

ZHENKUN INVESTMENT COMPANY LIMITED

BUSINESS PLAN

FOR

TANZANIA INVESTMENT COMPANY LIMITED

SEPTEMBER 2023

**EXTRACT FROM MEETING OF THE BOARD OF
DIRECTORS AND SHAREHOLDERS OF
ZHENKUN INVESTMENT COMPANY LIMITED**

PLOT NO 21, ZEGERENI INDUSTRIAL AREA, KIBAHA,

P.O. Box 7321, TEL:+255 762 020 058

ZHENKUN INVESTMENT COMPANY LIMITED CONVENED AND CONSTITUTED MEETING OF THE BOARD OF DIRECTORS OF ZHENKUN INVESTMENT COMPANY LIMITED AT PLOT No.49,BUGURUNI,ILALA,DAR ES SALAAM, TANZANIA ON 15TH OF AUGUST 2023,THE FOLLOWING RESOLUTIONS WERE PASSED:

1. THAT US\$ 500,000 BE ALLOCATED TO CONSTRUCT BUILDINGS AND ESTABLISH ASSEMBLING LINES FOR MANUFACTURING OF ELECTRONIC GOODS
2. BOARD OF DIRECTORS FURTHER RESOLVED TO INVEST ADDITIONAL CAPITAL USD 3,000,000 APART FROM INITIAL USD 500,000/=
3. TIC CERTIFICATE TO BE RENEWED FOR INVESTMENT AMOUNT.

CERIFIED TRUE EXTRACT

(By order of the Board)


CHAIRMAN


SECRETARY

COMPANY : ZHENKUN INVESTMENT COMPANY LIMITED

LOCATION: PLOT NO 21, ZEGERENI INDUSTRIAL AREA, KIBAHA.

CONTACTS: P.O.BOX NO 7321, MOIBLE NO: TEL:+ 255 762 020 058

OBJECTIVE: TO CONSTRUCT MORE WEARHOUSE/BUILDINGS AT FACTORY FOR STORGAE OF RAW AND FINISHED GOODS

FINANCING: INITIAL INVESTMENT EQUITY OF USD 500,000/= BY SHAREHOLDERS AND TO INVEST FURTHER USD 3,000,000/= BY WAY OF LOAN FROM BANKS AND SHAREHOLDERS FUNDS.

BENEFITS: AVAILABILITY ELECTR1NIC GOODS, HOME APPLIANCES IN THE COUNTRY AT AN AFFORDABLE RATES, TECHNOLOGY TRANSFER AND TRAINING TO TANZANICAN CITIZENS, JOBS CREATION, REVENUE TO LOCAL BODIES AND GOVERNMENT BY WAY TAXES.

IMPLEMENTATION PERIOD: FIVE YEARS

1.0. EXECUTIVE SUMMARY.

ZHENKUN INVESTMENT COPANY LIMITED is registered in Tanzania under Companies Act 2002 with Certificate of Incorporation No.120580 issued on 28th September 2015. The directors are now well prepared to venture into assembling of electronic goods.

The business plan has been prepared for ZHENKUN INVESTMENT COPANY LIMITED for construction of wherhouses and establishment of electronics assembling plant. The implementation of this project will include the following activities:

Registration of project to TIC

Obtaining various permit and license

Renovation and extension of industrial building

Ordering machines

Recruiting

Purchasing of machines and equipment

Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 3,000,000. The project is sponsored by shareholder's equity US\$ 500,000 and the remaining will be loans from banks and financial institutions.

1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 3 shareholders, namely:-

| NAME | ADDRESS | NATIONALITY | % OF SHARE |
|--------------------------|-----------------------------------|-------------|------------|
| Deng Jiayou | P.O Box 7321, DAR ES SALAAM | Chinese | 65 |
| Rajendra Prasad Suyal | P.O Box 7321, DAR ES SALAAM | Indian | 30 |
| Murad Said Salim | P.O Box 7321, DAR ES SALAAM | Tanzanian | 5 |

1.2 LOCATION.

The project head office is located at Plot No. 21, Zegereni Industrial area, Kibaha.

1.3 OBJECTIVE OF STUDY

The main objective of this document is to obtain permission/consent letter from TIC to obtain loan of usd 3,000,000/- from banks for construction of wherhouses for factory and storage facility.

2.0 MARKET POTENTIAL

Tanzania is importing Home appliances like gas cookers, electric fans, Led TVs, kettles, blenders etc., from Asia continent, since there is no any industry manufacturing or assembling line locally. Tanzania's production technology is not yet advanced even though there are some companies who have invested in repairing and many of them they have invested in importation of complete electrical fans. Asian countries are biggest exporter of home appliances in Tanzania. The internal markets for home appliances is growing due to increased urban migration and increased purchasing power of citizens of Tanzania.

