

Investment proposal (Pyongyang Clock Factory)

1. Background and Brief History of the Factory.

The Pyongyang Clock Factory was set up by the state measures as a state-level enterprise on 25th, March, 1961 and manufactures stop watch (mechanical) and some precision products for national consumption.

All the outdoor clocks in the streets of Pyongyang, large clocks on monumental buildings and clocks still on the walls of many houses are evidences of its achievements. It also assembles for export small electronic and audio devices like earphones demanded in multi-media market.

Although it has received €100,000 assistance from the state since 2007 when modernization became an issue.

However, the modernization of its facilities is not at a desirable level. It monopolizes and is totally responsible for the production of various clocks and low-precision gauges in the country and thus has become one of the beneficiaries of the state investment.

2. Location and Size of the Factory, the Integrated Manufacturing Base of Export Goods.

The factory is situated in Ryonghung Dong, Daesong District, its total area is 7,920m². It has a three-storey administrative building with a floor space of 3,121m² and a total floor space of 6,598 m² two two-storey manufacturing buildings with a floor space of 720 m² each, one manufacturing building with a floor space of 720 m² each, one manufacturing building with a floor space of 380 m² and a subsidiary building with a floor space of 450 m².

It has been granted a building site of 7,000 m² for the construction of new buildings. As it is at the boundary between Pyongyang and its outskirts, it is surrounded by hills and trees and absolutely free from any pollution.

The industrial water is abundantly supplied and the supply of electricity is stable as the factory is connected to both residential and exclusive industrial power lines.

As it has been manufacturing clocks and assembling electronic devices for decades, it does not require the training of workforce and has some amount of liquid money.

In its compound, it has two 60 m²-wide sample manufacturing rooms completely equipped with air conditioners and filters, two 250 m²-wide assembling workshops, a repair and maintenance shop, a forge shop, a press shop, a wood-working shop, a 906 m²-wide outdoor assembling shop and a 1,159 m² wide parking lot. The total length of worktables in each assembling shop is 72.19m, and that of sample manufacturing room is 69m. Each table has its own illumination, power outlet and toolbox.

3. Structure of the Organization

Korea Hung song Trading Company, which overlooks the management of the factory, is a state enterprise registered as ㄷ-0045 on 29th, April, 1992.

Its head office is in Ryugyong Dong, Potonggang District, Pyongyang City.

It has an export goods production base including the compact lamp factory and electronic goods assembling plant, four shops, and a computer service centre in Pyongyang.

It also has mines, coal mines and one-dressing bases in various parts of the country, one wharf for bulk cargo, a briquette factory, a fleet of trucks with a capacity of 3,000mt/day, a pig farm, an oil-refinery and a mining joint-venture in Tae'an.

4. Stages of Investment.

1) Preliminary Investment (Supply of equipment on a turn-key basis and training of skilled workers)

- Appraising the project and its size
- Appraising the market and outlets (marketability, market demand and sales survey)
- Supply raw materials, building materials and facilities for enlargement.
- Field survey of location/building site and the environmental conditions.
- Estimating the cost of labor, conditions and cost of training.
- Making a budget for implementing the project.
- Developing a new line and estimating its size.
- Choosing the equipment.

2) Investment stage(Supplying auxiliary facilities, know-how and materials)

- Acquiring and Transferring the know-how.
- Inviting the tender for specific technical equipment and contract.
- Talks for evaluating tenders and making a contract.
- Acquiring the building site, setting up new buildings and installing the facilities.
- Preparatory production, sales and delivery.
- Recruiting and training technical staff.
- Trial operation of the project and inauguration.

3) Operation(Providing legal, financial and structural bases for implementing the project)

We suggest that DPRK side operates the project as an agent of Chinese side in the form of bonded processing or investment and pays 50% of the price of equipment in advance and pays in full within one year after the investment has been completed. As for the liquid money and delivery of raw materials, both parties shall come to agreement through negotiation and the share of profits shall be decided in the same manner.

5. The benefit of Investment

The Products to be manufactured in the factory are of high demand in the hydrometeorology, sports and maritime fields, mines, coal-mines, the highlands and remote areas. The annual consumption rate of stop watch is about 5,000 and that of anemoscope and anemometer is about 3,000.

To be specific, there are orders for 5,000 in hydrometeorology field, 4800 in educational field, 20,000 in sports, 30,000 in mines and coal-mines, 10,000 in maritime field and 4,500 in building industry.

As the factory is the only one in our country producing such products, the sale of the products is its monopoly and as the production increases, there will be a ban on the import of such goods.

The imported goods are electronic rather than mechanical which accounts for the low demand and only about 40% of the demand is satisfied with imports.

The problem is not merely due to the lack of supply.

As the sales and import prices are high the consumption rate stands at low level.

The investment is risk free and will lead to expansion of existing capabilities and facilities and to the increased production in answer to the demand, which guarantees safe return on investment.

We maintain the principle of assuring the safety of investment by receiving it in stages and as for the new purchase, of going over to next stage of investment when 60% of the principal has been repaid. The present production processes and those requiring the expansion all enjoy the firm support from the state.

