STRONSPUR LIMITED

BUSINESS PLAN FOR ENTRY INTO TANZANIA:

MANUFACTURING

Represented by

STRONSPUR LIMITED

A Business Plan for Entry in Tanzania

Steel Products Factory Project

PROJECT HIGHLIGHTS

Project name:	Steel products production project
Enterprise:	STRONSPUR LIMITED
Project Site :	Ubungo business park, morogoro road, Dar es Salaam
Total Investment:	USD: 8,431,800
Project Liaison:	Mr. Zhang qi
Tel:	+255 757 036 890

1.1 Summary of the Project

STRONSPUR LIMITED (hereinafter referred to as “STRONSPUR” or “this Company”) was registered in Tanzania in the year 2019 on the 22nd of January. The principal business is mainly the importation and distribution of building material products and home appliances.

Having been imported steel products for almost three years,STRONSPUR has decided to establish steel products factory here in Tanzania and will employ 120 employees. STRONSPUR is dedicated to put the customer at the foremost, with its core business philosophy as the improvement of living standards and living quality of people from emerging countries. Therefore, STRONSPUR has formed a strong team of product research and development providing people from emerging markets with steel products.

1.2 Name of the Project

Project name: Steel Products factory project.

Project liaison: Zhang qi

Investor: STRONSPUR LIMITED

1.3 Project site

WH H8, plot 3, ubungo business park, morogoro road, Dar es Salaam

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1.4 Production Scale and Product Varieties

The construction scale of this project shall be annually 30,600 tons of steel products including nails products; steel pipes product; flat bars; wire mesh; roofing sheet; steel plate; deformed bar etc. It is expected to achieve an estimated output value of USD 27,512,500 yearly after construction.

1.5 Necessity and Feasibility of the Project

1.5.1 Background and Necessity

(1) Africa is experiencing the urbanization which is great need of hardware products. Thus, there is significant potential in the future.

(2) With a population of 64 million, 74% of it is the rural population; Tanzania has a great active demand of outstanding technical staff. After the establishment of the factory, more than 40 local staff will be trained to be technician. The project is geared to empower local workers with skills for the industrial development.

(3) The project will import advanced equipment and technology to accelerate Tanzania Industrialization.

(4) Meeting demands for the expansion of markets in Tanzania, the local manufacture and sales will save transportation time and importation of goods to Tanzania. Raising the turnover efficiency of capital and inventory.

1.5.2 Steady investment environments in Tanzania

Tanzania is stable in politics and has strong ties with major investing and developed countries. Capital investment in Tanzania boasts favorable conditions such as favorable policies, sufficient labor, abundant high quality talents, stable production elements and cheap prices, etc. There will be entitlement to favorable import tariff for imported raw materials, equipment and parts and components for the plant established in the country.

1.5.3 Compliance with the requirement for local economic development

The Government of Tanzania has actively pushed forward open policy over the recent years, and encourages foreign investment dedicated to the development of national economy and improvement of people's living standards. Currently, the living standard is being constantly improved. so steel product will be in greater need. Therefore, this project has a very good marketing prospect.

This project takes the production of high quality steel products as the target, with products adaptable to market requirements and with stronger market competence

1.6 Major construction conditions

1.6.1 Raw materials

Name	Supply	Quality
Wire rods	adequate	high-quality
Zinc (Aluzinc) Coiled sheet	adequate	high-quality
Coiled color sheet	adequate	high-quality
Coilded steel plate	adequate	high-quality
strip steel coil	adequate	high-quality
Steel plate	adequate	high-quality
Coiled reinforced bar	adequate	high-quality

1.6.2 Construction site

WH H8, plot 3, ubungo business park, morogoro road, Dar es Salaam

1.6.3 Power supply

The project at will need at least 1KVA national grid electricity to sustain production line.

1.6.4Water supply

With regards to the ubungo business park project site, DAWASCO water is to be used for the plant, with quality and quantity of water capable of meeting the requirements of this project for production and living or firefighting. Water consumption of the production line will be approximately 1 tons per day.

1.6.5Seismic intensity

The project is located in the eastern side of Tanzania. There is seldom earthquake.

1.6.6Weather information

Climate and Temperature

The project features natural tropical climate with average temperature. According to the records over the past five years, the average temperatures are 25.6 degrees centigrade.

Rainfall:

The average annual rainfall is 1100mm, with plentiful rainfall and surface water. Raining season is from April to September. Dry season is from October to next March. The most rainfall is from March to June. The temperature is hot and thunder day is about 31 to 49 days.

