



A BOUTIQUE HOTEL PROJECT

by

CHUNZHANG GENG

AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION (INTERNATIONAL PROGRAM)

SOUTHEAST ASIA UNIVERSITY

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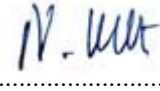
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ABSTRACT

This business plan makes a specific analysis of the macro environment, development status and industry competition of the whole boutique hotel market in China and demonstrates that the market prospect of the project A is good from a macro perspective. Then, the relevant situation of project A product planning, owner company and management company is introduced. On this basis, the marketing strategy of Project A is proposed through STP tool and 4P tool, and then the operation strategy of Project A is put forward according to the project positioning and development objectives. Then, from the financial perspective of the early construction cost of A project forecast, expounds the A project financing needs and capital plan, according to the future rental rate, average prices, customer unit price and other budget indicators, estimate A project guest room income, catering income, SPA income, variable cost and fixed cost, etc., calculated the profitability of the project A. Finally, the risks related to the market, operation and finance of project A are suggested, and the coping strategies are proposed for the risks. Through systematic discussion and analysis, it is concluded that the implementation of project A is feasible, which not only has a good investment return, but also conforms to the development trend of the era of consumption upgrading, and has a high investment value in the Chinese market. In the hotel property site selection, market positioning, marketing and other aspects, for the future hotel investors and operators have a certain practical reference value.

Keywords: boutique hotel, hotel management, marketing

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Chunzhang Geng

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Section 1

Executive Summary

1.1 Industry Analysis

According to the research data of Mairidian Research Institute, the number of boutique hotels was less than 600 by 2021, and the growth trend slowed down significantly after 2015, with a total of 65 newly added hotels from 2016 to 2021. Before the pandemic, China's boutique hotels accounted for less than 1% of the overall hotel market share in 2019. Facing the increasingly urgent demand for consumer upgrading, there is a huge gap in the boutique hotel market. Although most of the traditional hotels are facing severe survival pressure, they can learn from the experience of SARS. The epidemic will eventually pass, the economy will recover rapidly after the epidemic, the tourism demand will show a surge, and the hotel industry will usher in a new round of spring. It also made me more confident to start a boutique hotel project.

1.2 Market Analysis

First, the profitability of boutique hotels is far greater than that of traditional hotels. On the one hand, the room rate of Qiping is even much higher than that of five-star hotels, and on the other hand, the rental rate of Qiping economy hotels. Second, the supply of regional obvious, uneven development between regions. China has a vast territory, diverse culture and rich tourism resources, so there is a natural soil for the development of boutique hotel projects. However, most boutique hotels are mainly concentrated in Beijing, Shanghai, Yunnan, Sanya and other cities with rich history or excellent natural scenery, and most cities are still in a blank stage.

1.3 Marketing Plan

Rooms as the core, to provide high value scarce accommodation experience. Price strategy: High value strategy based on products, and flexible pricing based on

peer prices. Channel strategy: indirect channel. OTA (online travel) platform and platform agent cooperation, quickly get customers to open the situation. Pay attention to the construction of offline self-owned sales team, as well as the construction and maintenance of online self-owned channels such as official website, official Weibo and official blog, etc., to prevent being kidnapped by OTA and other channels. Promotion strategy: Project A will focus on social reputation promotion, cross-border cooperation promotion, holiday activity promotion, discount promotion and new media advertising promotion.

1.4 Operations and Production Plan

Inspired by the "culture of the Three States, Sichuan and Han", the main building of A boutique hotel adopts the traditional style of western Sichuan folk houses, and integrates a variety of historical elements of Chengdu, which is like the existence of Chengdu folk culture museum. The main building of the hotel consists of 36 villa rooms, 3 specialty restaurants and 1 spa. The project is located next to Wuhou Temple and Jinli Ancient Street in the first ring Road of Chengdu City, in the planned Hancheng section of The Three Kingdoms Shu, with perfect surrounding businesses, numerous tourist attractions and convenient transportation.

1.5 Management Team and Company Structure

The hotel implements the department responsibility system under the leadership of the general manager. The GENERAL MANAGER OFFICE consists of six departments, including Marketing Department, Human Resources Department, Finance Department, Engineering Department, Security Department and Housing Department. The hotel's business strategy will be to outsource non-core business, such as the restaurant and spa products are outsourced to a more professional team operation. The five core team members all have MBA experience and more than 12 years of average working experience, and all come from related fields in the hotel industry. The team's pioneering, game breaking, marketing, quality control and cost control experience has obvious advantages.

1.6 Financial Projections

The total investment scale of Project A is estimated to be 377 million yuan. With a construction period of 3 years and operation period of 20 years, the total revenue of the project is about 3.5 billion yuan and the total operation cost is about 1.5 billion yuan. After analyzing the future cash flow of the project, calculated at 10% discount rate, the NPV of the hotel investment is 168.36 million, and the internal rate of return IRR15.82%. The static payback period of project A is 8.75 years, and the dynamic payback period is 12.41 years.

1.7 Summary

This paper through the A hotel management company ready to start the A boutique hotel project of the whole process of research, make the whole project opportunity, investment environment, product strategy, core team, resource demand, return and risk is clearly visible, through the business plan to facilitate investors more comprehensive understanding of the project, so as to attract strategic investors, make its investment intention. Writing a business plan for a project requires systematic theoretical knowledge, comprehensive logical analysis and a large number of feasibility studies. This process is also a process of continuous attempt, correction and verification. This is of practical guiding significance for cultivating entrepreneurial concept, accumulating investment awareness and managing related projects for hotel start-ups.

