

Business Plan

1. Project Overview

- a) **Company:** Parkson Apparel Co., Ltd.
- b) **Core Business:** Specialized production of apparel (jeans, casual beach pants, knitwear) for export to the US and EU markets.
- c) **Strategic Initiative:** Relocate primary production base from China to Tanzania.
- d) **Total Investment:** \$1 million USD (phased investment).
- e) **Target Markets:** United States, European Union.
- f) **Vision:** Establish a modern, high-efficiency, cost-competitive apparel export base in Tanzania, achieving an annual total output value of \$3 million USD by 2031.

2. Company Background & Market Analysis

- a) **Parkson Advantages:** Mature production technology, stable customer base in Europe/US, extensive export experience.
- b) **Relocation Drivers:**

Cost Optimization: Leverage Tanzania's more competitive labor costs, potential tax and land incentives.

Market Access: Mitigate potential trade barriers (e.g., tariffs), utilize Tanzania's preferential international market access (e.g., AGOA for US exports).

Supply Chain Resilience: Diversify production base, reduce geopolitical and single-region operational risks.

Sustainability: Proximity to emerging markets, respond to customer demand for diversified supply chains.

- c) **Tanzania Opportunities:**

Labor Force: Young population structure, abundant labor supply.

Policy Support: Government actively attracting foreign investment (e.g., Special Economic Zone policies), developing manufacturing.

Geographic Location: Key East African port with logistics potential.

Trade Agreements: Benefits from preferential tariff access to certain developed countries (especially US via AGOA).

3. Investment Project Details (Phased)

a) Phase 1 (2026-2028): Investment \$0.8 million USD

Land Acquisition: 40,500 sqm.

Factory Construction: Approx. 20,000 sqm.

Production Layout & Equipment:

2 Sewing Workshops: Each equipped for 400 workers (Total 800), producing jeans & beach pants.

1 Cutting Workshop: Equipped for 30 workers.

1 Washing Workshop: Equipped for 60 workers (including wastewater treatment environmental equipment).

1 Finishing Workshop: Equipped for 100 workers (inspection, packaging, etc.).

Equipment Source: All production equipment (sewing machines, cutting machines, washing equipment, boilers, industrial electricals, piping, etc.) and key building materials (steel structures) imported from China.

Raw Materials: Upon trial operations commencement, main raw materials (fabrics, trims, thread, packaging materials) imported.

Capacity Target: Upon full operation: Daily output 20,000 jeans, Annual output 5 million jeans.

Output Value Target: Annual output value \$2 million USD (achieved by end-2028).

b) Phase 2 (2029-2030): Investment \$0.2 million USD

Factory Expansion: Add 6,000 sqm.

Production Layout & Equipment:

2 Knitwear Workshops: Each equipped for 400 workers (Total 800), producing knitwear.

Cutting Workshop Expansion: Add 20 workers.

Finishing Workshop Expansion: Add 40 workers.

Capacity Target: Add daily output 20,000 knitwear pieces, Annual output 5 million knitwear pieces.

Output Value Target: Add annual output value \$1 million USD (achieved by end-2030).

Comprehensive Target: Achieve total annual output value \$3 million USD by 2031.

4. Operational Plan

a) Supply Chain Management:

Construction Phase: Core equipment, steel structures, etc., imported from China.

Production Phase: Initial reliance on imported main raw materials (fabrics, trims); gradually explore possibilities for localized sourcing to reduce costs.

Logistics: Establish efficient customs clearance and logistics systems to ensure smooth supply of materials and export of finished goods.

b) Production Management:

Key Technical Staff: Initially deploy core Chinese management and technical teams for factory setup, equipment installation/commissioning, and production management.

Localization Team: Simultaneously cultivate a local Tanzanian management and technical talent pipeline.

Lean Production: Implement standardized operating procedures and quality control systems.

c) Human Resources:

Recruitment: Large-scale local recruitment (Phase 1: Approx. 990 workers; Phase 2: Add 860 workers; Total: Approx. 1,850 workers).

Training: Establish a systematic training center. Core Challenge: Overcoming cultural, language, and educational background differences. Estimated 6 months for worker training to achieve stable quality, and an additional 9 months to reach target output levels with profitability (total ~15-month ramp-up period).

Compensation & Benefits: Provide competitive compensation and benefits compliant with local regulations, fostering positive labor relations.

d) Quality Control: Strictly enforce international customer standards, implement a comprehensive quality management system (IQC, IPQC, FQC) throughout the process to ensure compliance with US/EU market requirements.

e) Environmental & Compliance:

Key Investment: Equip advanced wastewater treatment environmental facilities (washing workshop) ensuring discharge compliance.

Full Compliance: Strictly adhere to Tanzanian labor, environmental, tax, customs laws and regulations. Seek relevant certifications (e.g., ISO 9001, ISO 14001).