1.6.7Regional Environmental Status

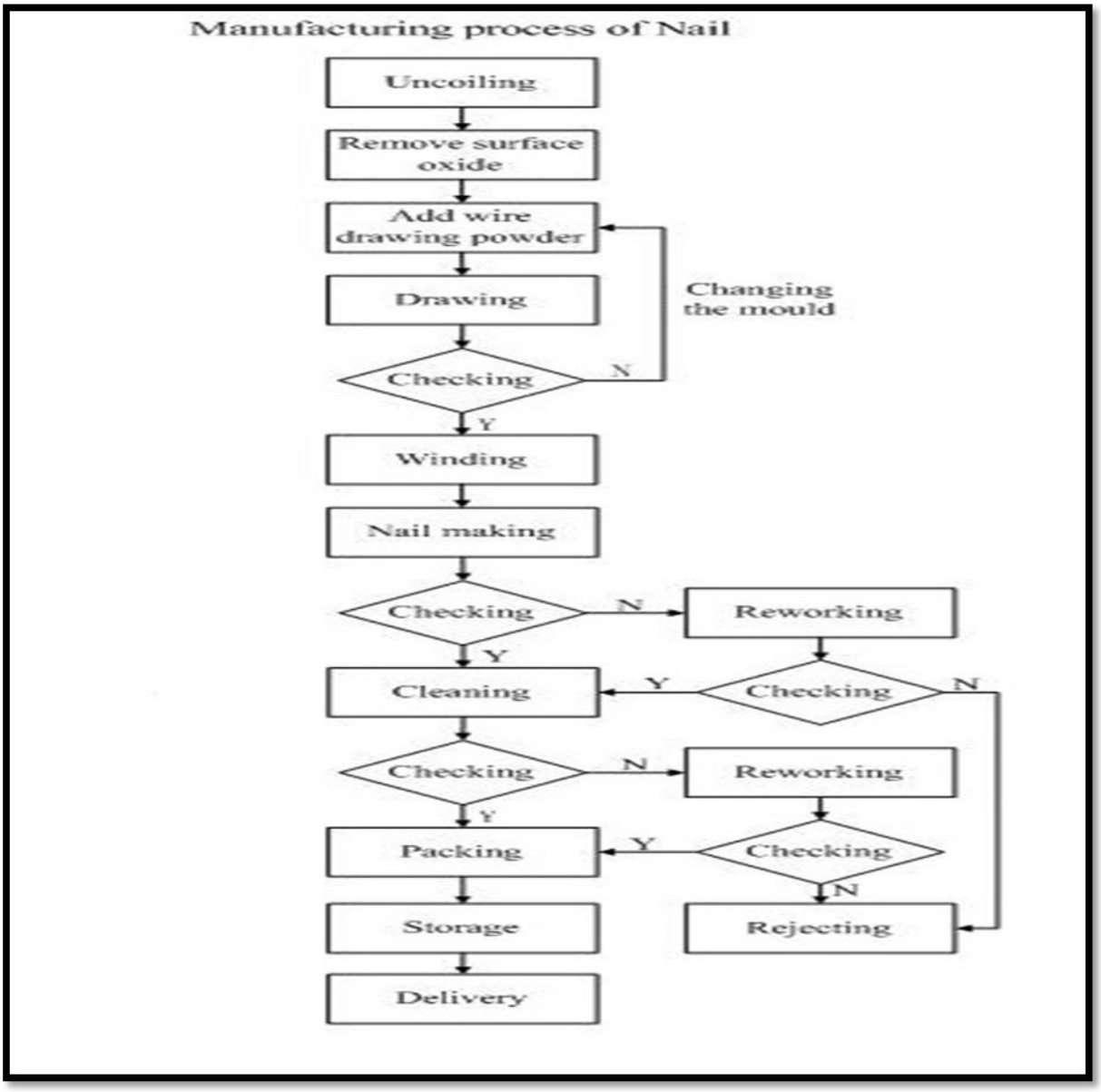
Around the plant sites for this project, with greater capacity for land in industrial zone, air and water environment, it is allowed to build Tanzania Plant. Moreover, because it is a steel processing factory, so there is very less waste generated. And the factory will actively compliant with the set environmental standards.

