

Business Plan of Dazhong Wood Industry Company

1、 Background

In recent years, with the rapid economic development and improvement of people's living standards, Chinese domestic demand for wood continues to grow, which promoted vigorous development of the wood processing industry. By the end of 2016, industrial wood consumption of China was about 601.41 million cubic meters. The proportion of panels, solid floor and wooden furniture is 35.2%.

However, although Chinese wood processing industry has made significant progress, it relies heavily on imports of logs and sawn timber. Chinese domestic wood production is limited, and contradiction between supply and demand has become a constraint on the industrial development. In 2018, total volume of import of timber (logs and sawn timber) has exceeded 110 million cubic meters.

The structure of Chinese forest resources is unreasonable, with too few mature forests and poor quality. The forest coverage rate is far below the global average of 31%. The per capita forest area is only 1/4 of the global average, and the growth rate of wood production is very low.

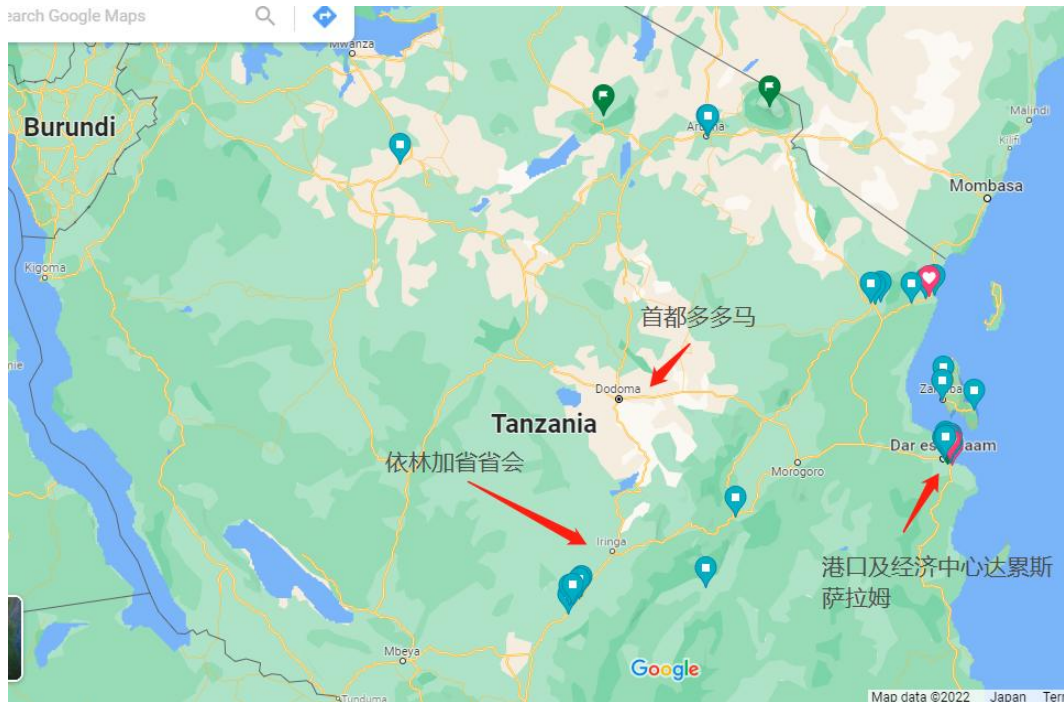
By the end of 2020, the Tanzania covers 886,000 square kilometers, of which the forest area covers 462,100 square kilometers. Percentage of forest coverage is about 51.64%.

On March 24, 2013, the Chinese governments and Tanzanian government signed the Agreement of the Promotion and Mutual Protection of Investments between two countries.

2 Investment Plan for Project

1) Overall positioning of project

The Dazhong Wood factory is located in Mafinga Town, Iringa region, Tanzania. It covers an area of about 50 acres. Iringa is one of the coldest regions in Tanzania. Ruaha National Park, which is one of the largest national parks in Africa, is located in Iringa.



Dazhong Wood will become one of the largest wood processing factories in East Africa after construction completion; annual processing volume is expected to be 500,000 cubic meters, which fill in gap of high-grade plywood, multi-layer boards for furniture, and glued laminated timber in Tanzania.

The introduction of advanced technology and high-tech equipment from China helps Tanzanian wood processing industry to achieve product-upgrade, and make contribution to quality improvement of wood processing; labor training; earning foreign exchange reserve; promotion of Tanzania manufacturing.

2) Product design and category

According to the existing geographical conditions and marketing analysis, the product category related to this project includes: eucalyptus veneer, pine timber, building marine board, and pine glued laminated timber.