5. Financial Plan & Financing

a) Funding Source: Shareholder personal investment, contributed according to equity share proportion. Total investment \$1 million USD.

b) Key Financial Indicators:

Phase 1 Investment: \$0.8M (Land, Construction, Equipment for Woven Pants)

Phase 2 Investment: \$0.2M (Expansion for Knits)

Phase 1 Target Output Value: \$2M (2028)

Phase 2 Target Additional Output Value: \$1M (2030)

Total Target Output Value: \$3M (2031)

c) Profit Forecast & Cash Flow:

H2 2026 - 2028: Expected Loss Period. Primarily due to significant initial capital expenditure (land, factory, equipment), slow production ramp-up (worker training period), low operational efficiency, and high costs of imported raw materials.

From 2029 Onwards: Expected Profitability Period. Phase 1 capacity fully released and stable, management efficiency improves, unit costs decrease. Phase 2 investment begins yielding returns.

d) Financing Requirement: Clearly covered by shareholder capital. Must ensure funds are

available per the investment schedule. Recommend reserving 10-15% as contingency funds.

6. Risk Assessment & Mitigation Strategies

a) Key Risks:

Operational Risks:

Worker Training & Productivity: Cultural differences, weak skills base leading to prolonged training, low initial efficiency, unstable quality.

Supply Chain Risk: Heavy reliance on imported equipment and raw materials, susceptible to international logistics, currency fluctuations, customs clearance efficiency. Local supply chain immaturity.

Infrastructure: Potential instability of local power supply, transportation efficiency, and port handling capacity.

Financial Risks:

Initial Losses: Expected 2.5-3 year loss period, posing significant pressure on cash flow.

Exchange Rate Risk: Fluctuations between USD and Tanzanian Shilling (TZS) impacting import costs and export revenue.

Cost Control: Actual operating costs (logistics, energy, local compliance costs) may exceed expectations.

Political & Regulatory Risks: Policy changes (labor, tax, environment, forex controls), government efficiency, potential political stability issues.

Market Risks: Fluctuations in US/EU demand, changes in customer orders, increased competition.

b) Mitigation Strategies:

Worker Training: Dedicate sufficient resources to establish systematic, long-term training. Utilize "apprenticeship/mentoring" model. Set clear, quantifiable stage goals. Recruit experienced expatriate key staff.

Supply Chain: Diversify suppliers, build safety stock. Establish long-term partnerships with reliable logistics providers. Actively explore qualified local/regional alternative raw materials.

Infrastructure: Procure backup generators for power outages. Plan logistics routes and timings in advance. Thoroughly understand port operational procedures.

Financial Buffer: Strict cash flow management, reserve adequate contingency funds. Consider FX hedging instruments. Implement detailed cost accounting and control.

Localization & Relationships: Engage local legal and tax advisors. Proactively build good relationships with local government and community. Strictly comply with local regulations.

Market: Maintain strong relationships with existing core customers, actively develop new clients. Enhance product value-added, strengthen competitiveness.

7. Timeline & Milestones

a) 2026:

Q1-Q2: Complete company registration, land acquisition, detailed design & approvals.

Q3: Commence Phase 1 factory construction, order major equipment.

b) 2027:

Q1-Q2: Complete Phase 1 factory construction, equipment installation & commissioning.

Q3: Commence large-scale worker recruitment & training. Trial run of cutting, washing, finishing workshops.

Q4: Trial production in sewing workshops, small batch shipments.

c) 2028:

Full Year: Production ramp-up, focus on quality stabilization and efficiency improvement. Phase 1 (jeans/beach pants) capacity gradually reaches design target.

Q4: Achieve Phase 1 Capacity Target (Daily: 20,000 jeans), Realize Annual Output Value of \$2M USD.

d) 2029:

Q1-Q2: Commence Phase 2 factory construction, order equipment.

Q3-Q4: Complete Phase 2 factory construction, equipment installation & commissioning. Knitwear worker recruitment & training commence. Company overall enters stable profitability period.

e) **2030:**

Full Year: Knitwear workshop production ramp-up. Phase 2 capacity gradually released.

Q4: Achieve Phase 2 Capacity Target (Add Daily: 20,000 knitwear pieces), Realize Additional Annual Output Value of \$1M USD.

f) **2031:** Full Production Capacity Achieved, Realize Total Annual Output Value Target of \$3M USD.

8. Categories for EPZ licensing

a) **Project Nature & Eligibility:**

This project is a **100% export-oriented** garment manufacturing enterprise. All products will be exclusively manufactured for export, primarily destined for the United States and European Union markets. According to the legal, regulatory, and policy framework governing Special Economic Zones (SEZ) and Export Processing Zones (EPZ) in Tanzania, this project fully meets its core eligibility criteria.

b) **Compliance with Core Requirements:**

Export Ratio: 100% Export. This is the most fundamental and critical condition for obtaining an EPZ license, which this project completely satisfies.