1.7 Key Technical Production Process

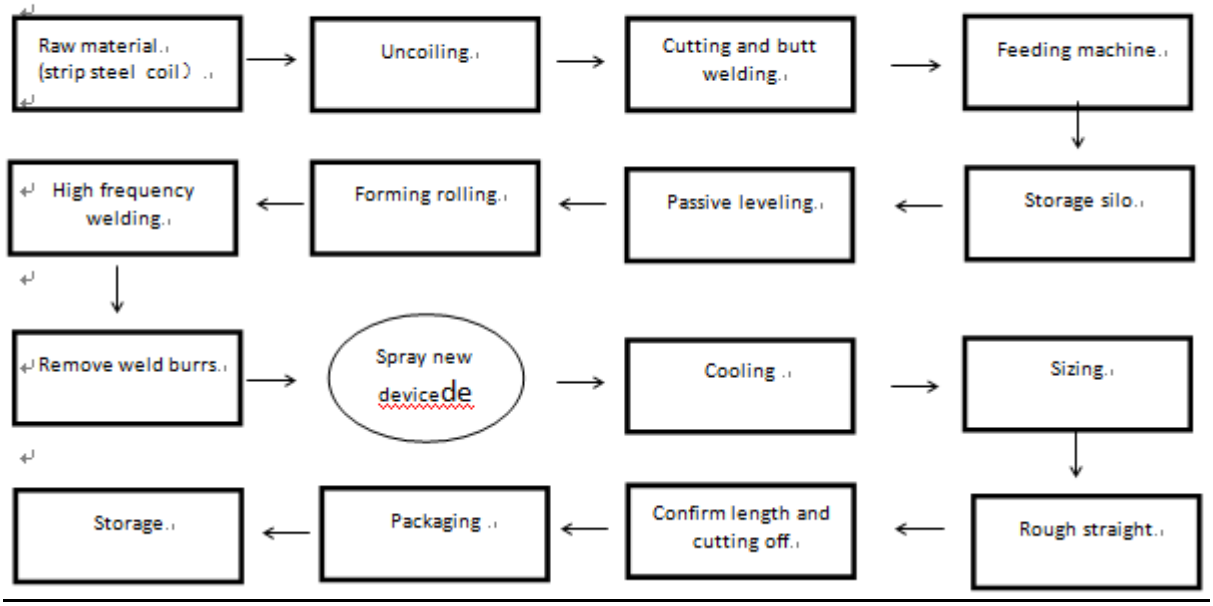
1.7.1 Brief Summary of the Production Process

This project applies the existing mature production technical solution to make nails.

Process flow of nails

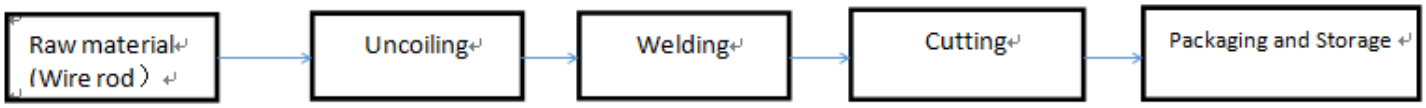


Manufacturing process of Steel Pipes

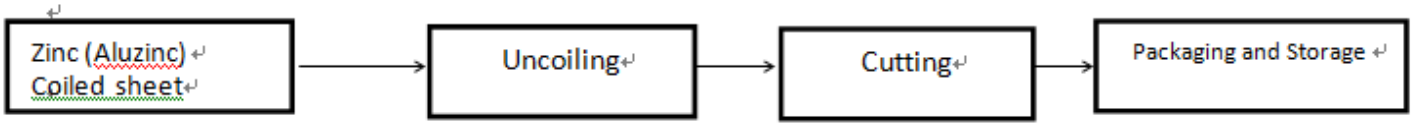


Manufacturing process of Flat bars

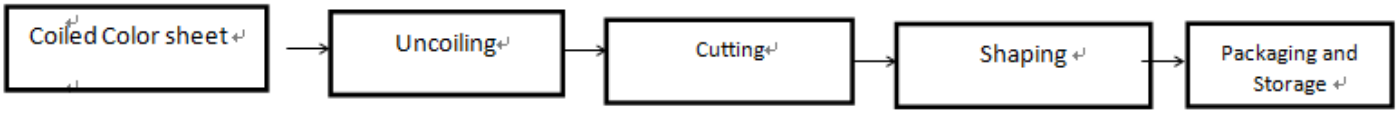
Manufacturing process of Wire mesh



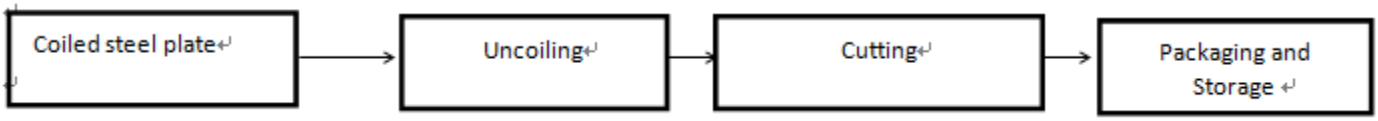
Manufacturing process of Zinc (Aluzinc) Sheet