There is huge increase in industrial and domestic construction activity, this naturally leads to requirement of more home appliances.

2.1 PRODUCTS

The main process of this project is:

Importing electronic and electrical components from Asian countries and assembling of home appliances like, Electrical fans, Gas Cookers, Kettles, Subwoofers, electrical bulbs, LED TVs, etc.,

2.2 MARKETS

Products are for the local markets. As mentioned above, the promoters are well versed in the business with well-established market contacts.

2.3 SUPPLY POSITION

Apparently, there is no assembling plant in Tanzania, home appliances are imported as finished products due to poor technology available domestically, the rapid growth of the country has convinced the company to set up assembling plant in Tanzania, the company will be of assembling the high quality using state of the art technology to be employed will enable the company produce very high quality products.

2.4 COMPETITION

Due to the limited and insufficient supply as aforementioned products at a competitive price as the company is assembling the products locally, no stiff competition is foreseen. However the company is expecting to face competition from imported products.

2.5 PROMOTION

The company already recruited well experienced sales and marketing staff, who are working well and trying to meet market requirement. As well the company is doing all types electronic mode of advertisement like TV ads, Radio promotions, exhibitions etc.,

2.6 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed.

The growing demand for quality products and cheap gives assurance of a steady market.

2.7 QUALITY CONTROL SYSTEM

The required quality control system is in place, products produced maintain the same standard supported by 13 months' warranty on all products.

2.8 ENVIRONMENT PROTECTION:

The company intends to make environment friendly, the company will save the country's environment in particular and global environment in general.

2.9 PROJECT INVESTMENT

The estimated investment cost of the project is US\$1,200,000/=

Detailed requirement of Proposed Project Cost

USD

| | |
|--|-------------------------|
| Construciton of Warehouses 6 Units + Misc Construction | 3,000,000,000.00 |
| | |
| | |
| Total Project Cost | 3,000,000,000.00 |

Land and Buildings Construciton Cost

| Property Description | Area In (GEA Basis) m2 | Cost in USD | |
|------------------------|---------------------------|-------------------------|--|
| NEW WAREHOUSES | | | |
| Warehouse No.7 | 2,000.00 | 600,000,000.00 | |
| Warehouse No.8 | 800.00 | 240,000,000.00 | |
| Warehouse No.9 | 800.00 | 240,000,000.00 | |
| Warehouse No.10 | 2,000.00 | 600,000,000.00 | |
| Warehouse No.11 | 2,000.00 | 600,000,000.00 | |
| Warehouse No.12 | 2,000.00 | 600,000,000.00 | |
| | | | |
| Power Room | 28.00 | 8,400,000.00 | |
| WC | 23.00 | 6,900,000.00 | |
| | | | |
| TOTAL SQ.MT | 9,651.00 | | |
| Direct Cost | | 2,895,300,000.00 | |
| Boundary Wall | | 85,000,000.00 | |
| Site Improvements | 20,000,000.00 | | |
| Estimated Value | | 3,000,300,000.00 | |
| Say | | 3,000,000,000.00 | |

Note: Construction cost per square meter arrived based on earlier construction costs of other structures and warehouses which will be USD 150 per square metre.

It is assumed that the major building raw material will be procured from local market and other will be imported. Material costs have been conservatively estimated based on experience of the promoters and trends in the industry.

3.0 FINANCING PATTERN:

The project will be financed by a bank loan for USD 3,000,000,000/= with a repayment tenure of 5 years.

3.1 PROJECT SUSTAINABILITY

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed and loans will be paid back as per agreed terms of repayment.

3.2. EXCHANGE CONSIDERED

USD 1 = TSH 2500

3.3 PROJECTED PAYBACK PERIOD

The Projected payback period is considered for 36 months starting from Oct 2023 onwards, below is schedule of payments.

Project Repayment Schedule in USD

| Year | 2023 | 2024 | 2025 | 2026 | Total |
|-------------------|-------------|---------------|---------------|-------------|---------------|
| Principal Payment | 269,327,090 | 899,137,644 | 1,054,032,804 | 777,502,462 | 3,000,000,000 |
| Int. Payment | 154,672,910 | 372,862,356 | 217,967,196 | 46,262,376 | 791,764,838 |
| Total repayment | 424,000,000 | 1,272,000,000 | 1,272,000,000 | 823,764,838 | 3,791,764,838 |