Annual Export Value: Upon stable operation, the project's **annual export sales are projected to reach \$3-5 million USD.** This figure significantly exceeds the minimum export performance requirements set by the Tanzanian government for EPZ enterprises, demonstrating the project's sustainability and its contribution to Tanzania's foreign exchange earnings.

c) **Core Policy Benefits Attached to EPZ License:**

By virtue of its EPZ status, this project is entitled to the full range of incentives stipulated by Tanzanian law. These benefits are the **cornerstone** of the project's financial viability:

Corporate Income Tax Exemption: Typically eligible for a **corporate income tax holiday for up to 10 years.** This means that during the critical growth phase after becoming profitable, the project will pay no income tax, drastically accelerating capital recovery and reinvestment.

Exemption from Import Duty and Value-Added Tax (VAT):

Capital Goods: All machinery, equipment, spare parts, and building materials imported for production are **exempt from import duty and VAT.**

Raw Materials: All raw materials (including fabrics, trims, thread, packaging materials, etc.) imported for manufacturing export products are **exempt from import duty and VAT**.

Exemption from Export Levy: No export duties are levied on the export of finished goods.

Other Incentives: May include reduced withholding taxes, favorable foreign exchange retention schemes, and simplified customs procedures.

d) Fundamental Impact on the Project's Financial Model:

Securing an EPZ license is the **critical turning point** that transforms this project from a "high-cost, high-risk" venture into a "cost-competitive and profitable" one.

Cost Reduction: Exemptions from import duties and VAT on raw materials and equipment can directly reduce the **Cost of Goods Sold (COGS)** by approximately 15-25%, which is central to achieving profitability.

Profit Enhancement: The exemption from corporate income tax means that **all accounting profits during the tax holiday period will be converted into actual cash flow**, directly belonging to the shareholders and significantly improving the Return on Investment (ROI).

Cash Flow Improvement: The initial operational period will not require large advance payments for duties and taxes, significantly **alleviating cash flow pressure**.

9. Conclusion

Relocating the Parkson apparel production base to Tanzania is a forward-looking strategic decision aimed at capturing opportunities in Africa's rising manufacturing sector, optimizing cost structures, enhancing supply chain resilience, and consolidating competitiveness in the US and EU markets. Despite significant challenges including worker training, supply chain dependencies, infrastructure limitations, and initial losses, the project presents a clear path to profitability (expected by 2029) and substantial growth potential (target output value of \$3M by 2031) through meticulous planning, adequate resource allocation (particularly for training and management), effective risk mitigation, and a phased, prudent implementation strategy. We request shareholder approval of this plan and the timely contribution of funds according to investment shares to jointly drive the successful establishment of this critical strategic project.

| Five-Year Projected Income Statement | | | | | |
|--------------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| Total Investment: \$1,000,000 USD | | | | | |
| Line Item | Year 1 (2026) | Year 2 (2027) | Year 3 (2028) | Year 4 (2029) | Year 5 (2030) |
| REVENUE | | | | | |
| Sales Volume ('000 units) | - | 1,250 | 2,500 | 5000 | 7500 |
| Average Selling Price (\$) | - | 4.00 | 4.00 | 4.00 | 4.00 |
| Total Revenue | \$0 | \$5,000 | \$10,000 | \$20,000 | \$30,000 |
| COST OF GOODS SOLD (COGS) | | | | | |
| COST OF GOODS SOLD (COGS) | \$0 | (\$3,500) | (\$7,000) | (\$13,500) | (\$20,250) |
| Direct Labor | \$0 | (\$500) | (\$1,000) | (\$1,800) | (\$2,700) |
| Other Direct Costs (Power, etc.) | \$0 | (\$250) | (\$500) | (\$700) | (\$1,050) |
| Total COGS | \$0 | (\$4,250) | (\$8,500) | (\$16,000) | (\$24,000) |
| Gross Profit | \$0 | \$750 | \$1,500 | \$4,000 | \$6,000 |
| Gross Margin | 0% | 15% | 15% | 20% | 20% |
| OPERATING EXPENSES | | | | | |
| Management & Admin Salaries | (\$300) | (\$400) | (\$600) | (\$800) | (\$1,000) |
| Logistics & Freight | (\$100) | (\$200) | (\$400) | (\$800) | (\$1,200) |
| Logistics & Freight | (\$50) | (\$100) | (\$150) | (\$200) | (\$300) |
| R&D expenses | (\$20) | (\$30) | (\$50) | (\$100) | (\$150) |
| Depreciation & Amortization | (\$200) | (\$400) | (\$600) | (\$800) | (\$1,000) |
| Total Operating Expenses | (\$670) | (\$1,130) | (\$1,800) | (\$2,700) | (\$3,650) |
| Total Operating Expenses | (\$670) | (\$380) | (\$300) | \$1,300 | \$2,350 |
| Interest Expense / (Income) | \$0 | \$0 | \$0 | \$0 | \$0 |
| PROFIT / (LOSS) BEFORE TAX | (\$670) | (\$380) | (\$300) | \$1,300 | \$2,350 |
| Income Tax Expense | \$0 | \$0 | \$0 | (\$260) | (\$470) |
| Net Profit | (\$670) | (\$380) | (\$300) | \$1,040 | \$1,880 |
| Net Margin | - | - | - | 5.20% | 6.30% |