Section 2

Company Description

2.1 Company History Mission Statement Product and Services Current Status

A boutique hotel is located in the first ring Road of Chengdu City. In the planning of The Three Kingdoms Shu City, The Three Kingdoms Shu City will become A top-level supporting business district integrating tourism, business, entertainment, dining, shopping and other functions.

Company A's vision is to build A boutique hotel brand IP and become an excellent boutique hotel chain management company that produces exceptional lodging experience. The mission of Company A is to keep up with the development trend and market demand, build characteristic hotels that inherit local historical and cultural classics, create lasting lodging experience with customers, and help customers explore a colorful world.

2.2 Legal status and ownership Selecting the name for Business

A Hotel Management Company is a limited liability company, initiated by 5 like-minded founders, with 7 shareholders and registered capital of 16 million yuan. The Board of Directors, the Board of Supervisors and the General Assembly are established in accordance with the Company Law. The general meeting of shareholders is composed of all the shareholders, 5 of whom are elected by shareholders to the Board of Directors and 2 to the Board of supervisors. The general manager elected by the board of directors is the actual operating manager of the company. The company's business scope: hotel management, enterprise management consulting, business information consulting, ticketing agency services. CT Company, the owner of the project, will set up an engineering management team of Project A, and A Hotel Management Company, the operator, will set up A hotel operation team of Project A, which will be responsible for the construction and operation preparation of Project A.

2.3 Primary consideration in naming a business

Project A is invested by CT Group and operated by A Management Company. The total investment of the project is about 377 million Yuan, and the project duration is about 3 years. The preliminary planning of the project: 36 villa rooms, 3 characteristic restaurants and 1 spa. The building adopts the traditional style of western Sichuan folk houses, with 1 floor underground and 2 floors above ground. The hotel covers an area of about 9000 square meters with a total construction area of about 10,000 square meters. The overall layout of the hotel is composed of 3 rows of buildings and 2 streets. The street scene is built with the theme of Shu Han culture of The Three Kingdoms. One end of the hotel is connected to Jinli Folk Street, one end is connected to the red bean forest, and the other side is connected to the artificial river. Estimated project progress: preliminary project investigation, scheme design, feasibility report approval in 2023, project construction in 2024, decoration and delivery in 2025. When completed, A Boutique hotel will be the only villa hotel project in the city center.

As A small luxury boutique hotel project, Project A's initial construction standard is "out of the loop". It is not a grandiose architectural design, but a high degree of integration between the architecture and the local history, cultural characteristics and natural environment, namely, the landscape is built first, and the project hotel is built into a peaceful world in the city. Guests into the hotel, as a profound historical and cultural details entered the museum, becomes three kingdoms, all kinds of ancient three kingdoms culture elements into every corner of the hotel, the construction of the building is a blend of chengdu two thousand years of rich history, classical shu han decorate a style of Oriental aesthetics, everywhere is full of artistic sense, integral structure hidden in The Three Kingdoms of shu Seoul hotel, It's like an escape from the city.

2.4 Legal Issues

The total investment of the project is 377 million yuan, the construction period is 3 years, a total of 36 villa rooms, 3 restaurants and 1 spa. The project is

located in the first ring Road of Chengdu, with a very advantageous geographical location and complete surrounding facilities. The project is invested by CT Group, constructed by XC Group, and operated and managed by A Hotel Management Company. For the preparation and project management during the construction of the project, the owner CT Group and the operator A Hotel Management Company shall jointly set up a preparatory team to be responsible for the construction and management of the project in the early stage. Finally, according to the overall planning of A project, the article introduces the business products, services and hardware facilities of the project hotel.

Section 3

Industry Analysis

3.1 Industry Size, Growth Rate and Sale projections

With the quiet change of the consumption subject on the demand side, the products or services provided by the supply side also need to be changed. The product design of boutique hotel, starting from the requirements of "experience economy", is no longer a simple room, catering, entertainment and other services, but for the guests to create a different check-in experience as the starting point to design hotel products. Chinese boutique hotels started late, and the consensus view is that they started in 2001 in the commune at the foot of the Great Wall. Although there are 20 years of development, but relative to the current development of the entire hotel market, boutique hotel branch is still in the embryonic stage. According to the research data of Maidian Research Institute, the number of boutique hotels was less than 600 by 2021, and the growth trend slowed down significantly after 2015, with a total of 65 newly added hotels from 2016 to 2021. Before the pandemic, China's boutique hotels accounted for less than 1% of the overall hotel market share in 2019. Facing the increasingly urgent demand for consumer upgrading, there is a huge gap in the boutique hotel market. Although most of the traditional hotels are facing severe survival pressure, they can learn from the experience of Covid-19. The epidemic will eventually pass, the economy will recover rapidly after the epidemic, the tourism demand will show a surge, and the hotel industry will usher in a new round of spring. It also made me more confident to start a boutique hotel project.

