

BUSINESS PLAN

TIMBER AND WOOD PROCESSING

PROJECT

**MALUS WOOD INDUSTRIES (TZ)
LIMITED**

1. EXECUTIVE SUMMARY

MALUS WOOD INDUSTRIES (TZ) LIMITED is a duly incorporated private limited liability company registered under the Companies Act of the United Republic of Tanzania. The company was established with the primary objective of investing in the timber and wood processing industry through value addition, sustainable utilization of forest resources, and promotion of export-oriented manufacturing.

The proposed project involves the establishment of a fully integrated timber and wood processing facility that will process legally harvested logs into sawn timber and other value-added wood products. The company will focus on supplying both the domestic market and international export markets while strictly complying with forestry, environmental, tax, and industrial regulations of Tanzania.

The project will be implemented at Maurui Village, Korogwe District, Tanga Region, Tanzania. This location has been selected due to its strategic proximity to timber-producing areas, availability of land, access to labor, and connectivity to transport infrastructure that facilitates movement of raw materials and finished products.

The facility will be developed with an installed production capacity of 120,000 tonnes per annum. However, in the initial phase of operation, the company will operate at approximately 60,000 tonnes per annum to allow gradual scaling based on market demand, operational efficiency, and sustainability of raw material supply. The total estimated investment cost for the project is USD 2,500,000, covering land development, factory construction, machinery, vehicles, working capital, and pre-operational expenses.

This investment is expected to contribute to national development by creating employment opportunities, increasing government revenue through taxes and fees, enhancing value addition in the forestry sector, promoting legal timber trade, and supporting Tanzania's industrialization and export growth agenda.

2. COMPANY BACKGROUND AND BUSINESS DESCRIPTION

MALUS WOOD INDUSTRIES (TZ) LIMITED was established to participate in Tanzania's growing timber and wood processing sector. The company's core business is the processing of raw timber into finished and semi-finished wood products suitable for construction, furniture manufacturing, and industrial applications.

The company will source raw materials strictly from licensed and registered forestry suppliers approved by Tanzania Forest Services (TFS). This approach ensures legality, traceability, and sustainability of raw materials while minimizing risks associated with illegal logging and regulatory non-compliance.

Processing operations will involve modern machinery and equipment designed to improve efficiency, reduce waste, and enhance product quality. By focusing on value addition rather than export of raw logs, the company aims to maximize returns, support local industrial development, and comply with government policies encouraging domestic processing.

3. LEGAL STATUS AND REGULATORY COMPLIANCE

MALUS WOOD INDUSTRIES (TZ) LIMITED is legally registered and authorized to conduct business in Tanzania. The company will obtain and maintain all necessary licenses, permits, and approvals required for timber processing and export operations.

Key regulatory authorities and compliance requirements include: - Tanzania Investment Centre (TIC) / TISEZA registration and incentives compliance - Tanzania Revenue Authority (TRA) for tax registration and compliance - Tanzania Forest Services (TFS) for forestry licenses and permits - National Environment Management Council (NEMC) for Environmental Impact Assessment (EIA) - Occupational Safety and Health Authority (OSHA) for workplace safety compliance - Local Government Authorities for operational permits

The company is committed to full compliance with all applicable laws and regulations throughout the life of the project.

4. VISION, MISSION, AND CORE VALUES

Vision

To become a leading and trusted timber and wood processing company in Tanzania, recognized for quality products, legal compliance, and sustainable business practices.

Mission

To add value to Tanzania's forest resources by processing legally sourced timber into high-quality wood products using modern technology, skilled labor, and environmentally responsible practices.