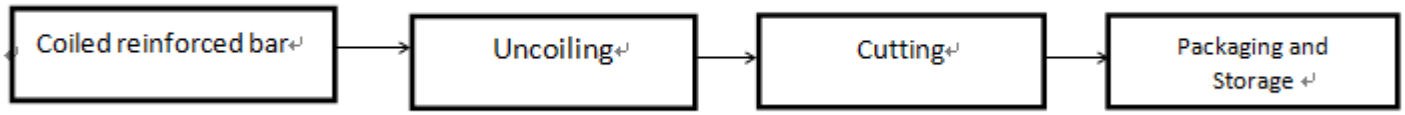
Manufacturing process of Color roofing sheet



Manufacturing process of Steel Plate

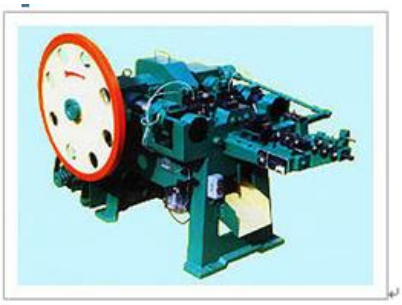


Manufacturing process of deformed Bar



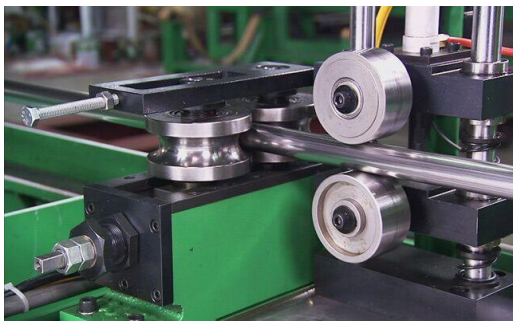
1.7.3 Comparison of major equipment

1.7.3.1 Nails machinery



1.7.3.2 Roofing sheet machinery

1.7.3.3 Steel pipes machinery



1.7.3.4 Flat bar machinery

1.7.3.5 Wire mesh machinery

1.7.3.6 Deformed bar machinery

1.7.3.7Steel plate machinery

1.7.4 Layout of production lines

1.7.4.1 Principles for the layout of production lines

The production areas, living quarters, drinking water sources and domestic sewage discharge points, residue stack yards, wastewater disposal sites and various rooms for health protection and auxiliary rooms and other land for works for this project comply with TJ36-79 Designed Hygiene Standards for Industrial Enterprises and the requirements for local construction planning.

(1) The production area is chosen at the land section with low concentration of air pollution and with good diffusion conditions, and is located on the upwind side of minimum frequency wind direction in a year adjacent to the neighboring workshop.

(2) The general plane layout of the production area is reasonably made based on process flows and production features of different workshops, categories of toxin of hazardous matters, features of hazardous factors and in the light of landforms, wind direction and other conditions according to production nature and contact of different workshops.

(3) It is required to lay out workshops separately by classification of workshops with louder noise and workshops with lower noise. The primary noise sources should be arranged at brims of the plant far away from front areas and living quarters.

1.7.4.2 Layout of production lines

The advanced properties of this project mainly lie in the layout of production lines. Material storage areas apply stock bins covered by sheds for the storage of raw materials so as to reduce pollution to environments arising from flying dust due to air flow, and there is a large scale of storage, which will benefit the stability of products;

The straight-line layout mode is chosen for the process layout on production lines.

1.7.4.3 Advantages in this production line

In the process of preparing this plan, the advanced property and operability is regarded as an important principle, which will be implemented to the end. With the optimized application of energy, repeated application of industrial water and comprehensive utilization of solid wastes taking the lead, it is required to analyze the current advanced steel production process and equipment, so this production line plan has been finalized.

1.7.4.4 Process

(1) Process flows are designed based on the functions of producing steel production. Process parameters are finalized on the basis of referencing the advanced production parameters in the current steel industry. The principle for determining process parameters is the maximization of the connection between different processes and performance-price ratios of equipment. The large scale and advanced property of equipment is the advantage of this model selection, and can save land, energy and mineral resources, and reduce pollution and waste caused by a small scale due to environments.

(2) It is required to perform reasonable adjustment to formulas, and part of inferior raw materials are used as blanks for the production of steel, which do not only affect the quality of products, but also save a great number of top quality recycled resources to achieve sustainable development of enterprises.

(3) Reasonable plant layout: In the case where land length is permitted, the entire line is laid out in a straight-line manner, which can save land resources; spray tower can be subject to sound insulation. In the production area, sound insulation walls are built to achieve the reduction of noise in the production areas; on both sides outside workshops and at the boundary of the plant, it is required to plant 3-4 meters of sound insulation landscaping belts to effectively reduce noise. All production wastewater is all used for production after processed by the wastewater treatment center (except water supply for dosing) for recycling.

