

FEASIBILITY STUDY FOR

IMPLEMENTATION PROGRAMME

OF

SHANDONG LUQIAO GROUP COMPANY LIMITED
(CONSTRUCTION PROJECT)

PREPARED BY:

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P. O. BOX 32080

DAR ES SALAAM

TABLE OF CONTENTS

	PAGE
1. Introduction.....	2
2. Company's Background.....	2
3. The Company's Objectives	3
4. The importance of the project.....	3
5. Project's Plan/Prospects.....	4
6. Project Promoters (Shareholders)	4
7. Location	5
8. Company's Implementation Schedule	5
9. Capital Investment Cost	6
10. Financial Plan (Source of Funds)	6
11. Project Management	8
12. Competition/Market	8
13. Business Strategy	9
14. Conclusion and Recommendation	9
15. Financial and Economic Analysis	9
16. Sensitivity Analysis	10

1. INTRODUCTION

The feasibility study has been prepared by **SHANDONG LUQIAO GROUP LIMITED** for the implementation of the general construction project.

The study was prepared to show the financial, economic and other resources required for the implementation of this project and also assess its economic and commercial viability for presentation to company's promoters (shareholders) for allocation of funds and machinery as well as equipment to supplement the equity contribution.

2. COMPANY'S BACKGROUND

SHANDONG LUQIAO GROUP COMPANY LIMITED is a private limited liability company incorporated and registered under Companies Ordinance (**Cap 212**) by Registrar of companies on day of **31st** day of **March 2022** with Certificate of Incorporation Number **155696540**

The intended project in its implementation programme is estimated to be **USD\$ 50,000,000** on construction of high quality and Government projects construction of bridges, roads and other facilities; construction on modern residential/ commercial building for individuals, businessmen and companies, whether local or foreign

3. THE COMPANY'S OBJECTIVES

SHANDONG LUQIAO GROUP COMPANY LIMITED was registered with multi activities, among other activities is general construction of buildings, high way, bridges, tunnel, traffic, ports, waterways, railway and urban roads and rail transit projects both local and foreign.

The mission of the intended construct building, bridges, roads project for individuals, private and public, local and Government in its implementation programmed at the high standard quality and modern but also marketing of the project so as to generate the much needed local and foreign earnings.

4. THE IMPORTANCE OF THE PROJECT

The construction the development project will improve the livelihood of Tanzanians due to construction of high quality and modern buildings, roads and bridges. The buildings will be attractive and eye catching. The Project for construction, buildings, road and bridges will facilitate growing of country economy for public and private companies to build offices, shops, banks halls, residential apartments to be lease to businessmen, organizations, companies, banks, corporate entities, individuals or families both local and foreign which will result generating local and foreign currency.

The project will contribute to the Government revenues through taxes and other levies. And stimulate residential/ commercial estate development and promote growth and expansion of private of sector.

Among other economical values the project will foster the growth of residential housing and commercial estate development, alleviation of poverty and improvement of worker's social welfare, Income generation programme. The general construction project will create employment to local people.

5. PROSPECTS/ PLAN

- In its future plan, the company intends to construct more high quality residential & commercial accommodation at affordable rent.
- Real Estate Developments in key locations which give the company the advantage.
- To expand the project for high quality and modern residential/ commercial buildings facilities for renting like serviced furnished apartments, offices, shop malls, flats etc.

6. PROJECT PROMOTERS (SHAREHOLDERS)

The following sponsors are promoting the intended project. These are the Directors and shareholders of SHANDONG LUQIAO GROUP COMPANY LIMITED with their shareholding position.

No	Name of shareholders	No. of shares	Nationality	% shareholding structure
1.	Shandong Hi-speed Road & Bridge Group Co. Ltd	100	Chinese	100

Therefore the authorized capital of the company is RAMB 3,010,000,000 (Renminbi Three Billion Ten Million only) divided into 100 (one hundred) ordinary shares of RAMB 30,100,000 (Renminbi Thirty Million One Hundred Thousand) each.