Meanwhile, our factory will manage to upgrade the technical-level for wood processing and produce E0-level multi-layer boards for ecological furniture, which is expected to meet demand of the high-end market in the United States and Europe. It will help to build a new image for Tanzanian industrial products.



桉木单板 Eucalyptus veneer



松木木方 Pine timber



Building marine board



Pine glued laminated timber



E0-level Multi-layer boards for ecological furniture



3) Working process of finished products

■ Eucalyptus veneer

1. log saw off

2. skidding and trimming
3. rotary cutting
4. sun-drying
5. selection by grade
6. packaging and warehousing

■ **Pine timber**

- 1) log saw off
- 2) cross cutting into slabs
- 3) multi-blade saw cutting upon specified standards
- 4) dealing with sapwood
- 5) sun-drying
- 6) selection by grade
- 7) packaging and warehousing

■ **Building marine board**

- 1) eucalyptus veneer drying
- 2) eucalyptus veneer tidying up
- 3) eucalyptus veneer gluing
- 4) eucalyptus veneer assembling
- 5) eucalyptus veneer pre-compaction
- 6) eucalyptus veneer hot-compressor
- 7) trimming
- 8) sanding
- 9) testing and classifying
- 10) packaging and warehousing

■ **Pine glued laminated timber**

- 1) plate drying
- 2) plate kiln drying
- 3) plate double-side plane
- 4) multi-blade saw
- 5) slats two-end tenon
- 6) tenon gluing
- 7) slats four-sides plane
- 8) gluing
- 9) assembling
- 10) cold-compressor protection
- 11) polishing
- 12) parallel head-to-head, shoulder-to-shoulder
- 13) sanding
- 14) testing and classifying
- 15) packaging and warehousing

Currently for our project, it is expected to focus on sourcing local logs and

then producing and selling the above-mentioned finished products, meanwhile, screening local suppliers with high-quality materials to carry on our trading activities.

On the premise that this project can be operated and managed smoothly, we are considering making further investment and development into upstream and downstream of supply chain within next three to five years, thus our business will extend to trees plantation and finished furniture production.

4) Plant construction plan

Da Zhong wood industry company will plan to establish a modernized and advanced factory in Tanzania upon industrial park layout and product design, with benchmark to Chinese construction standards.

The factory covers an area of 50 acres, which includes rotary cutting workshop, timber sawing workshop, veneer drying workshop, timber drying kiln, plywood workshop, glue production workshop, pine glued laminated timber workshop, polishing and sanding workshop, sorting and packaging workshop, warehouse, power distribution room, maintenance garage, staff dormitory, office zone. Timber drying kiln is outdoor equipment, which does not need a specific workshop, but needs to build a concrete floor with an area of about 4,000 square meters.



In addition, Dazhong Wood needs to build many infrastructure facilities including water wells、fire extinguisher、security systems、fences、and weighbridges.

List of infrastructure facilities

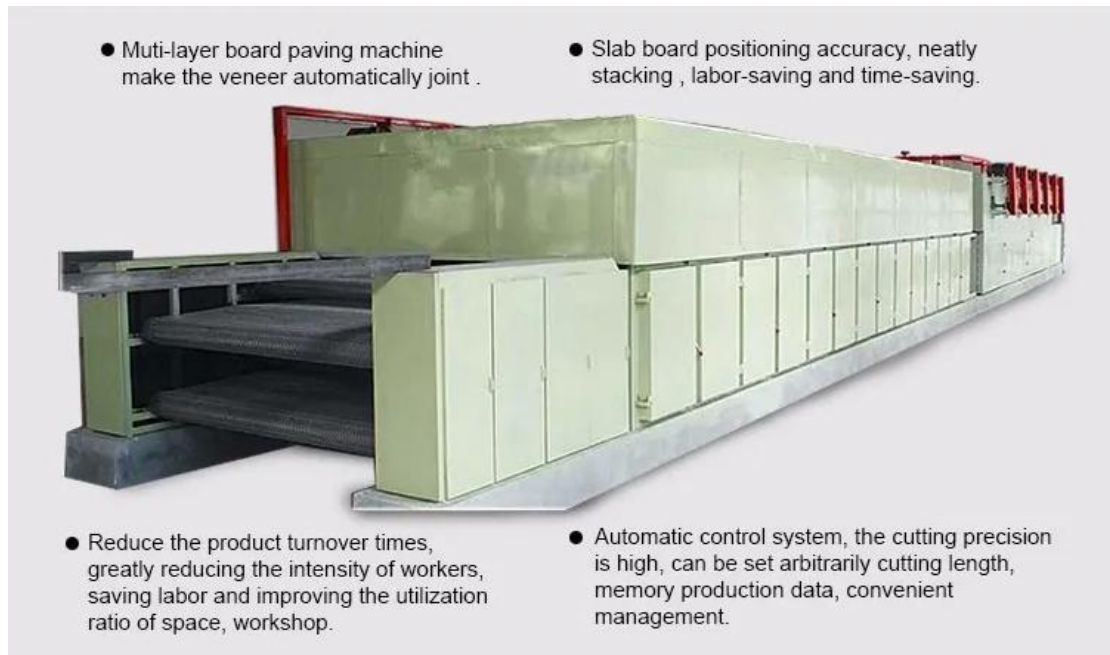
序号	工程名称	Name of facilities
1	土地平整	Land smoothing
2	园区主干道	Industrial park main road
3	电力设备	Electric equipments
4	园区次主干道	Industrial park secondary main road
5	园区支路	Branch road
6	上下水配套	Water well, pipe, tank, pump
7	消防池	Fire pool
8	围墙	Fence
9	加油站	Gas station
10	其它	Other facilities