3.2 Industry Characteristics

3.2.1 Industry structure

In recent years, with the development of national economy, the continuous growth of people's income level, coupled with the rapid progress of science and technology in the past two decades, the productivity of working people has been continuously improved, and the people's spare time outside work has also been

greatly increased. With the simultaneous increase of income and free time, people begin to pay attention to their own spiritual pursuit, and they begin to pay for the consumption behaviors that enrich their vision and experience, among which tourism consumption is chosen by more people. In addition, with the continuous expansion of the country's opening to the outside world, China's long history and culture, splendid natural landscape and rich food have attracted more and more attention and love from foreign tourists, and the number of inbound tourists and income have increased rapidly. From 2015 to 2019, the annual average growth rate of total tourism revenue has maintained a strong momentum of over double digits for five consecutive years. Tourism revenues halved in 2020 as travel was restricted due to the COVID-19 pandemic, but have gradually recovered as China's pandemic has been brought under control.

As the core part of the tourism industry, the hotel sector supports important accommodation functions and some catering and entertainment functions in people's travel activities. It is an important source of tourism income. Its development and the overall development of tourism complement each other, and the sustained prosperity of tourism has driven the vigorous development of the hotel industry. China's national characteristics of wide land coverage, large population base and large population mobility strongly support the scale of China's hotel market to maintain a high level for a long time. At the same time, with the development of economy and the deepening of opening up, the scale of China's hotel industry will continue to expand. The project is located in Chengdu. According to the data report released by Maidian Research Institute, Chengdu has nearly 8,000 hotels in 2020, ranking the second in the country, and the number of rooms is 421089, ranking the fifth in the country. The scale of hotel market is huge.

3.2.2 Nature of participants.

1) Operation post outsourcing. The three restaurants will be outsourced to three professional catering teams to provide guests with a variety of choices for differentiated meals, while achieving a strong combination of brands. Plan: The special

Chinese restaurant will be outsourced by the original Black Pearl Three Diamond team to provide highly creative Sichuan local dishes. The Chinese restaurant, staffed by a team of Cantonese chefs, serves ecological Cantonese cuisine. The restaurant selects French Western-style food, which is outsourced by the Michelin one-star chef Executive's endorsement team. SPA center is outsourced to SPA class top brand Wo zero group. The three restaurants and SPA centers all cooperate with the hotel on a departmental basis.

2) Outsourcing of sexual work in the hotel sector. For example, hotel staff meal, stone floor maintenance, outdoor cleaning, garden management, engineering maintenance, equipment maintenance, room linen cleaning, etc., including internal training, personnel recruitment and so on are also outsourced to a third party company.

3.3 Industry Trends

Chinese consumers are in the stage of quality consumption and rational consumption. In the past, consumers mainly focused on cheap gains, but now consumers are more inclined to buy on demand in daily work and life, presenting their own personalized and customized characteristics. The public's demand for hotels is no longer a single sleep function, and consumers are more willing to choose products that can reflect their own taste and personality. Finally, with policy support, the policy of "deepening supply-side structural reform" has clearly stated that a high-level supply and demand balance is needed to promote it through high-end products or services. This is a signal from the national level, and the future resource allocation is more inclined to provide the supply side of high-quality products or services. To sum up, from the international development experience, the trend of consumption upgrading to the policy guidance of the three comprehensive factors, it is not difficult to conclude that the opportunities and challenges of the overall transformation of China's hotel industry have come.

3.4 Long-Term Prospects

The project has obvious competitive advantages, location advantages, resources advantages and supporting advantages.

The project is positioned as a small luxury hotel. The main building of the project is inspired by the local history "Shu Han culture of The Three Kingdoms". The project is located in the first ring of Chengdu, adjacent to the current Wuhou Temple Jinli business circle, and in the future Three Kingdoms Shu Han City. After the completion of The Three Kingdoms Shu Han City, it will be the largest Three Kingdoms culture Expo city in China, which will integrate tourism, business, catering, entertainment and other functions, and the project property support is top level.

The project has high feasibility, operability and good economy.

Hotel investment project recovery time is usually long, can be successful, in addition to strong market demand, also depends on a lot of factors. Such as hotel sales strategy, operation management, financial control, risk response and other aspects. Firstly, the STP model analysis and 4P tool analysis were used to position the target market and effectively implement the marketing strategy. Secondly, through the organization structure, team building and business model related elaboration, further demonstrates the project operability; Again, through financial analysis, the net present value is positive, the payback period is far lower than the industry average level; Finally, through risk deduction, it is further concluded that the risk of A project is controllable.

The project has a good prospect, complies with the development of The Times, responds to the national policy, and hits the pain point of the industry.

The national economy and science and technology have taken off. Per capita GDP has exceeded US \$10,000 for two consecutive years. Personal material wealth and spiritual needs have increased together. The government advocates "supply-side reform" and supports the promotion of high-end supply to balance high-end demand. The hotel industry has changed from the previous era of "nationwide star-chasing" to non-standard personalized. The emergence of boutique hotels is catering to the current pain point of the hotel industry - serious homogeneity and huge operating

costs. Chengdu, where the project is located, has a very small volume of boutique hotel industry. However, Chengdu has a long history and culture, powerful tourism resources and huge commercial development space, so that consumer demand is huge and the market is seriously unsaturated. Therefore, at such an opportunity, enterprises should layout the boutique hotel track as soon as possible, which not only meets the personalized needs of consumers, but also meets the development trend of the big era of consumer demand upgrading, and has a good development prospect

Section 4

Marketing Plan

4.1 Market segmentation and target market selection

4.1.1 Market segmentation

According to the sales behavior, the sales channel can be divided into direct booking and intermediary booking.

