and supply orders to satisfy traditional customers.
- Continue exploring new markets in the industry.
- Establish a venture into foreign markets upon acquisition of all the relevant permits.

To achieve the objectives, Yicheng Investments Company Limited management has developed various marketing strategies. Among other features that will be applied shall include: -

- a) Direct Marketing
- b) Quality production and delivery Services
- c) Client friendly pricing

5. COMMERCIAL ANALYSIS

Yicheng Investment Company Limited has been in the market for a few years now, and it has dully noted that despite the existence of other similar companies in the market, still the demand for building materials is so high and not yet satisfied.

According t the Tanzania Construction Sector Report issued by the Ministry of Industry, Tradead Investments in November 2020 the construction sector contributed 13.6 to Tannia’s GDP during the 2015 fiscal year, reaching almost USD 6 Billion while in 2010 the sector only accounted for only 7.8% of the country’s GDP or USD 1.6 Billion.

To cater for this need in the market the strategies adopted incude pricing which was carefully considered and included, purchase and procurement of capital goods, operations, freights, insurance together with Bank charges/ interests plus certain percentage of around 20 to 30 percent as mark up. The Company has for a while also observed the current market prices and intends to reduce unnecessary costs of production and freight to further control the pricing in favor of the final client or consumer.

6. CHALLENGES AND OPPOTUNITIES

Challenges

So far Yicheng faces an intense lack of equipments which forces it to choose contracts which are within its own ability and thus reducing the company revenues.

Capital Intensity

As we may all know building materials production industries fall within the category of industries requiring high capital to buy machinery and trucks for supporting the production. Currently the company utilizes leased machinery and trucks which assists the company to support its business.

SWOT Analysis

Strengths

1. Extensive owner experience and knowledge of the building materials production and supply industry.
2. Competitive pricing
3. Long-term contracts with major construction companies
4. Premium quality service and on-time delivery

Weaknesses

1. High Costs to purchase machinery funding needed
2. Currently limited to leased machinery
3. Initially limited to independent contracting with large construction companies

4. Forced to select contracts within capacity

Opportunities

1. Increased production and delivery capacity creates opportunities beyond other private and government entities
2. Strategic alliances offering resources for referrals and marketing
3. Ability to grow quickly because of increases in market demand
4. Take advantage of the high experience and existing contracts and relationships
5. Yicheng has an outstanding good relationship with Chinese contractors operating within the United Republic of Tanzania, and thus allowing the massive influx of supply and productions job offers to Yicheng.

Threats

1. Likely entry of potential new competitors
2. Possible new regulations
3. Rising costs of fuel, maintenance and repairs
4. Possible rain season with weather that makes driving production and delivery difficult/impossible

7. FINANCE AND PROJECTIONS

7.1 Financial statements

Financial statements include income statements, balance sheet and cashflow statements. The financial projections have been developed using audited financial statements for the year ended 31 December 2021 as a base plus other forward-looking information which are relevant to the company and industry at large.

| Income statement | FY21 TZS "000" | FY22 TZS "000" | FY23 TZS "000" |
|---------------------------------|--------------------|--------------------|--------------------|
| | Actual | Forecast | Forecast |
| Revenue | 4,678,587 | 5,491,193 | 6,084,432 |
| Cost of sales | (649,749) | (1,037,439) | (360,064) |
| Gross Margin | 4,028,838 | 4,453,754 | 5,724,368 |
| Gross Margin % | 86% | 81% | 94% |
| Operating Expenses | | | |
| Salary and wages | (270,516) | (340,116) | (300,116) |
| Business licence | (624) | (624) | (624) |
| Transport expenses | (294,804) | (617,457) | (482,130) |
| Casual labour | (32,196) | (31,183) | (31,183) |
| Water & Electricity | (8,099) | (8,214) | (8,214) |
| Property Insurance | (10,510) | (12,306) | (12,306) |
| Office rent | (22,480) | (22,480) | (22,480) |
| Communication expenses | (5,893) | (6,022) | (6,022) |
| Repair & Maintenance | (27,414) | (30,587) | (5,587) |
| Depreciation | (1,218,464) | (1,218,464) | (2,187,086) |
| Total Operating Expenses | (1,891,000) | (2,287,454) | (3,055,749) |
| Net profit before tax | 2,137,838 | 2,166,300 | 2,668,619 |
| Income taxes | (641,351) | (649,890) | (800,586) |
| Net Profit after tax | 1,496,487 | 1,516,410 | 1,868,033 |
| Net Profit / Sales | 32% | 28% | 31% |