5) Factory equipment

Dazhong Wood will configure high-end equipment according to Chinese technical requirements and standard. It includes 800T high-grade plywood hot press machine, heavy thickness sanding machine and polishing connection wires, automatic connection trigger, timber drying kiln, series felt-board machine.

Workshop	设备名称	Name of equipment	Quantity
Rotary cutting workshop	旋切机	Rotary peeling machine	10
	干燥机	Drying machine	2
	锅炉	Boiler	1
Plywood workshop	热压机	Hot-compressor machine	7
	冷压机	Cold-compressor machine	7
Timber workshop	立锯	Deep cutting saw	8
	多片锯	Multi-blade saw	2
	修边锯	Trimming Saw	2
	烘干窑	Timber drying kiln	1
Pine glued laminated timber workshop	手推锯	Hand saw	20
	梳齿拼接线	Comb splicing line	2
	连续拼板机	series felt-board machine	2
	空压机	Air compressor	1
planning workshop	定厚抛光线	Thickness polishing wires	2

Vehicle	拖拉机	Tactor	2
	自卸车	Dump truck	1
	叉车	Forklift	4
	抓机	Grappling machine	2
	卡车	Truck	30
	装载机	Loader	2



Multi-layer board paving machine



Drying machine



Timber drying kiln



6) Capacity planning

The Dazhong wood is expected to purchase 160,000 cubic meters of eucalyptus logs and 120,000 cubic meters of pine logs annually, total of 270,000 cubic meters. Annual quantity of eucalyptus veneer for export is expected to be 50,000 cubic meters.

Raw material/Finished product	Quantity (Unit: Cubic meter)
Eucalyptus log	160,000
Pine log	120,000
Eucalyptus veneer (Export)	50,000
Building marine board	15,000
Plywood	30,000
Pine timber	64,000
Pine glued laminated timber	15,000

3、SWOT SWOT Analysis

Wood products that can be produced in Tanzania include: eucalyptus veneer, timber, and building marine board. Currently, there are no factories in Tanzania with same product positioning as the Dazhong wood. Our analysis is as follows:

1) **Strength:**

- The procurement cost of logs in Tanzania is only 30% of that in China.
- Tanzania has sufficient labor resources; local workers' wages is only 20% of that in China.
- Compared with neighboring countries in East Africa, Tanzania has a large number of state-owned forest farms, and the management of forest resources is standardized, which can realize the sustainable exploitation of forest resources.

2) **Weakness**

- There is no manufacturer of wood processing equipment and spare parts in Tanzania, which needs to be imported and is expensive. Once damaged, it is difficult to repair and assemble in time, which result in low production efficiency
- There is no manufacturer of glue and film paper in Tanzania, which needs to be imported, and cost of these raw materials is three times of that in China.
- There is no special training for local workers in Tanzania. Production efficiency in Tanzania is low and only 20-30% of that in China. Quality of the products is relatively poor.
- There is no advanced integrated logistics system in Tanzania, which result in operating cost of logistics and transportation 100% higher than that in China, and inefficiency

3) **opportunity**

- As the most important port city in East Africa, Tanzania has convenient transportation and can extend to markets of North Africa and the Middle East. Market potential is huge.
- As a sub-Saharan African country, Tanzania enjoys special zero-tariff

treatment from the United States and the European Union, while Chinese products are subject to high tariffs

- As one of the most important countries in East Africa, Tanzania has huge market potential with the development of the African economy and the establishment of the African Free Trade Zone.
- In future, Chinese demand for high-quality wood continues to grow, and quantity is huge.

4) **Threat**

Log and timber supply from Russia and South America has a certain impact on the price advantage of that in Tanzania.