Direct booking channels, the hotel's own telephone, official website, official micro, fax, mail and other hotel channels to get guests.

Brokers booking channels, through travel agencies, online platforms, travel websites, etc., there is a commission.

From the actual situation of Project A, Project A will enter the market with a new brand in the early stage, the brand recognition is low, and customers do not know about the hotel. Therefore, in the early stage of operation, focusing on brokers to book rooms can get customers more quickly. Through the accumulation of a certain time, with a certain customer base and customer loyalty, you can gradually strengthen the ability to get customers directly, such as the development of loyal customer plan, absorption of their own members, a part of the middleman booking, into the hotel member.

4.1.2 Target market selection

The choice of the hotel target market should be based on the external macro environment and its own conditions combined analysis, choose in line with the national policy trend, demand potential, weak competition and market sales channel simple goal to operate. Based on the above market segmentation, we can see that the target customers of Project A can be travel customers or business customers from other places. They can make reservations by phone or through platforms like travel agencies or Ctrip. The target market of project A is a combination of multi-variable factors. According to the previous market segmentation results and combined with

the project's own conditions, the target market characteristics of project A are shown in Table 4-1

Table 4-1A Target market characteristics of the project

| Variable types | The target market |
|----------------------|--|
| age | 30 to 60 years old |
| income | Executives earning more than \$600,000 a year |
| source | Business owners with annual revenue of more than |
| Consumption purposes | Out-of-town customers and foreign customers |
| demand | Leisure vacation, cultural tourism and business |
| Sales channels | Scarce experience and high social value |
| Buying patterns | Middlemen and OTA platform |

When selecting the target market, Project A takes behavioral factors as the main division criteria and other auxiliary refinement criteria to select the most favorable and attractive segments for itself as the target market. According to the previous market segmentation results and combined with the project's own conditions, we roughly focus the target market of Project A on tourism market, business market, OTA market and high-income market. (See Table 4-2)

Table 4-2A Target market selection of the project

| The target market | demand |
|------------------------|---|
| The high-income market | Scarce experience and high social value |
| The tourism market | Natural scenery, perfect facilities |
| The business market | Convenient transportation and business |
| OTA market | Price, convenience, and quick response |

(1) high-income market

The development of China's economy has created a group of first rich people with strong consumption power and high brand recognition. The increasingly open

attitude of the government and the encouragement of various policies have attracted a large number of foreign customers with economic strength. The high-end positioning of the project hotel requires strong purchasing ability of customers, so high-income people are our main market.

(2) Tourism market

Chengdu's tourism resources, history, culture, food and other characteristics continue to attract Chinese tourists, the number of tourists is huge. High-end personal travel customers who travel for private purposes have no restrictions on official business, so their consumption desire and time are higher than those of official customers. Working people in modern urban life are tired of working, so that more and more high-income people choose luxury hotels as their reward. Similarly, many wealthy families or individuals travel for themselves and their children and choose boutique hotels as their lifestyle or life attitude. Therefore, the project hotel needs to tightly grasp the demand of tourism customers, tourism market is one of our main markets.

(3) Business market

Chengdu is the new first-tier city with the most commercial value in China selected by Gawc organization for 6 consecutive years. It has excellent business environment, very active business activities, huge business customer base and strong sustainable consumption ability. The excellent location of the hotel, the top supporting facilities, is an expression of the strength, status and taste of business customers. The large business market is one of our target markets.

(4) the OTA market

At present, OTA platform has become the first choice of one-stop service for people's travel activities due to its convenience, speed and rich product categories. Air tickets, hotels and even scenic spot tickets booked through OTA platform are becoming more and more common. The project hotel has many characteristics, such as Shu Han culture of The Three Kingdoms, superior geographical location of Jinli Wuhou Temple, Black Pearl Restaurant and Hezi health SPA, etc., which are all popular words when OTA customers search. OTA has strong customer acquisition

ability, especially in the initial market, with low brand degree, and consumers' strong dependence on the network, OTA platform can be used to acquire customers more quickly and open up the business situation. In order to maximize revenue, OTA market is our target market.

4.2 Buyer behavior

According to the purchase behavior of customers, it can be divided into individual customers, member customers, team customers, agreement unit customers, long-term customers and platform customers.

Individual customers: with a large and relatively dispersed consumer base, they are potential development targets for customer loyalty programs.

Team customers: large demand, travel agency rooms, conference rooms, such consumers are sensitive to the price.

Individual Member Customer: The most desirable and desirable customer of the hotel, who is the result of the hotel's loyalty program, who buys repeatedly and enjoys word-of-mouth communication.

Agreement unit: long-term and frequent consumption, common purchase method for business customers, unified purchase by the company, or third-party assistance, such as Ctrip.

Long-term customers: monthly continuous consumption. Expatriate or foreign executives often work for months or even years, such as Chanel, who lived at the Ritz for 23 years.

Platform customers: Customers who purchase through third-party platforms, such as Ctrip, Qunar, etc. According to the characteristics of the above customer types and the actual situation of project A, the hotel will mainly focus on platform customers in the pioneering stage, and will focus on member customers and long-term customers in the middle and later stage.