About the forecast

Revenue

The Company seeks to raise its capacity of production by purchase of two excavators, one break Hammer, wheel loader and Five Foton Tipper of 330 HP. This is expected to increase the company production volumes and speed up supply of gravel, which will result to increase in revenue.

Expenses:

Expenses are expected to increase in line with the increase in production levels. The purchases of the PPE will reduce the freight costs as Mr. Meiyun Zhang and Mr. Suxia Zhuang plans that Yicheng will initially serve as an independent contractor serving all deliveries to all the major projects across the country.

Revenue and expenses for FY22 has been disaggregated on monthly basis, see details in page 13.

7. FINANCE AND PROJECTIONS (CONTINUED)

7.1 Financial statements (continued)

| Balance sheet | FY21 TZS "000" | FY22 TZS "000" | FY23 TZS "000" |
|---------------------------------------|-------------------|-------------------|-------------------|
| | Actual | Forecast | Forecast |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 3,426,320 | 3,654,828 | 4,516,172 |
| | | | |
| Current Assets | | | |
| Inventory | 667,500 | 867,500 | 1,097,388 |
| Trade and other receivable | 1,048,632 | 1,229,325 | 1,629,324 |
| Cash and cash equivalent | 97,617 | 465,485 | 770,485 |
| Total current assets | 1,813,749 | 2,562,310 | 3,497,196 |
| | | | |
| Total Assets | 5,240,069 | 6,217,137 | 8,013,368 |
| | | | |
| EQUITY | - | - | - |
| Share capital | 400,000 | 400,000 | 400,000 |
| Retained earnings | 4,165,363 | 5,681,773 | 7,549,806 |
| Total Equity | 4,565,363 | 6,081,773 | 7,949,806 |
| | | | |
| Current liabilities | | | |
| Trade and other payable | 62,985 | 24,981 | 2,483 |
| Tax payable | 611,722 | 110,384 | 61,079 |
| Total Current Liabilities | 674,706 | 135,364 | 63,562 |
| | | | |
| Total Liabilities & Equity | 5,240,069 | 6,217,137 | 8,013,368 |

About the forecast

- + **Property, Plant & Equipment**
 The increase of PP&E is mainly due to the purchase of two excavators, one break Hammer, wheel loader and Five Foton Tipper of 330 HP.
- + **Inventory**
 The company plan to have good inventory turnover due comprehensive market dominance strategy that will ensure a steady growth of its market dominance.
- + **Trade and other receivable**
 The increase in receivable is in line with the increase in revenue as explained above.