1.7.4.5 Disposal of wastes

Wastes include: solid wastes, liquid waste,

Most of solid wastes of steel processing factory are metals which could be totally recycled or sold to other plants

Most of liquid wastes out of the production process of processing steel could be recycled use or for cleaning

Therefore, based on the 3R principle, all wastes are recycled and reused on the basis of zero emission.

1.7.5 Conclusion

This project regards the advanced technologies and equipment and their operability as important guidelines to be implemented from beginning to the end. Guided by optimized application of energy, recycling of industrial wastewater and integrated utilization of solid wastes, advanced steel production process and equipment is used to fix process and technical solution.

1.8 Organization and labor staffing

The organization structure shall be the General Manager Accountability system led by the Board of Directors, and the general manager shall be totally responsible for the production and operation of the Company.

The total staffing for the plant will be 120 employees

1.9 Estimation of total investment in the project

The total investment in the works will be USD 8,431,800, including USD 3,741,500 fixed assets investment and USD 4,690,300 in current assets investment.

Table 1: Constitution of fixed assets investment

Project name	Total	Construction works	Equipment purchase	Land
Amount (expressed in US$ '000)	**3,741.5**	**2,701.5**	**881.9**	**158.1**
(%)		**72**	**24**	**4**

1.10 Capital financing

The total investment in this project shall be USD 8,431,800. The Initial capital of USD 8,431,800shall be

provided by the shareholders as shareholders' equity.

1.11 Project implementation progress

Based on overall deployment and arrange of the Company, and by referring to the actual operation of domestic similar works, it is recommended that this project be put into operation within 12 months.

Table 2: Project Implementation Plan [12 Months Plan]

Events	Construction phase											
	Mon 1st	Mon 2nd	Mon 3rd	Mon 4th	Mon 5th	Mon 6th	Mon 7th	Mon 8th	Mon 9th	Mon 10th	Mon 11th	Mon 12th
Plant drawing planning	▲	▲										
Equipment survey			▲	▲								
Civil works tender, construction permit procedures and environmental protection assessment				▲	▲	▲						
Civil works construction							▲	▲	▲			
Equipment shipping								▲	▲			
Equipment commissioning test and installation									▲	▲	▲	
Plant personnel recruitment and training									▲	▲		
Trial production										▲	▲	
Formal operation and quality test											▲	▲

1.12 Summary of key technical and economic indicators of the project

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Table 3: Key Technical Indicators

No.	ITME		Unit	Quantity
1	Product	Nail	Ton/ a	5,400
		Roofing sheet	Ton/a	16,200
		Hollow section	Ton/a	3,000
		MS plate	Ton/a	6,000
2	Investment	Fixed assets	US$ '000	3,741.5
3		Current assets	US$ '000	4,690.3
4		Total invest	US$ '000	8,431.8
5	Staff	Production	person	48
7		Total	person	120
10	Raw material fuel	Raw material	t/a	31,200
12		Power	KWH/a	3,060,000

Table 4: Economic Indicators

NO.	Indicators	Unit	Value
1	Financial Internal Rate of Return(FIRR) on Project (before tax)	%	73.49
2	Financial Internal Rate of Return(FIRR) on Project (after tax)	%	53.50
3	Financial Net Present Value from Project Investment (Before tax,ic=10%)	000 USD	27,554.1
4	Financial Net Present Value from Project Investment (after tax,ic=10%)	000 USD	18,314.1
5	Investment Recovery Duration (before tax)	Year	1.36
6	Investment Recovery Duration (after tax)	Year	1.85
7	Return on Total Capital	%	65.39
8	Return on Project Investment	%	45.77
9	Return on Net Assets	%	45.77

1.13 Financials

(Please see the detailed breakdown attached- **Annex 3**)

Working Capital: It is planned that all initial operation and capital expenses will be provided by Shareholders equity. Initial capital injection is estimated at USD 8,431,800 for project start up in 2017.

Estimated Capital expenditure ('000 USD) during the construction phase:

- Production equipments&Vehicles 881.9
- Constuction of Building 2,701.5
- Land 158.1
- Working Capital 4,690.3
- Total 8,431.8

Direct STRONSPUR Steel expenditure is estimated at USD 8,431,800 .
(Please see the detailed breakdown attached- **Annex 4**)

Operational areas: (Please see the detailed duly executed Lease Agreement attached- **Annexure 5**)

1.14 Conclusion and Summary of the Business Plan

(1) This project has very ideal factory building conditions. There is good traffic and transportation conditions, guaranteed water and power supply for the plant. The construction site can meet the requirements for the plant to be built. The company initiating this project has advantages in technology, management and funds, which lay a foundation for the successful implementation of the project.