7. LOCATION

The proposed project will be located in Pangani, at Plot 300 Block 'A', in Tanga Region. Postal Address P. O. Box 32080 Dar-es salaam, Tanzania.

8. COMPANY'S IMPLEMENTATION SCHEDULE

8.1 2022- Preparing feasibility study for the proposed construction on Pangani bridge located Pangani along Dar Tanga highway project in its implementation programme.

- Registration with Tanzania Investment Centre (TIC) i.e. application for the Certificate of Incentives.
- Getting the Certificate of Incentives.

8.2 AUGUST - 2023

- Procuring/ importing the building materials, finishing materials, generators, utility vehicles and other equipment.
- Clearing the project goods from customs control (at the Port and Airport).

8.3 AUGUST 2023 – DECEMBER 2023

- Construction of the Pangani Bridge.
- Procurement and importation of the project goods continues.
- Clearing the goods from customs control (at the Port and Airport).

8.4 JANUARY -2024

- Recruiting staffs – attendants, cleaners, supervisor, manager, guards, accountant, gardeners, drivers
- On job training
- Fully commencement of operation (the commercial/residential housing will be ready for renting tenants/lessee)

9. CAPITAL INVESTMENT COST

Land/Building	USD \$.	1,000,000
Building facilities	USD \$.	1,000,000
Vehicles	USD \$.	1,000,000
Furniture and fittings	USD \$.	1,000,000
Pre-expenses	USD \$.	1,000,000
Working capital	USD \$.	45,000,000
TOTAL	USD \$.	<u>50,000,000</u>

In its implementation programme, the intended Project is estimated

to cost **USD 50,000,000** will be implemented within a period of three years. The project's promoters (shareholders) have already allocated the funds and other resources for the residential/commercial developments and they are waiting for the registration with Tanzania Investment Centre (TIC) and securing Certificate of Incentives.

10. FINANCIAL PLAN (SOURCE OF FUNDS)

SHANDONG LUQIAO GROUP COMPANY LIMITED has allocated funds for the project's implementation programme by its own fund (equity) and local loan.

1. Own fund (Equity)	USD \$.	30,000,000
2. Local Loan	USD \$	<u>0</u>
TOTAL	USD \$	30,000,000

11. PROJECT MANAGEMENT

SHANDONG LUQIAO GROUP COMPANY LIMITED has the head office based in Dar es salaam. The company is run by experienced people in Real Estate business. The company is headed by the Managing Director Mr Yang Tongtao

Board of Directors: - Mr Yang Tongtao and supported by Mr Liu Qing and Zhao Zhongyang who oversee the day to day operation of the company supported by a team of professionals well versed in Real estate Development business.

The bridges and roads project expect to create employment to about **400** to local people. These will include: Manager Supervisor, Accountant, Gardeners, Guards, Drivers, Attendant, Butlers, Secretary, and Cleaners etc.

12 COMPETITION/MARKET

There are bridges and roads construction projects in Tanzania both local and foreign based companies. However, the majority providers are in Dar es Salaam and their services are not reliable and are far below acceptable standards. They also lack, the competent management and staff. The

company will provide the high quality and modern and high international standard services in Tanzania.

13. BUSINESS STRATEGY

The company has set up some business strategies in order to make the project profitable both economically viable and financially viable.

14. FINANCIAL AND ECONOMIC ANALYSIS

14.1 Project Profit and Loss Account

The company envisages generating a profit of **USD 710,000** in the year one. The profit amount is expected to steadily rise to **USD \$ 783,000** in year two, **USD \$ 860,00** in year three and **USD \$ 960,000** from year four.

14.2 Project cash flows

The projected cash flows for the next five years indicate that the company will have enough funds to service/repay the loan and interest payments. Hence the financial obligations will be met in a timely fashion.