Core Values

- Legal compliance and transparency
- Environmental sustainability
- Quality and customer satisfaction
- Ethical business conduct
- Community development

5. BUSINESS OBJECTIVES

Short Term Objectives Years 1 to 2

The short term objectives focus on establishing a strong operational foundation for the timber processing business. The company aims to establish and commission the timber processing facility through completion of construction, installation, testing, and commissioning in full compliance with Tanzanian laws, environmental standards, and TSEZA requirements. The business will install modern machinery and supporting infrastructure, including efficient timber processing equipment, power supply, water systems, storage facilities, and internal logistics systems. The company will recruit and train qualified technical, administrative, and operational staff to ensure high productivity, workplace safety, and compliance with quality standards. Commercial production will commence once systems are fully operational and approved. In parallel, the company will develop strong local and export market linkages by establishing partnerships with builders, wholesalers, exporters, and international buyers.

Medium Term Objectives Years 3 to 5

The medium term objectives emphasize operational efficiency, market expansion, and business growth. The company will increase production efficiency and capacity utilization by optimizing workflows, reducing wastage, and strengthening maintenance and skills development programs. The business will expand its product range by introducing value-added timber products, such as treated timber, flooring panels, and furniture components, while broadening the customer base in both domestic and export markets. Export operations will be strengthened through improved packaging, compliance with international standards, certifications, and efficient logistics systems to increase export volumes and foreign exchange earnings.

Long Term Objectives Beyond 5 Years

The long term objectives focus on sustainability competitiveness and long term industry leadership The company aims to become a major exporter of Tanzanian timber and wood products serving regional and global markets The business will invest in sustainable raw material supply chains through plantation development responsible forestry practices and long term supply agreements with licensed timber producers The company will continuously upgrade technology and production processes by adopting advanced machinery automation and digital management systems to enhance productivity reduce environmental impact and maintain global competitiveness.

6. OWNERSHIP AND MANAGEMENT STRUCTURE

The company is privately owned and operates under a clear and well defined ownership structure in accordance with the laws of the United Republic of Tanzania The shareholders provide strategic direction policy guidance and overall governance of the business The Board of Directors is responsible for setting the company's long term vision approving major investments and ensuring compliance with statutory and regulatory requirements Day to day operations are managed by a professional management team led by a Managing Director who oversees overall business performance production marketing finance and administration Key functional departments include production and operations finance and accounts marketing and sales human resources procurement and logistics Each department is headed by qualified and experienced personnel to ensure efficient operations accountability transparency and achievement of business objectives

The company is privately owned by shareholders with the following shareholding structure: -

ZHANG ZHIJUN (Chinese National) – 70% -

FANG QINGYUN (Chinese National) – 30%

The company will be managed by a professional management team led by a General Manager. Departmental managers will oversee production, finance, administration, and marketing.

7. PROJECT LOCATION AND SITE DESCRIPTION

The project will be located at Maurui Village, Korogwe District, Tanga Region, Tanzania, on Farm No. 4201, Land Plan No. 193786, Certificate of Title No. 11709 TNG. The site provides adequate space for processing facilities, storage yards, offices, and future expansion.

8. PRODUCTS AND PRODUCTION PROCESS

Malus Wood Industries (TZ) Limited will produce a range of timber and wood products designed for both domestic and international markets. The main products include sawn timber, treated wood products, semi-finished wood components, and other wooden products such as beams, planks, and panels. Sawn timber is produced from legally sourced logs and is suitable for construction, furniture manufacturing, and industrial use. Treated wood products undergo chemical treatment to prevent decay, protect against insects, and withstand varying weather conditions. Semi-finished wood components are prepared and partially processed to allow customers to finalize the products according to their needs. Other wooden products include specialized beams and panels used for building, carpentry, and industrial purposes.

The production process begins with the reception of logs from certified suppliers. Each log is inspected to ensure legal sourcing, quality, species, and dimensions. After inspection, the logs are sorted and graded according to species, size, and quality. Logs then undergo debarking to remove bark, which improves sawing efficiency and prevents pest infestation. The sawing process converts logs into sawn timber or semi-finished products using modern industrial machinery to ensure precision and minimal waste.

After sawing, the timber is dried in kilns to reduce moisture content to an optimal level, preventing decay, warping, and mold formation. Treated timber then undergoes chemical treatment to enhance durability and protect against pests and fungi. Quality control is applied throughout the process, with timber graded for size, thickness, and defects. Semi-finished products are further cut and prepared to meet specific customer requirements.