(2) The design plan recommended by this report is based on the achievement of economic benefits for the enterprise. Under the precondition of guaranteed reliable production, it is required to use technically mature equipment made in technologically developed countries to further reduce costs and to increase economic benefits.

(3) The total estimated investment in the construction of this project will be USD 8,431,800

Attachments:

Annex 1 – Staff List for construction phase
Annex 2 – Organization Structure – STRONSPUR Steel phase

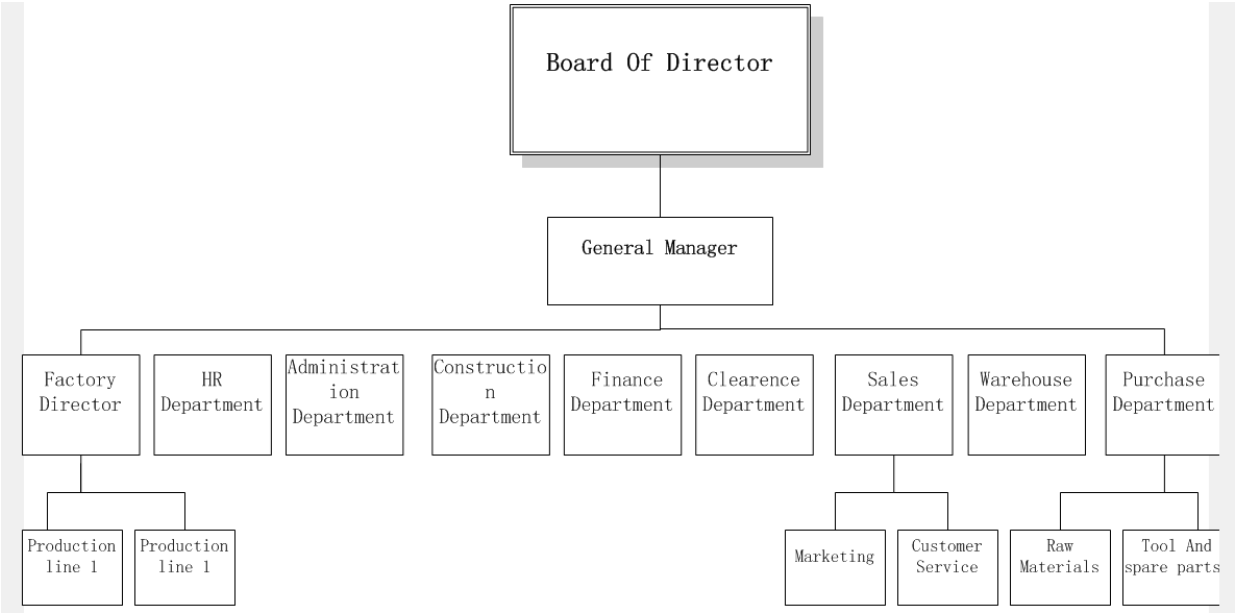
Annex 3 – Estimated Investment on Assets

Annex 4 – Expense Table
Annex 5 – The Lease Agreement
Annex 6 – Financials (Profit and Loss, Balance Sheet, Cash flow)
Annex7 – Depreciation statement
Annex8 – Schedule of pay-back on investment

Annex 1 – Staff List for construction phase

Department	staff list	
	Chinese	Tanzanian
GM office	1	2
Production workshop	3	40
Financial Department	2	4
HR department	1	3
Sales department	2	5
Purchase department	1	4
Warehouse department	1	40
Administration department	1	4
Maintenance department	1	5
TOTAL	13	107

Annex 2 – Organization Structure – STRONSPUR Steel



Annex 3 – Estimated Investment on Assets (during Construction phase)

	Estimated Investment on Assets	Unit：'000 USD
		Rate:1
Items	**project/charges**	**Subtotal**
1	**Equipments for production line**	**881.9**
1.1	Equipments of production	**870.3**
1.1.1	Transportation equipments	
1.1.2	Maintenance equipment	
1.1.3	**Fixing fees**	11.6
2	**Infrastrcture Investment**	**2,701.5**
2.1	**Contruciton of workshop**	**1,865.2**
2.2	**Electricity equipment**	**211.7**
2.3	**Steel structure**	**610.0**
2.4	**Public infrasture**	**14.5**
3	**Land fees**	**158.1**
4	**Total of Construction Investment**	**3,741.5**

Annex 4.A – Expense Table (start-up costs During construction phase 1 year)