15. CONCLUSION AND RECOMMENDATION

The market research undertaken by the projects promoter which revealed extensive market and the financial evaluation of the proposed commercial/residential housing estate project done so far indicates that the project will be profitable both economically and financially viable venture.

The projects promoters are experienced businessmen and have much managerial capabilities in carrying out real estate business. Based on the above factors, it is recommended that the company should be granted the Certificate of Incentives for the implementation of the project

APPENDICES AND ANNEXTURES

SHANDONG LUQIAO GROUP LIMITED
ESTIMATED CAPITAL COST SUMMARY

DESCRIPTION	Amount	US \$
		TOTAL
Land and Building	2,000,000	2,000,000
Plant & Machinery	-	-
Furniture & Fitting	1,000,000	1,000,000
Vehicles	1,000,000	1,000,000
Pre-Operational Expenses	1,000,000	1,000,000
Working Capital	45,000,000	45,000,000
TOTAL INVESTMENT	50,000,000	50,000,000

SHANDONG LUQIAO GROUP LIMITED

PROPOSED FINANCING PLAN

USD

S.No.	ITEMS	AMOUT	TOTAL
1.	Shareholders' Equity	50,000,000	50,000,000
	Total	50,000,000	50,000,000

SHANDONG LUQIAO GROUP LIMITED

DEPRECIATION SCHEDULE

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SN ITEM	Openin g Balance		1	2	3	4	5	6	7	8	9	10
Building and Civil Work	2,000,00 0	5%	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Machinery & Equipment	-		-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	1,000,00 0	12.5 %	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	-	-
Motor Vehicles	1,000,00 0	25 %	250,000	250,000	250,000	250,000	-	-	-	-	-	-
Pre- Operational Expenses	1,000,00 0	20 %	200000	200000	200000	200000	200,000	-	-	-	-	-
Total			675,000	675,000	675,000	675,000	425,000	225,000	225,000	225,000	100,000	100,000

SHANDONG LUQIAO GROUP LIMITED

PROJECTED PROFIT AND LOSS STATEMENT

(USD 000)

ITEM/YEAR	1	2	3	4	5	6	7	8	9	10
Revenue from Operations	11,415	12,557	13,813	15,194	15,194	15,194	15,194	15,194	15,194	15,194
Cost of goods sold	10,705	11,775	12,953	14,248	14,248	14,248	14,248	14,248	14,248	14,248
Gross Profit	710	782	860	946	946	946	946	946	946	946
Operating Profit	710	782	860	946	946	946	946	946	946	946
Less: Depreciation	675	675	675	675	425	225	225	225	100	100
Profit Before Tax	35	107	185	271	521	721	721	721	846	846
Taxable Income	35	107	185	271	521	721	721	721	846	846
Corporation Tax – 30%	11	32	56	81	156	216	216	216	254	254
Net Profit After Tax	24	75	129	190	365	505	505	505	592	592
Revenue Reserves	24	99	228	418	783	1288	1793	2,298	2890	3,482

SHANDONG LUQIAO GROUP LIMITED
PROJECTED CASH FLOWS STATEMENT

(USD '000)

ITEM/YEAR	0	1	2	3	4	5	6	7	8	9	10
INFLOWS											
- Equity	50,000	-	-	-	-	-	-	-	-	-	-
PROFIT BEFORE TAX	-	710	782	860	946	946	946	946	946	946	946
Depreciation	-	675	675	675	675	425	225	225	225	100	100
TOTAL INFLOWS	50,000	1,385	1,457	1,535	1,621	1,371	1,171	1,171	1,171	1,046	1,046
OUTFLOWS											
Investment & Reinvestment	50,000										
Taxation		11	32	56	81	156	216	216	216	254	254
TOTAL OUTFLOW	50,000	11	32	56	81	156	216	216	216	254	254
NET OUTFLOW	-	1374	1,425	1,479	1,540	1,215	955	955	955	792	792
CUMMULATIVE		1374	2,799	4,278	5,818	7,033	7,988	8,943	9,898	10,690	11,482