7. FINANCE AND PROJECTIONS (CONTINUED)

7.1 Financial statements (continued)

| Cashflow statement | FY21 TZS "000" | FY22 TZS "000" | FY23 TZS "000" |
|---|--------------------|--------------------|--------------------|
| | Actual | Forecast | Forecast |
| Cashflow from operating activities | | | |
| Profit before tax | 2,137,838 | 2,166,300 | 2,668,619 |
| Adjustments: | | | |
| Depreciation | 1,218,464 | 1,218,464 | 2,187,086 |
| Cashflow before changes in working capital | 3,356,302 | 3,384,763 | 4,855,705 |
| | | | |
| Changes in working capital | | | |
| Inventory | (279,900) | (200,000) | (229,888) |
| Trade and other receivable | (617,613) | (180,693) | (399,999) |
| Trade and other payable | (2,614) | (38,004) | (22,498) |
| Cashflow from working capital | (900,127) | (418,697) | (652,385) |
| | | | |
| Cash provided for operating activities | | | |
| Tax paid | (29,630) | (539,506) | (739,506) |
| Net cashflow from operating activities | 2,426,545 | 2,426,560 | 3,463,814 |
| | | | |
| Cashflow from investing activities | | | |
| Purchase of property, plant and equipment | (2,412,644) | (2,058,693) | (3,158,814) |
| Net cashflow from investing activities | (2,412,644) | (2,058,693) | (3,158,814) |
| | | | |
| Cashflow from financing activities | | | |
| Issue of share capital | - | - | - |
| Net cashflow from financing activities | - | - | - |
| | | | |
| Net increase from cash and cash equivalent | 13,901 | 367,867 | 305,000 |
| Cash at Beginning of Period | 83,717 | 97,617 | 465,485 |
| Cash at End of Period | 97,617 | 465,485 | 770,485 |