NO.	Name of expense	Amount (US $)
1	Wage	18900
2	bonus	11780
3	Staff Training Costs	13712
4	welfare	1368
5	Administrative Expenses	5340
6	Vehicle Fee	3417.6
7	Shipping Fee	5340
8	Rental Fees	1780
9	Telecommunications Charges	391.6
10	Labor Protection Fee	890
11	Security Costs	1780
12	Water And Electricity Charges	213.6
13	Property Insurance	462.8
14	travel	3204
15	Other Fee	320.4
	Total	68,900

Annex 4B – Expense Table (During Production phase First year to fourth year)

Expense Table （During Production First year to fourth year） (Currency USD x 1000)					
NO.	Name of expense	First year	Second year	Third year	Fourth year
1	Wage	227.828	229.845	233.07	243.958
2	Bonus	32.547	32.835	33.296	33.296
3	Social security charges	26.037	26.268	26.637	26.637
4	Staff training costs	13.019	13.134	13.318	13.318
5	Welfare	9.764	9.851	9.989	9.989
6	Administrative expenses	97.641	98.505	99.888	99.888
7	Depreciation of fixed assets	33.618	33.915	34.391	34.391
8	Marketing expenses	39.056	39.402	39.955	39.955
9	Vehicle fee	13.019	13.134	13.318	13.318
10	Shipping fee	13.019	13.134	13.318	13.318
11	Rental fees	3.254	3.283	3.329	3.329
12	Telecommunications charges	6.51	6.568	6.66	6.66
13	Labor protection fee	13.019	13.134	13.318	13.318
14	Security costs	31.194	31.47	31.911	31.911
15	Water and electricity charges	7.812	7.881	7.991	7.991
16	Maintenance costs	43.664	44.051	44.669	44.669
17	Property insurance	13.019	13.134	13.318	13.318
18	Warehousing tools and material costs	0.651	0.657	0.666	0.666
19	Travel	26.269	26.502	26.874	26.874
	Total	650.94	656.703	665.916	676.804

Annex 6 – Financials (Profit and Loss, Balance Sheet, Cash flow)

6.A Profit and Loss

Unit: '000 USD

Items	Description	Production Phase			
	Year	1	2	3	4
1	Operating Income	27,512.5	27,512.5	27,512.5	27,512.5
2	Operating Cost	21,850.5	21,850.5	21,850.5	21,850.5
3	Gross Profit	5,661.9	5,661.9	5,661.9	5,661.9
4	administrative expense	145.2	145.2	145.2	145.2
5	Sales Cost	2.9	2.9	2.9	2.9
6	Financial Cost				
7	Total profit	5,513.8	5,513.8	5,513.8	5,513.8
8	Income Tax	1,654.1	1,654.1	1,654.1	1,654.1
9	Net Profit	**3,859.7**	**3,859.7**	**3,859.7**	**3,859.7**
10	Accumulated and Undistributed Profit	3,859.7	7,719.3	11,579.0	15,438.6
11	Profit (before tax)	5,513.8	5,513.8	5,513.8	5,513.8

6.B Blance Sheet

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	**Assets**	**8,431.8**	**12,291.4**	**16,065.9**	**19,840.3**	**23,614.8**
1.1	Total Current Assets		4,563.3	9,041.3	13,519.3	17,997.4
1.1.1	Cash and Cash Equivalents		2,478.0	6,956.1	11,434.1	15,912.2
1.1.2	Account Rceivable		2,000.0	2,000.0	2,000.0	2,000.0
1.1.3	Account Prepayable					
1.1.4	Inventory		85.2	85.2	85.2	85.2
1.2	Construction in-progress					
1.3	Net value of Fixed assets	8,273.7	7,570.1	6,866.4	6,162.8	5,459.2
1.4	Net value of Intangible assets and others	158.1	158.1	158.1	158.1	158.1
2	**Liability and Equity**	**8,431.8**	**12,291.4**	**16,151.1**	**20,010.7**	**23,870.4**
2.1	Current liability	-	-	-	-	-
2.1.1	Short-term loan	-				
2.1.2	Account Payable	-	-	-	-	-
2.1.3	Account Prereceiveable					
2.2	Construction Loan					
2.3	Floating capital loan	-				
2.4	Subtotal of liability					
2.5	Equity and Reserves	8,431.8	12,291.4	16,151.1	20,010.7	23,870.4
2.5.1	Reserves	-	-	-	-	-
2.5.2	Capital	8,431.8	8,431.8	8,431.8	8,431.8	8,431.8
2.5.3	Retained Earnings	-	3,859.7	7,719.3	11,579.0	15,438.6