PARTICULAR	AMOUNTS TZS
Land and Buildings	18,000,000,000
Plant & Machines	9,242,569,517
Motor Vehicles	1,173,430,483
Furniture & Fixtures	18,010,500
Pre Expenses	
Working Capital	4,800,000,000
TOTAL	33,234,010,500

OTHER OPERATING COST						
Other Operations Cost		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens		645,000	645,400	645,800	646,200	646,600
Salaries and Wages		655,000	720,500	792,550	871,805	958,986
Administrative Overhead Costs		554,000	609,400	670,340	737,374	811,111
Utility Costs		1,950,000	2,145,000	2,359,500	2,595,450	2,854,995
Interest on Loan		846,000	761,400	685,260	616,734	555,061
Communication Exepnses		150,000	165,000	181,500	199,650	219,615
Total Costs		4,800,000	5,046,700	5,334,950	5,667,213	6,046,368

FIXED ASSETS SCHEDULE						
NAME OF ASSETS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		18,000,000,000	17,100,000,000	16,200,000,000	15,300,000,000	14,400,000,000

Plant & Machines		9,242,569,517	7,394,055,614	5,545,541,710	3,697,027,807	1,848,513,903
Motor Vehicle		1,173,430,483	1,159,022,083	1,159,017,083	1,159,012,083	1,159,007,083
Furniture & Fixtures		18,010,500	15,759,188	40,000	35,000	30,000
Total		28,434,010,500	25,668,836,884	22,904,598,793	20,156,074,890	17,407,550,986
Depreciation		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Plant & Machines		1,848,513,903	1,848,513,903	1,848,513,903	1,848,513,903	1,848,513,903
Motor Vehicles		14,408,400	5,000	5,000	5,000	5,000
Furniture & Fixtures		2,251,313	2,251,313	2,251,313	2,251,313	2,251,313
ANNUAL DEPRECIATION		2,765,173,616	2,750,770,216	2,750,770,216	2,750,770,216	2,750,770,216
CLOSING FIXED ASSETS		25,668,836,884	22,918,066,668	20,153,828,577	17,405,304,674	14,656,780,771

PROJECTED INCOME STATEMENT						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS5
Sales Revenue		41,236,275,225	49,483,530,270	59,380,236,324	71,256,283,589	85,507,540,307
Cost of Sales		8,247,255,045	8,247,255,045	8,247,255,045	8,247,255,045	8,247,255,045
Gross Profit		32,989,020,180	41,236,275,225	51,132,981,279	63,009,028,544	77,260,285,262
Operating Expenses						
Administrative Overhead						
Costs		554,000	559,540	565,135	570,787	576,495
Motor Vehicle running		645,000	651,450	657,965	664,544	671,190
Salaries and Wages		655,000	661,550	668,166	674,847	681,596
Depreciation		2,765,173,616	2,792,825,352	2,820,753,606	2,848,961,142	2,877,450,753
Utility Costs		1,950,000	1,969,500	1,989,195	2,009,087	2,029,178
Insurance		710,970,263	718,079,965	725,260,765	732,513,372	739,838,506
Interest on Loan		846,000	854,460	863,005	871,635	880,351

Total Expenses		3,479,594, 878	3,514,390, 827	3,549,534, 735	3,585,030, 083	3,620,880, 384
Profit before Tax		29,509,425 ,302	37,721,884 ,398	47,583,446 ,544	59,423,998 ,461	73,639,404 ,878
Tax (30%)		8,852,827, 590	26,405,319 ,078	33,308,412, 580	41,596,798, 923	51,547,583, 415
Profit After Tax		20,656,597 ,711	11,316,565 ,319	14,275,033 ,963	17,827,199 ,538	22,091,821 ,463

PROJECTED BALANCE SHEET					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	28,434,010,500	25,668,836,884	22,904,598,793	20,156,074,890	17,407,550,986
Long term Assets					
Depreciation	2,765,173,616	2,750,770,216	2,750,770,216	2,750,770,216	2,750,770,216
Total long term assets	25,668,836,884	22,918,066,668	20,153,828,577	17,405,304,674	14,656,780,771
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
Total Current Assets	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Total Assets	25,673,636,884	22,922,866,668	20,158,628,577	17,410,104,674	14,661,580,771
Curent Liabilities					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liablit	70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabi	154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities					
Long term Liabilitie	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000
Total Liabiities	25,668,836,884	22,918,066,668	20,153,828,577	17,405,304,674	14,656,780,771
Net Assets	820,810	877,633	951,268	1,044,516	1,157,656
Captil and Reserves					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
Retained Earning	40,810	97,633	171,268	264,516	377,656
Total Capital	25,673,636,884	22,922,866,668	20,158,628,577	17,410,104,674	14,661,580,771