3.4 PROJECTED PROFIT AND LOSS ACCOUNT FOR NEXT FIVE YEARS

ZHENKUN INVESTMENT COMPANY LIMITED **PROJECTED INCOME AND EXPENDITURE STATEMENT FOR FIVE YEARS**

| PARTICULARS | 2023 | 2024 | 2025 | 2026 | 2027 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| INCOME FROM SALES | 6,600,000,000 | 7,500,000,000 | 8,000,000,000 | 8,600,000,000 | 9,000,000,000 |
| Opening Stocks | 1,102,485,337 | 1,300,000,000 | 1,250,000,000 | 1,400,000,000 | 1,250,000,000 |
| Add: Purchase Accounts | 5,500,000,000 | 5,800,000,000 | 6,400,000,000 | 6,650,000,000 | 7,200,000,000 |
| Closing Stocks | (1,300,000,000) | (1,250,000,000) | (1,400,000,000) | (1,250,000,000) | (1,400,000,000) |
| Cog Sold | 5,302,485,337 | 5,850,000,000 | 6,250,000,000 | 6,800,000,000 | 7,050,000,000 |
| Gross Profit | 1,297,514,663 | 1,650,000,000 | 1,750,000,000 | 1,800,000,000 | 1,950,000,000 |
| INDIRECT EXPENSES | | | | | |
| Adminstrative Expenses | 647,800,000 | 749,400,000 | 828,700,000 | 909,900,000 | 999,600,000 |
| Finance Expenses | 162,172,910 | 381,362,356 | 226,967,196 | 56,762,376 | 12,000,000 |
| Depreciation | 323,233,378 | 365,705,736 | 323,898,069 | 290,058,710 | 262,317,280 |
| Total Indirect Cost | 1,133,206,288 | 1,496,468,092 | 1,379,565,265 | 1,256,721,086 | 1,273,917,280 |
| Profit Before Taxation | 164,308,375 | 153,531,908 | 370,434,735 | 543,278,914 | 676,082,720 |
| Corporate Tax 30% | 49,292,512 | 46,059,573 | 111,130,421 | 162,983,674 | 202,824,816 |
| Profit After Depreciation | 115,015,862 | 107,472,336 | 259,304,315 | 380,295,240 | 473,257,904 |
| Adminstrative Expenses | | | | | |
| Audit Fee | 2,000,000 | 2,500,000 | 2,800,000 | 3,200,000 | 4,100,000 |
| Advertisement | 12,000,000 | 15,000,000 | 18,000,000 | 21,000,000 | 25,000,000 |

| | | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City Service Levy | 19,800,000 | 22,500,000 | 24,000,000 | 25,800,000 | 27,000,000 |
| Directors Fee | 97,200,000 | 97,200,000 | 97,200,000 | 97,200,000 | 97,200,000 |
| Electricity & Water | 130,000,000 | 160,000,000 | 190,000,000 | 210,000,000 | 250,000,000 |
| Land Rent | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 |
| Legal & Professional | 5,500,000 | 6,500,000 | 7,000,000 | 7,000,000 | 7,500,000 |
| Motor Vehicle Running exp | 35,000,000 | 45,000,000 | 50,000,000 | 55,000,000 | 60,000,000 |
| Printing and Stationery | 2,500,000 | 3,000,000 | 3,200,000 | 3,500,000 | 3,800,000 |
| Rent | 98,000,000 | 98,000,000 | 98,000,000 | 98,000,000 | 98,000,000 |
| Repairs and Maintenance | 42,000,000 | 46,000,000 | 49,000,000 | 55,000,000 | 58,000,000 |
| Salaries, Wages & Benefits | 175,000,000 | 220,000,000 | 250,000,000 | 290,000,000 | 320,000,000 |
| Telephone, Postage & Internet | 5,500,000 | 5,800,000 | 6,200,000 | 6,600,000 | 7,000,000 |
| Transport & Travelling | 15,000,000 | 19,000,000 | 24,000,000 | 28,000,000 | 32,000,000 |
| Staff Welfare Expenses | 6,500,000 | 7,100,000 | 7,500,000 | 7,800,000 | 8,200,000 |
| | | | | | |
| Total | 647,800,000 | 749,400,000 | 828,700,000 | 909,900,000 | 999,600,000 |
| | | | | | |
| Financie Cost | | | | | |
| Bank Charges | 7,500,000 | 8,500,000 | 9,000,000 | 10,500,000 | 12,000,000 |
| Interest on Loans | 154,672,910 | 372,862,356 | 217,967,196 | 46,262,376 | |
| Total | 162,172,910 | 381,362,356 | 226,967,196 | 56,762,376 | 12,000,000 |

Expenses are projected based on 2022 actuals, current year actual payments and projected considering sales growth.