The final products are carefully packaged using pallets and straps to prevent damage during storage and transportation. Packaged timber is stored in ventilated warehouses protected from sunlight, rain, and pests. The products are then distributed to domestic customers, wholesalers, and international markets. The company ensures reliable delivery through an efficient logistics system.

Malus Wood Industries implements strict quality assurance measures. Every batch of timber is inspected to meet Tanzanian Bureau of Standards requirements and customer specifications. Traceability systems are in place, tracking every log from the supplier to the final product. These measures ensure that all products are of high quality, legal, and ready for market consumption.

9. PRODUCTION CAPACITY

Malus Wood Industries (TZ) Limited is designed to operate with an initial annual production capacity of 120,000 tonnes of timber and wood products. This capacity reflects the volume of logs that can be legally and sustainably sourced, processed, and converted into sawn timber, treated wood, and semi-finished products each year. The processing facility will be equipped with modern industrial machinery, including sawing machines, kilns, chemical treatment chambers, and grading equipment, to ensure efficient production and consistent quality. Production is scalable, allowing for gradual increases as market demand grows, and the company plans to achieve full operational efficiency within the first two years. The facility will operate in multiple shifts to maximize utilization while maintaining strict safety and quality standards.

10. MARKET ANALYSIS AND MARKETING STRATEGY

The timber and wood products industry in Tanzania continues to experience growth due to rising domestic construction, furniture manufacturing, and regional demand. Malus Wood Industries targets both domestic and international markets, supplying construction firms, furniture manufacturers, wholesalers, retailers, and exporters. Domestic demand is driven by the housing sector, commercial projects, and infrastructure development, while export markets focus on neighboring East African countries, Asia, and the Middle East.

The marketing strategy emphasizes building direct relationships with key buyers and establishing reliable distribution channels. The company will differentiate itself through consistent product quality, legal compliance, sustainable sourcing, and timely delivery. Branding efforts will include participation in industry exhibitions, online visibility through a professional website and social media, and collaboration with timber trade networks. Pricing strategies will be competitive, offering bulk purchase discounts and loyalty incentives to strengthen long-term relationships with buyers. Market research will continue to identify emerging trends, enabling the company to adapt product offerings and expand into new market segments.

11. RAW MATERIAL SUPPLY

All raw timber will be sourced exclusively from certified and licensed suppliers under the Tanzania Forest Services (TFS). The company will maintain contracts with multiple suppliers to ensure a continuous and legal supply of high-quality logs. Log quality will be verified at reception, and traceability systems will track each log from the supplier to the final product, ensuring compliance with Tanzanian forestry regulations. Sustainable sourcing practices, including monitoring harvest volumes and supporting reforestation initiatives, are a core part of the company's supply strategy. This approach ensures both environmental compliance and long-term stability in raw material availability.

12. HUMAN RESOURCES

The company will employ a combination of skilled, semi-skilled, and unskilled labor. Key positions include a General Manager responsible for overall operations, a Production Manager overseeing the entire production process, technical staff operating machinery, quality control officers, and administrative personnel including accountants and logistics staff. The company will provide regular training to ensure adherence to safety standards, operational efficiency, and best practices in wood processing. Staff welfare and development are prioritized to maintain high productivity, reduce turnover, and build a competent workforce capable of supporting the company's growth objectives.

13. ENVIRONMENTAL AND SOCIAL IMPACT

The project will be implemented in a manner that promotes environmental protection social responsibility and sustainable industrial development The company recognizes the importance of minimizing negative environmental impacts while maximizing positive social contributions throughout the project lifecycle Environmental impacts associated with timber processing may include waste generation noise emissions dust water usage and energy consumption To address these issues the company will implement environmentally responsible practices including efficient use of raw materials proper waste segregation and recycling dust control measures and adoption of energy efficient machinery Water will be used responsibly and wastewater will be managed in accordance with approved environmental standards.