6.C Cash Flow Statement

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	**Cash flows from operating activities**	**-**	**2,478.0**	**4,478.0**	**4,478.0**	**4,478.0**
1.1	Cash inflow subtotal	-	30,464.7	32,464.7	32,464.7	32,464.7
1.1.1	Cash from sales	-	25,512.5	27,512.5	27,512.5	27,512.5
1.1.2	VAT-output	-	4,952.2	4,952.2	4,952.2	4,952.2
1.2	Cash outflow subtotal	-	27,986.7	27,986.7	27,986.7	27,986.7
1.2.1	Cash outflow on operating	-	21,295.1	21,295.1	21,295.1	21,295.1
1.2.2	VAT-input	-	3,784.0	3,784.0	3,784.0	3,784.0
	Cash paid for raw materials		85.2	85.2	85.2	85.2
1.2.3	VAT tax paid	-	1,168.3	1,168.3	1,168.3	1,168.3
1.2.4	Corporate tax paid	-	1,654.1	1,654.1	1,654.1	1,654.1
2	**Cash flows from investment activities**	**-8,431.8**	**-**	**-**	**-**	**-**
2.1	Cash inflow subtotal					
2.2	Cash outflow subtotal	**8,431.8**	-			
2.2.1	Cash paid on construction	3,741.5	-			
2.2.2	Cash paid on investment	4,690,3	-			
2.2.3	Interests on construction					
3	**Cash flows from financing activities**	**8,431.8**				
3.1	Cash inflow subtotal	**8,431.8**	-			
3.1.1	Capital	**8,431.8**				
3.1.2	Construction loan					
3.1.3	Floating capital loan					
3.1.4	Reserves					
3.2	Cash outflow subtotal	-				

3.2.1	Interests payment	-				
3.2.2	Cash paid for loan&dividend	-				
4	**Cash and cash equivalents**		**2,478.0**	**4,478.0**	**4,478.0**	**4,478.0**
5	**Accumulated Cash and Cash Equivalents**		**2,478.0**	**6,956.1**	**11,434.1**	**15,912.2**
6	**Opening balance**			**2,478.0**	**6,956.1**	**11,434.1**
7	**Closing balance**		**2,478.0**	**6,956.1**	**11,434.1**	**15,912.2**

Annex 7 –Depreciation statement

Unit: '000 USD

Item	Description	Value	depreciation rate(scrap value rate 10%)	Construction phase	Production Phase	Production Phase	Production Phase	Production Phase
1					1	2	3	4
1.1	Plant							
	Value	2,475.2	0.05	2,475.2	2,475.2	2,475.2	2,475.2	2,475.2
	Depreciation cost	1,237.6			123.8	123.8	123.8	123.8
	Net value	1,237.6		2,475.2	2,351.4	2,227.7	2,103.9	1,980.2
1.2	Equipment							
	Value	5,798.4	0.09	5,798.4	5,798.4	5,798.4	5,798.4	5,798.4
	Depreciation cost	5,798.4		579.8	579.8	579.8	579.8	579.8
	Net value			5,798.4	5,218.6	4,638.8	4,058.9	3,479.1
1.3	Land cost							
	Value	158.1	0.00	158.1	158.1	158.1	158.1	158.1
	Depreciation cost							
	Net value	158.1		158.1	158.1	158.1	158.1	158.1
2	total							
	Value	8,431.8			8,431.8	8,431.8	8,431.8	8,431.8
	Depreciation cost	7,036.1			703.6	703.6	703.6	703.6
	Net value	1,395.7			7,728.2	7,024.6	6,321.0	5,617.4

Annex8 - Schedule of pay-back on investment

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	**Cash inflow subtotal**	**-**	**27,512.5**	**27,512.5**	**27,512.5**	**27,512.5**
1.1	Cash from sales	-	**27,512.5**	**27,512.5**	**27,512.5**	**27,512.5**
1.2	Disposal of fixed assets					
1.3	Getting-back cash and Cash Equivalents					
2	**Cash outflow subtotal**	**8,431.8**	**21,295.1**	**21,295.1**	**21,295.1**	**21,295.1**
2.1	Cash paid on construction	3,741.5		-	-	-
2.2	Cash paid on working capital	4,690.3		-	-	-
2.3	Cash outflow on operating		21,295.1	21,295.1	21,295.1	21,295.1
3	**Net cash flow before tax**	**-8,431.8**	**6,217.4**	**6,217.4**	**6,217.4**	**6,217.4**
4	Accumulated net cash flow before tax	-8,431.8	-2,214.4	4,003.0	10,220.4	16,437.8
5	Corporate tax		1,654.1	1,654.1	1,654.1	1,654.1
6	**Net cash flow after tax**	**-8,431.8**	**4,563.3**	**4,563.3**	**4,563.3**	**4,563.3**
7	**Accumulated net cash flow after tax**	**-8,431.8**	**-3,868.5**	**694.7**	**5,258.0**	**9,821.2**