3.5 PROJECTED FIXED ASSETS FOR NEXT FIVE YEARS FROM 2023 TO 2027

| Asset Particulars | 31.12.2022 | 31.12.2023 | 31.12.2024 | 31.12.2025 | 31.12.2026 | 31.12.2027 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Land | 319,064,000 | 319,064,000 | 319,064,000 | 319,064,000 | 319,064,000 | 319,064,000 |
| Buildings | 2,112,378,926 | 3,146,759,980 | 4,699,421,981 | 4,464,450,882 | 4,241,228,338 | 4,029,166,921 |
| Plant & Machinery | 273,390,718 | 453,782,279 | 340,336,709 | 255,252,532 | 191,439,399 | 143,579,549 |
| Furniture & Equipment | 20,365,626 | 11,893,596 | 10,406,896 | 9,106,034 | 7,967,780 | 6,971,808 |
| Computers & Accessories | 3,591,613 | 739,637 | 462,273 | 288,921 | 180,575 | 112,860 |
| Motor Vehicles | 22,457,627 | 12,632,415 | 9,474,311 | 7,105,733 | 5,329,300 | 3,996,975 |
| Total | 2,751,248,510 | 3,944,871,906 | 5,379,166,170 | 5,055,268,102 | 4,765,209,392 | 4,502,892,112 |
| Additions | | | | | | |
| Buildings | | 1,200,000,000 | 1,800,000,000 | | | |
| Plant & Machinery | | 400,000,000 | | | | |
| Total | | 1,600,000,000 | 1,800,000,000 | - | - | - |
| Depreciation | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Land | - | - | - | - | - | - |
| Buildings | - | 165,618,946 | 247,337,999 | 234,971,099 | 223,222,544 | 212,061,417 |
| Plant & Machinery | 68,347,680 | 151,260,760 | 113,445,570 | 85,084,177 | 63,813,133 | 47,859,850 |
| Furniture & Equipment | 6,772,945 | 1,699,085 | 1,486,699 | 1,300,862 | 1,138,254 | 995,973 |
| Computers & Accessories | 2,408,194 | 443,782 | 277,364 | 173,352 | 108,345 | 67,716 |
| Motor Vehicles | 5,614,407 | 4,210,805 | 3,158,104 | 2,368,578 | 1,776,433 | 1,332,325 |
| Total | 83,143,226 | 323,233,378 | 365,705,736 | 323,898,069 | 290,058,710 | 262,317,280 |
| Net Assets | 2,668,105,284 | 3,944,871,906 | 5,379,166,170 | 5,055,268,102 | 4,765,209,392 | 4,502,892,112 |

Net Asset as at 31.12.2027 4,502,892,112/-
 Net Asset as at 31.12.2012 2,668,105,284/-
 Increase in Fixed assets 1,834,786,828/-
 % of Increase 69%

3.6 PROJECTED CASH FLOW STATEMENT FOR NEXT FIVE YEARS

| INFLOW | 2023 | 2024 | 2025 | 2026 | 2027 |
|-----------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Opening Balance | 142,558,745 | 361,258,745 | 337,358,745 | 115,658,745 | 672,493,907 |
| SALES | 6,600,000,000 | 7,500,000,000 | 8,000,000,000 | 8,600,000,000 | 9,000,000,000 |
| Vat Input on Sales | 1,188,000,000 | 1,350,000,000 | 1,440,000,000 | 1,548,000,000 | 1,620,000,000 |
| | | | | | |
| Total inflow | 7,930,558,745 | 9,211,258,745 | 9,777,358,745 | 10,263,658,745 | 11,292,493,907 |
| | | | | | |
| OUT FLOW | | | | | |
| Purchases | 5,500,000,000 | 5,800,000,000 | 6,400,000,000 | 6,650,000,000 | 7,200,000,000 |
| Vat output | 990,000,000 | 1,044,000,000 | 1,152,000,000 | 1,197,000,000 | 1,296,000,000 |
| Cash Paid for Indirect Exp. | 809,972,910 | 1,130,762,356 | 1,055,667,196 | 966,662,376 | 1,011,600,000 |
| Loan repayment | 269,327,090 | 899,137,644 | 1,054,032,804 | 777,502,462 | |
| | | | | | |
| Total outflow | 7,569,300,000 | 8,873,900,000 | 9,661,700,000 | 9,591,164,838 | 9,507,600,000 |
| | | | | | |
| Balance C/f | 361,258,745 | 337,358,745 | 115,658,745 | 672,493,907 | 1,784,893,907 |

Considering the above data, project is having enough cash to payback project costs, the sales growth is projected considering growing demand for home appliances in Tanzania and neighboring countries. The company created direct employment to around 200 Tanzanian citizens and indirect employment to around 300 people. As per the projected profit and loss account, the company will pay approximately USD 8 Million towards corporate tax, local taxes, employee benefits.