To sum up, the agreement unit customers can also be called unit member customers, and the combination of individual members is called member customers, which is the most important source of customers for the project hotel. Similarly, the huge drainage and customer acquisition capability of OTA platform is an important

content of modern hotel marketing management, and platform customers are an important customer group to achieve excess revenue management.

4.3 Competitor analysis

According to the research data released by Maidian Research Institute in 2021, the current volume of boutique hotel industry is about 600, accounting for less than 1% of the overall hotel market, and the market size is about 5.416 billion yuan. The fine works with the theme of history and culture are mainly concentrated in Beijing and Shanghai; Those with natural ecology as the theme mainly concentrated in Yunnan and Hainan; Fashion creativity as the theme mainly concentrated in Shenzhen, Chongqing. Chinese boutique hotels started relatively late. It is generally believed that the commune at the foot of the Great Wall was the first boutique hotel in China in 2001, which was jointly designed and built by 12 famous Asian architects and managed by Kempinski Group. At present, international boutique hotel brands are blooming everywhere in the Chinese market. (See Table 4-3)

Table 4-3 Development of Selected International Boutique Hotel Brands in China (Up to 2021)

| The serial | Boutique brand | The hotel number | rooms |
|------------|---------------------|------------------|-------|
| 1 | The Ritz Carlton | 15 | 4,487 |
| 2 | Regis | 11 | 2,673 |
| 3 | The four seasons | 7 | 2,019 |
| 4 | W | 5 | 1,739 |
| 5 | The mandarin | 7 | 1,709 |
| 6 | The banyan tree | 14 | 1,532 |
| 7 | Conrad | 3 | 1,450 |
| 8 | The regent | 4 | 1,423 |
| 9 | Park hyatt | 9 | 1,332 |
| 10 | The British diggle, | 8 | 776 |
| 11 | Eddie Johnson | 2 | 657 |
| 12 | Jia peja le | 2 | 285 |
| 13 | Ann eel | 4 | 132 |
| 14 | Six good | 1 | 113 |

There are not many local boutique hotels that have formed brand and chain operation, among which the well-known ones are Bailian, Hanbi House, Huagantang and Shuxiang Mansion.

Compared with international brands, local boutique hotels are far lower than international hotels in terms of room supply and brand effect. Chengdu currently has 101 hotel brands, 43 international brands and 58 local brands. Chengdu is the center of southwest China, so the hotel industry started early and developed relatively well. There are many kinds of traditional hotels, and there are many kinds and numbers to choose from, such as star hotels, budget hotels, hotel apartments, etc. Consumers have many choices, so the degree of competition is relatively fierce. In addition, in recent years, with the popularization of smart phones and the vigorous development of OTA online platform, consumers and enterprises have become increasingly dependent on the network platform. Most of them adopt low price strategy, even to seize online users, disrupt their own price system, and turn their own customers into online customers. "Collapse" operation is not uncommon. But from the beginning, boutique hotels jumped out of the low-price competition market and opened up a new market with "unique + quality". The trend of experience economy has promoted the development of the boutique market. Nowadays, high-star hotels also pay more and more attention to the shaping of cultural connotation, and the provision of content is gradually refined, and the price is comparable with that of boutique hotels, so it has a certain impact on the future boutique hotel market.

4.4 Estimate of Annual sales and market share

According to the products provided by Project A, the total income of the hotel includes room income, catering income and SPA income.

According to the data released by the boutique hotel industry in the past, the hotel's other income accounts for about 2 to 3 times of the room income.

Considering that there are many uncontrollable factors in the current epidemic, the author starts from the perspective of caution to estimate these two

The total revenue of the three restaurants is 1.1 times that of the rooms, and the total revenue of the SPA is 0.2 times that of the rooms. Accordingly, for 20 years.

The revenue forecast results of project A are as follows. (See Table4-1)

Table 4-4 A Total Revenue Forecast of the project during operation period (Unit: ten thousand yuan)

| | Total room | catering | SPA income | total |
|------|------------|----------|------------|--------|
| 2026 | 4,106 | 4,517 | 821 | 9,444 |
| 2027 | 5,338 | 5,872 | 1,068 | 12,278 |
| 2028 | 6,406 | 7,046 | 1,281 | 14,733 |
| 2029 | 7,046 | 7,751 | 1,409 | 16,207 |
| 2030 | 7,399 | 8,139 | 1,480 | 17,017 |
| 2031 | 7,547 | 8,301 | 1,509 | 17,357 |
| 2032 | 7,698 | 8,467 | 1,540 | 17,704 |
| 2033 | 7,851 | 8,637 | 1,570 | 18,058 |
| 2034 | 8,009 | 8,809 | 1,602 | 18,420 |

4.5 Overall Marketing Strategy

Under what circumstances, the hotel chooses what strategy is more favorable to the hotel's operation, which is the strategic choice. Strategic positioning can help enterprises to define and understand the market and make corresponding marketing plans. According to Michael. Porter's competitive strategy theory analyzes the hotel's competitive strategy and hotel positioning, including hotel cost leadership, differentiation strategy, target strategy and the mean strategy.

A cost leadership strategy is one where the total cost of a hotel is lower than the cost of competitors, even the lowest cost in the industry. The condition is that the hotel should achieve scale and experience benefits. Advantages are low cost, price advantage; The disadvantage is that the enterprise updates slowly and the service is not unique.