The company will strictly comply with all environmental laws and regulations of the United Republic of Tanzania including requirements for environmental impact assessment approvals environmental monitoring and reporting Where applicable mitigation measures recommended by regulatory authorities will be fully implemented Continuous environmental monitoring will be conducted to ensure compliance and to identify opportunities for improvement.

From a social perspective the project will generate positive impacts through creation of direct and indirect employment opportunities skills development and income generation for local communities Priority will be given to hiring local residents and providing training to enhance technical and professional skills The company will ensure safe and healthy working conditions by implementing occupational health and safety policies providing protective equipment and conducting regular safety training.

The company will maintain constructive engagement with surrounding communities local authorities and other stakeholders to address concerns promote transparency and support community development initiatives The project will support responsible sourcing of timber through licensed suppliers and sustainable forestry practices thereby contributing to conservation of forest resources and long term environmental sustainability

Through these measures the project aims to achieve a balance between economic growth environmental protection and social development ensuring long term sustainability and acceptance by stakeholders.

14. FINANCIAL PLAN AND INVESTMENT COST

The total project investment is \$2,500,000, allocated as follows: \$400,000 for land and buildings, \$700,000 for machinery and equipment, \$300,000 for motor vehicles, \$200,000 for furniture and fixtures, \$200,000 for pre-operational expenses, \$400,000 for other miscellaneous costs 200,000, and \$500,000 for working capital. The company projects annual sales growing steadily, with profitability expected from the second year of operation. Revenue is anticipated from both domestic and export sales of sawn timber, treated wood, and semi-finished products. A detailed financial plan includes projected income statements, cash flows, and balance sheets for the first five years, demonstrating strong returns on investment and sustainability of operations.

15. RISK ANALYSIS AND MITIGATION

The project is exposed to various operational financial market regulatory and environmental risks which may affect implementation and long term performance Operational risks may arise from machinery breakdowns power interruptions shortage of skilled labor or delays in raw material supply To mitigate these risks the company will invest in reliable modern equipment implement preventive maintenance programs establish backup power solutions and conduct continuous staff training Long term supply agreements with licensed timber suppliers will be secured to ensure consistent availability of raw materials

Financial risks include fluctuations in operating costs exchange rates and interest rates which may impact profitability and cash flow The company will maintain prudent financial management practices including proper budgeting cost control adequate working capital reserves and use of appropriate financing structures Export related foreign exchange risks will be managed through diversified markets and where applicable contractual pricing arrangements

Market risks relate to changes in demand price fluctuations and competition in both local and export markets To mitigate these risks the company will diversify its product range focus on value added timber products maintain competitive pricing and establish long term relationships with customers Continuous market research and strong marketing strategies will be applied to adapt to changing market conditions

Regulatory and compliance risks may arise from changes in laws policies environmental regulations or tax requirements The company will ensure strict compliance with all applicable laws maintain accurate records and engage regularly with relevant authorities including TSEZA TRA and environmental regulators to remain informed of regulatory changes and requirements.

Environmental and social risks include deforestation environmental degradation occupational health hazards and community concerns These risks will be mitigated through adoption of sustainable forestry practices proper waste management systems compliance with environmental impact assessment requirements and implementation of occupational health and safety standards The company will also engage positively with surrounding communities to promote social responsibility and minimize potential conflicts

Through these mitigation measures the company aims to reduce exposure to risks ensure business continuity and support sustainable long term growth.

16. IMPLEMENTATION SCHEDULE

The project implementation will be executed through a structured phased approach designed to minimize risks ensure effective coordination and achieve timely completion of all activities During the initial phase the company will focus on securing all statutory permits licenses and approvals from relevant authorities acquiring or leasing the project land and carrying out detailed site preparation works This phase will also include architectural and engineering designs procurement planning and commencement of construction of the timber processing facility in accordance with approved layouts environmental standards and occupational health and safety requirements

The second phase will concentrate on installation and commissioning of modern timber processing machinery and supporting infrastructure including power water storage and internal material handling systems At the same time the company will recruit qualified technical administrative and operational staff and conduct comprehensive training programs to build capacity in machine operation maintenance quality control and workplace safety The company will also establish reliable raw material supply arrangements logistics systems and supplier agreements to ensure uninterrupted production.