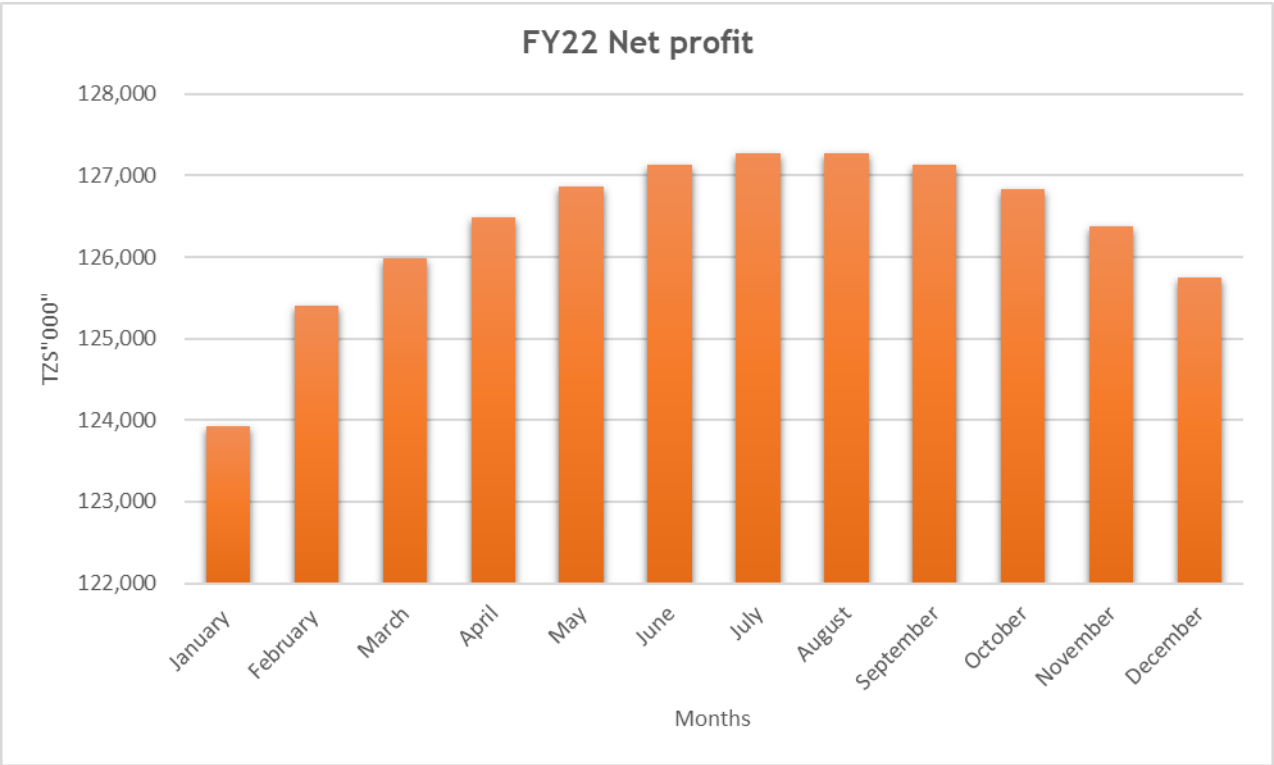
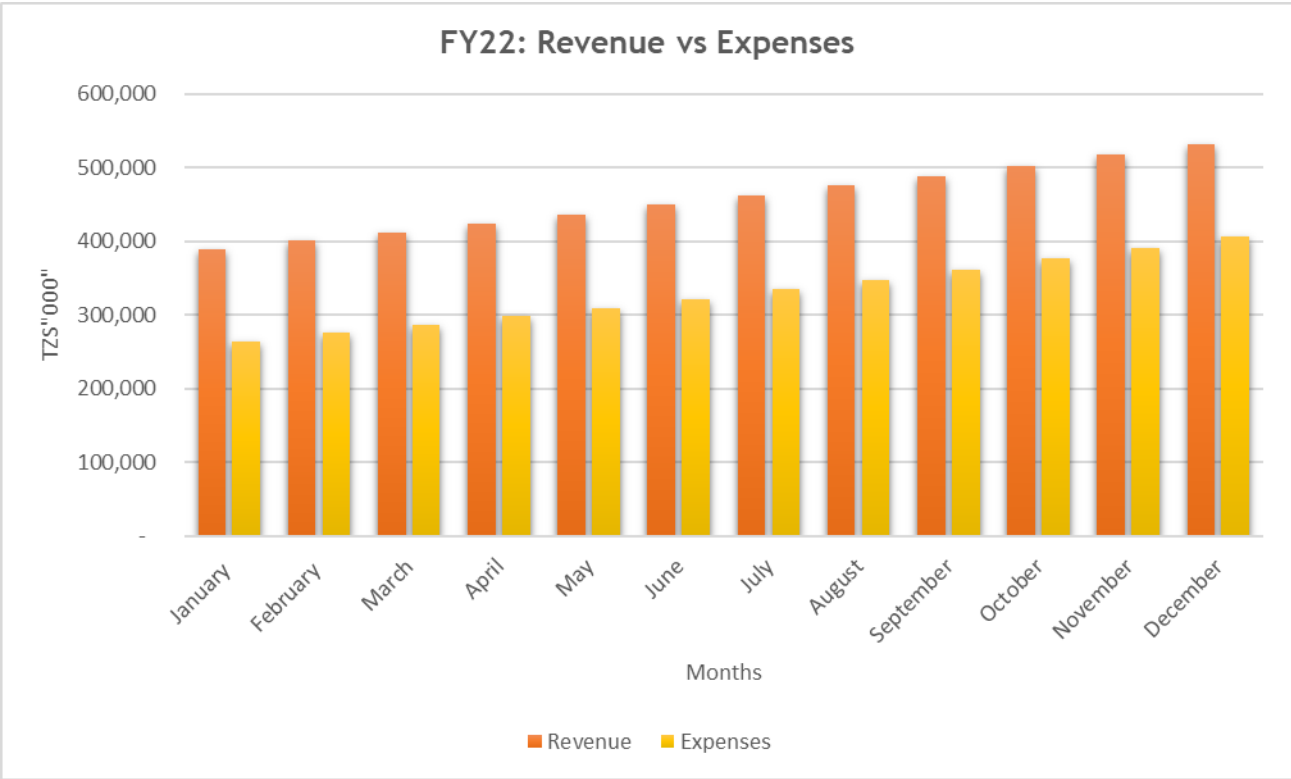
About the forecast

The company expect to have positive operating cashflow in both FY22 and FY23. This has been anchored on very comprehensive cashflow management strategy. This has been the case even in prior years.

Cashflow statement for financial year 2022 has been disaggregated on monthly basis, see details in page 14.

7. FINANCE AND PROJECTIONS (CONTINIUED)

7.2 Revenue and expenses forecast FY22



7. FINANCE AND PROJECTIONS (CONTINIUED)

7.3 Cashflow statement FY22