Differentiation strategy is the hotel's product or service compared with the competitor's product or service, there is a unique place. Generally, product and service design differentiation; Differentiation of customer service; Sales channel on

the differentiation. The advantage is that it can cultivate loyal customers and improve revenue; The disadvantage is that it can be expensive and easily imitated.

Target agglomeration strategy refers to the hotel's business activities focused on a certain market segment of customers. Such as hotels that only serve high-end business customers. The advantage is that it can concentrate its power and resources to better serve a particular market and provide quality of service. The disadvantage is high risk, when competitors or consumers change preferences, will lose the advantage.

The mean strategy refers to the strategy that does not choose from three aspects: cost strategy, differentiation strategy and target agglomeration strategy. This strategy will make the hotel in an unfavorable strategic position, not considered.

Cost strategy, differentiation strategy and target agglomeration strategy all have their own characteristics. The goals of each strategy are not the same, and there are certain conflicts between them.

Strategic choice of Project A: As A newly established hotel, Project A is mainly a high-end hotel that provides services for business customers and executive customers, and adopts different competitive strategies.

Targeting business and executive customers: Adopt differentiation strategies. To meet the needs of business people, we provide the best service, such as computer, printer, wireless network, conference room rental, express collection and so on. At the same time, the hotel also has a banquet hall, coffee shop and other occasions for business people to negotiate business. Differentiation strategy requires the hotel to focus on the main target customers: business people.

Adopt a cost leadership strategy for ordinary customers. Cost leadership is not using the cheapest things, but in the same level, without reducing the quality of the situation, to adopt the most appropriate, the most realistic price strategy, but compared with business customers, the content and way of service.

In the opening of the hotel needs to cultivate customers and develop the market, will adopt a lower price strategy to occupy the market. After normal operation of the hotel, the standard rate will be used.

4.6 Pricing Strategy

The product price strategy of A boutique hotel project adopts the competition-oriented method. It is conducive to attract and maintain customers, while making the boutique hotel to obtain the best economic benefits. There are two ways. One is the active competitive pricing method, which determines the price according to the actual situation of A boutique hotel's room products and the product differences with competitors. The other is to keep the price of your products at the industry average. We are positioned as a high-end accommodation product, our products and services are outstanding, focused on the high income corporate executives, business owners or successful people who have achieved wealth freedom. Because of our non-standard, other boutique hotel prices of the same type and the same region are worth referring to, in addition, it is necessary to combine their product positioning to set prices. (see table 5-1)

Table 5-1 A Price list of project products (Unit: Yuan/night)

| Guest room type | A colleague in Beijing | A colleague in Shanghai | A colleague in Lijiang | A colleague in Chengdu | A Project price |
|------------------|---------------------------|----------------------------|---------------------------|---------------------------|--------------------|
| Luxury single | 36,000 | 38,000 | 20,000 | 11,988 | 12,000 |
| Atrium luxury | 13,000 | 9,000 | / | 6,188 | 6,000 |
| Forest townhouse | 7,200 | 3,900 | 5,600 | 3,688 | 3,600 |
| Riverview | 7,200 | 3,900 | 5,600 | 3,688 | 3,600 |

It is worth noting that boutique hotels maintain relatively stable prices in a certain period of time, which is conducive to customers' recognition of their own brand, but it should also have a certain degree of flexibility. The prices of the peers surveyed in the above table are in the special period of the epidemic. According to what we have learned in the past, the starting prices of rooms are maintained at 20%-30% higher than the existing prices all year round. As a result, pricing strategies maintain themselves at industry-level levels.

4.7 Sales process and promotions Mix

(1) Social reputation promotion. First of all, it is to actively participate in the hotel industry, construction industry, catering industry and SPA industry and other categories of selection, through the awards to expand their influence in the industry and consumers, to promote the visibility of the hotel brand. Secondly, participating in various charitable activities and practicing corporate social responsibility can also be recognized by the public. Finally, adhere to the concept of environmental protection, take the direction of green and sustainable development, and combine the power of the upstream and downstream of the hotel industry chain, such as the procurement of degradable consumables, to develop into a green hotel recognized by the public. Of course, all social reputation promotion, publicity must be done well.

(2) Cross-border cooperation and promotion. In view of the high luxury positioning of Project A, various public relations activities can be held. Such as invite tourism V, fashion, etc., to the hotel clock. For example, high luxury brands in Chengdu carry out free experience activities, which can attract the attention of some potential customers in addition to the star effect of the combination of strong and strong players. For example, we cooperate with the government, sports and entertainment stars, and regularly hold various conferences and forums to expand brand awareness.

(3) Holiday promotion activities. Make use of various holiday activities to create a festive atmosphere, and launch a series of room, dining, spa activity packages for promotion. For example, the annual Lantern Festival temple Fair in Wuhou Temple, the Lantern Festival experience package, in addition to the hotel's room catering, add the production of lantern lanterns, Hanfu garden and other content, for promotion.

(4) Discount promotion. Project A is positioned at the high end and customers have low price sensitivity, but we can still use the extension of preferential discounts, that is, more service content instead of discounts, to attract customers to consume. Such as entering the temple to visit the hotel special special channel, regardless of the time as long as the business hours of attractions, guests can freely choose to

enter and exit; And room plus meal combination, room plus SPA combination and so on, with the same price to enjoy more services.