6. Marketability

As has been emphasized above, the consumers are horizontally subordinated to the producer. Therefore, the sale is secure and normal.

As our products enjoy great demand in many fields, the investment feasibility study is totally based on the national demand and the estimation has been made scientifically based on the analysis of existing production facilities and market research.

Estimated sale: Stop watch (mechanical) 15,000/year
Anemoscope and anemometer 3,000/year

Demand:

Regular demand: Stopwatch (mechanical) 10,000/year
Anemoscope and anemometer 3,000/year
Potential demand: Stopwatch (mechanical) 24,800/year
Anemoscope and anemometer 47,000/year
Estimated demand: Stop watch (mechanical) 30,000/year
Anemoscope and anemometer 50,000/year

Specific items for investment:

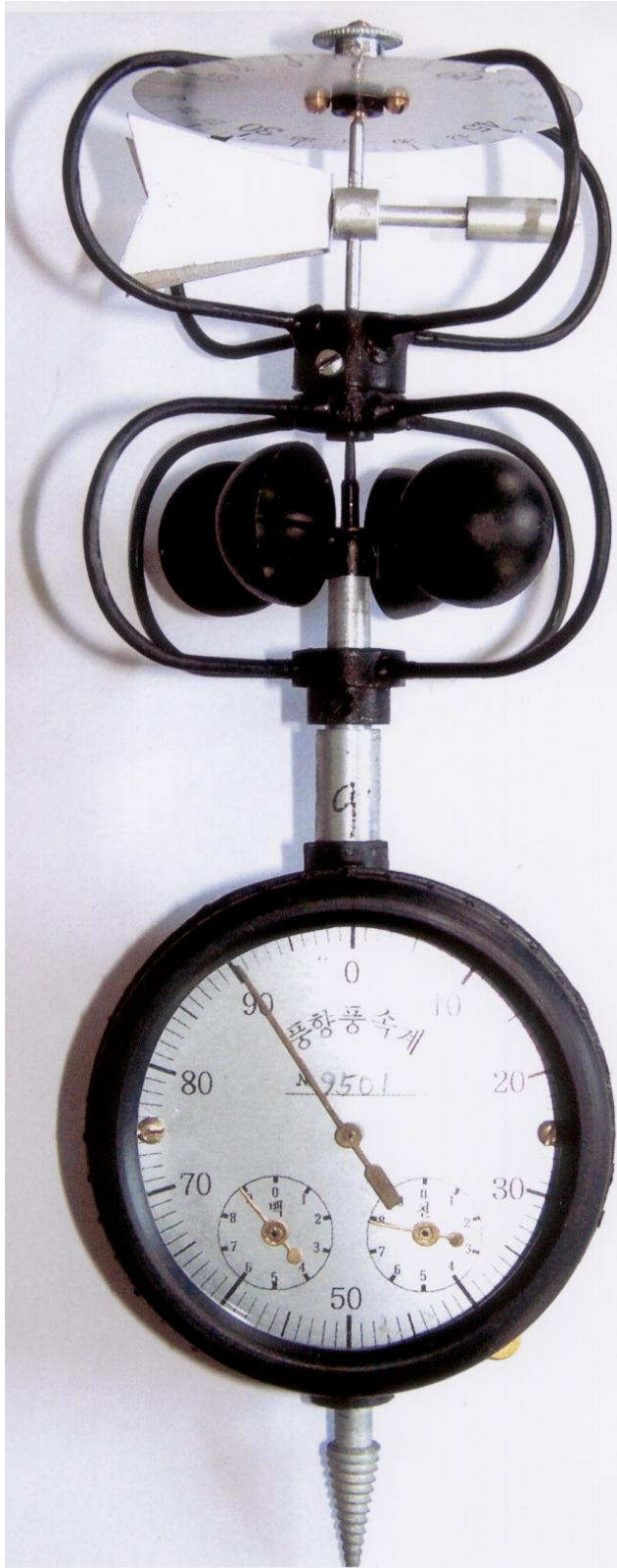
Up-to-date equipment for satisfying the regular demand and know-how for improving the quality.
Supply of equipment, raw materials and other necessary materials by the investor in the form of bonded processing or investment.

The possibility of enlargement, expansion and development of new business depends upon the size of the investment and information

(know-how) provided by the investor. The detailed know-how and the list of amount of work can be agreed upon between both parties and the delivery of equipment for agreed items and the repayment of the principal shall be made in an amicable and moral manner.

The modification of the choice of each party, its reevaluation and annulment can be made through mutual agreement of both parties and for this a quartered financial report and annual board meeting can be considered.

Both parties can dispatch inspection team and inspect the other parties.(for their interests). The investment shall be made based on the field study and the detailed investment feasibility study made by the party in need of such investment.



For further information

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Note - business mission:

Together with the Korean Chamber of Commerce in Pyongyang, we will organize a trade and investment mission to DPRK (19 - 26 September 2009). Information is available on our website.