The third phase will involve trial production runs to test machinery workflows and product quality. Quality assurance systems will be implemented to ensure products meet local and international standards. Feedback from trial operations will be used to fine tune processes, improve efficiency and reduce wastage. Following successful trial production, the project will transition into full scale commercial operations with consistent output and market supply.

Throughout all phases, continuous monitoring, evaluation and reporting will be undertaken to track progress, manage costs, ensure regulatory compliance and address operational challenges in a timely manner. The company aims to commence commercial production within twelve months from the start of the project and reach full operational capacity within two years, thereby achieving sustainable and efficient timber processing operations.

17. CONCLUSION

The Malus Wood Industries project represents a strategic investment in Tanzania's timber and wood processing sector. It combines modern production methods, sustainable raw material sourcing, compliance with legal and environmental standards, and a clear market strategy. The project is expected to generate significant economic benefits, including employment creation, skill development, increased domestic and export revenue, and support for local communities. With a comprehensive operational plan, financial projections, and risk management framework, the company is well-positioned for long-term growth and profitability, contributing meaningfully to Tanzania's industrialization and sustainable development goals.

INVESTMENT BREAKDOWN

PARTICULAR	US\$
Land and Buildings	700,000.00
Machinery & Equipment	300,000.00
Motor Vehicles	200,000.00
Furniture & Fixtures	200,000.00
Pre exp	400,000.00
Others	200,000.00
Working Capital	500,000.00
TOTAL	2,500,000.00

FINANCIAL PROJECTION SUMMARY FROM 2025 TO 2029
PROJECTED STATEMENT OF FINANCIAL POSITION FOR 5
YEARS FROM 2026-2030

DETAILS	2026	2027	2028	2029	2030
PPE	74000	75000	76000	79900	80000
Total Non-Current Assets	74000	75000	76000	79900	80000
Inventory	330460	350989	356000	299690	370000
Trade Receivables	50000	54000	54000	105900	57500
Working Capital	500000	500000	500000	500000	500000
Cash & Cash Equivalents	30000	35600	35800	36900	37000
Total Current Assets	910460	940589	945800	942490	964500
TOTAL ASSETS	984460	1015589	1021800	1022390	1044500
Share Capital	280000	280000	280000	280000	280000
Retained Earnings	90909	91455	92100	93000	126800
Total Equity	370909	371455	372100	373000	406800
Trade Payables	130551	145589	148260	146900	133900
Other Payables	113000	128545	131440	132490	133800
Total Liabilities			279700		267700
TOTAL EQUITY & LIABILITIES	984460	1015589	1021800	1022390	1044500

**PROJECTED STATEMENT OF PROFIT/LOSS AND
OTHER COMPREHENSIVE INCOME FOR 5 YEARS
YEARS FROM 2026-2030**

DETAILS	2026	2027	2028	2029	2030
SALES	780000	965700	995000	996700	998700
TOTAL INFLOW	780000	965700	998000	999700	1000000
Opening Inventory	0	330260	350689	356000	299990
Add: Production Cost	620000	500000	499000	496000	495000
Less: Closing Inventory	-330260	-350689	-356000	-299990	-370000
Total Cost of Sales	289740	479571	493689	552010	424990
GROSS PROFIT	490260	486129	504311	447690	575010
Admin Expenses	100200	90400	90500	90600	100000
Sales & Distribution Exp.	100100	92300	90200	90300	102000
Finance Cost	100100	92300	90400	90500	90900
Depreciation	8000	8000	8000	8000	8000
Total Operating Expenses	308400	283000	279100	279400	300900
PROFIT FOR THE YEAR	181860	203129	225211	168290	274110