(5) New media advertising promotion. All kinds of social platform publicity, content output quality and frequency should be strong. Social software should focus on regional preference and try to cover as many consumer groups as possible, such as Twitter, Facebook and Instagram, which are commonly used abroad, such as Weibo, wechat, official website, Douyin and Xiaohongshu in China. We can enhance the visibility and attention of the hotel by cooperating with bloggers, UP hosts, Internet celebrities, movie stars and TV stars who have great influence on social media, and through our own high-frequency and high-quality content output.

4.8 Distribution and Sales

The direct sales channel, also known as the zero-level channel, refers to the way an organization obtains customers without going through any middlemen. For A project, direct sales channels can be divided into the following four: (1) the location of the hotel as a point of sale, to promote and sell hotel products and services to guests, such access to customers called door-to-door individual, is a more traditional way of sales. (2) the location of the source as a point of sale to promote and sell the hotel's products and services to customers, in this case, the main way to issue orders are telephone, fax and network. (3) By the boutique hotel to determine the location of the sales network to promote and sell hotel products and services to guests, usually set in airports, scenic spots, etc. (4) The direct sales model also includes the mutual recommendation of customers among the members of the boutique hotel company (group) and the booking center of the group.

Section 5

Management Team and Company Structure

5.1 Management Team

The five core team members are all from the founders of The A company. The combination of the members comes from the common interests. The five members all have MBA learning experience, with an average working experience of more than 12 years, and all come from the related fields of the hotel industry.

5.2 Board of Directors

According to the organizational structure design of A company, A project implements the responsibility system of each department and each cooperative business unit under the leadership of the general manager's office. The general manager office consists of six departments, including Marketing Department, Human resources Department, Finance Department, engineering department, security Department and housing Department. The cooperative operating units include 3 special restaurants and 1 SPA center. The six departments and one room mainly serve the hotel's core business room products, while the catering and spa products are outsourced to a more professional team. In accordance with the relevant regulations of the hotel, the outsourcing team is given more independent management power as far as possible. According to the organizational structure of A project management company and the business objectives of the hotel, the work responsibilities of each department are defined.

5.3 Board of Advisors

Figure 5-2 shows the current organizational structure of company A.

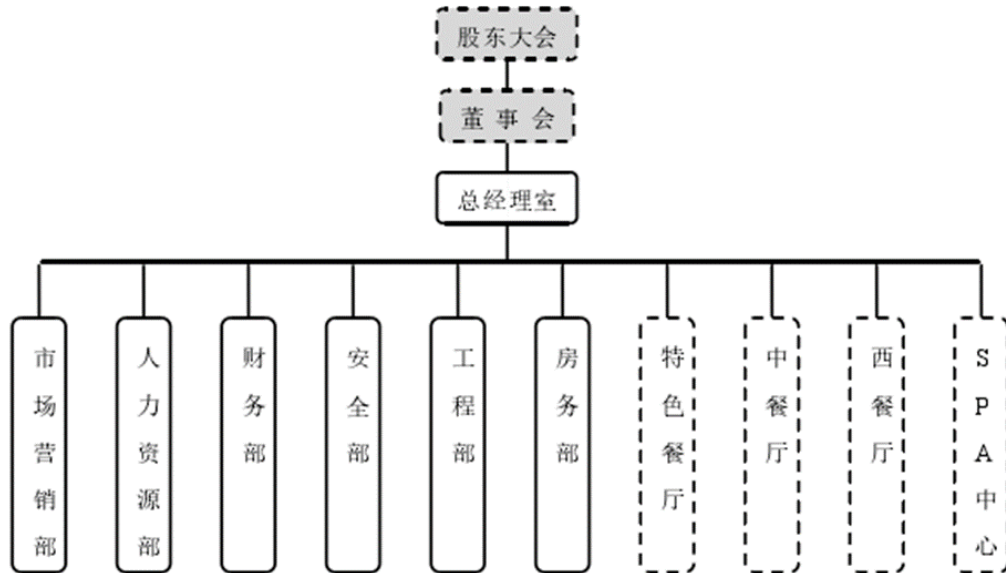


Figure 5-2 Organizational structure of project management company A

5.4 Other Professionals

The main information is as follows (all members' names are pseudonyms)

(1) Zhou Jia: General manager. He used to be the general manager of many hotels under well-known high-star hotel groups. He has a rich historical record in pioneering hotels, opening the situation in the early stage, and breaking the situation in the bottleneck period.

(2) Liao Yi: Director of marketing, with 12 years of experience in hotel marketing management. With a rich sales record, he once created the industry myth that he took almost all the rooms of a five-star hotel (about 460 guests) during the sugar and wine fair. Participated in and organized the implementation of the design of the member system of a well-known high-star group hotel. The number of membership card customers of the group has been the leading position in the region for five consecutive years. OTA, OTA agents, travel agencies and other channels are rich in resources. In addition, but also to the hotel market demand, product service design and channel sales have unique insights.

(3) Wen Bing: Director of room service, with 10 years' experience in high-star room management, who has participated in the star-rating work of a hotel for many times. His strengths are room quality control and cost control.

(4) Luo Ding: HR director, 10 years of experience in hotel personnel management, rich resources in tourism colleges and hotel industry contacts, strong in salary design and staff training.

(5) Qiu Wu: Chief financial officer with more than 10 years of financial management experience in the industry.

Section 6

Operations and Production Plan

6.1 Operations Model and procedure

(1) Butler service: Instead of the traditional assistant manager in the lobby, the butler can get close to customers one-to-one, understand customers' needs in an all-round way, meet customers' personalized needs to the maximum extent, and let customers have a sense of belonging. Understand the purpose of the guests' trip before checking in, prepare the corresponding room layout and welcome items in advance, provide 24-hour beverage service, packing and unpacking service and on-call butler service during the stay, and inquire the guests' check-in experience and areas for improvement immediately after checking out. All kinds of atmosphere: anniversary, birthday, Valentine's Day, Qixi Festival, Christmas, Spring Festival, Lantern Festival, New Year's Eve, New Year's Eve party and other festive atmosphere to create.

(2) room service: provide river, Lin Jing, street and atrium four view room for guests to choose from, the customer can according to their own preferences, do the reserved to inform hotel in advance, the rooms have housekeeper chengdu characteristics snacks and fruits, sweet prepared more supplies in the region of the mini-bar, snacks and soft drinks for free. Daily cleaning, finishing, adding bed, washing, turning down, flowers, fruits, etc. Rent all kinds of pillows, conversion sockets, chess, go, etc. Guest laundry, ironing, etc.

(3) Catering service: The catering service of the hotel is composed of 3 cooperative operating units. Specialty restaurants are also wine and creative dishes, such as Guzheng, dinner and order restaurant focuses on French Western food, providing full-time catering services, buffet breakfast, other time ordering and food delivery services. The Chinese restaurant focuses on ecology, and the dishes are mainly Chaoyue cuisine. It provides lunch, dinner, banquet and 24-hour food delivery service. At dinner time, Sichuan Opera face-changing and other Sichuan characteristic performances are provided.

(4) SPA services: All nurses have received 300 hours of strict training from Phuket Spa College, Thailand, to ensure high service and uniform quality, providing high-end essential oil care, spa beauty care and customized care services.

6.2 Business Location

A boutique hotel is located in the first ring Road of Chengdu City. In the planning of The Three Kingdoms Shu City, The Three Kingdoms Shu City will become A top-level supporting business district integrating tourism, business, entertainment, dining, shopping and other functions.

6.3 Facilities and equipment

A Boutique hotel project takes hotel rooms as the core business, and provides western food, Chinese food, specialty restaurants and SPA services. A Project business products display, as shown in Table 6-1.

Table 6-1 A Project operation positions and product information

| type | product | describe | number | note |
|--------------------------|-----------------------------|-----------------------|-----------------|-----------------------------------|
| The guest rooms | Luxury single family villas | An area of 400 square | 3 building | Atrium detached, front and |
| | Atrium luxury townhouse | An area of 150 square | Six buildings | Atrium row, surrounded by |
| | Forest townhouse | An area of 120 square | 14 building | 1 has facilities for the disabled |
| | Riverview townhouse | An area of 120 square | 13 building | 1 standard room |
| Western | French Western food, | Full time catering | 72 seats | 24-hour room service |
| The Chinese Restaurants, | Ecological Chinese food | Lunch and dinner | Table for eight | |
| | Creative dishes with | Lunch and dinner | Nine rooms | |
| SPA | SPA | Hydrotherapy massage | 9 physical | |

6.4 Operation strategy and plans

According to the decoration and construction standards of the project, geographical location, the historical situation of competitors in Chengdu and domestic counterparts, and the influence of the epidemic situation that has not been completely eliminated are also referred to. To sum up, the future rental rate of project A is carefully selected: room rental rate of atrium luxury single-family villa is

50%, room rental rate of atrium luxury townhouse is 60%, room rental rate of forest townhouse and riverview townhouse is 75%. During the 20-year operation period of Project A, the revenue of hotel rooms is predicted, and the forecast results are shown in Table 6-2.

Table 6-2 A Forecast Table of Project Room Revenue (Unit: Ten thousand yuan)

| | Upper and lower proportion | Luxury single family villas in the atrium | Atrium luxury townhouse | Forest townhouse | Riverview townhouse | Total room revenue |
|------|----------------------------|---|-------------------------|------------------|---------------------|--------------------|
| 2026 | 100% | 657 | 788 | 1,380 | 1,281 | 4,106 |
| 2027 | 130% | 854 | 1,025 | 1,794 | 1,665 | 5,338 |
| 2028 | 120% | 1,025 | 1,230 | 2,152 | 1,999 | 6,406 |
| 2029 | 110% | 1,127 | 1,353 | 2,368 | 2,198 | 7,046 |
| 2030 | 105% | 1,184 | 1,421 | 2,486 | 2,308 | 7,399 |
| 2031 | 102% | 1,207 | 1,449 | 2,536 | 2,355 | 7,547 |
| 2032 | 102% | 1,232 | 1,478 | 2,586 | 2,402 | 7,698 |
| 2033 | 102% | 1,256 | 1,507 | 2,638 | 2,450 | 7,851 |

6.5 Development status and tasks

A company was established in 1994 with A registered capital of 200 million yuan. It has successfully developed A building, A center, A garden, A Huating and other projects, among which "A Huating" project with a total construction area of 50,000 square meters, located on Nonglin Xia Road, will be opened in 2013, which will make A company jump to a new level.

6.6 Challenges and risks

Uncertainties and risks of a full economic recovery. China and the United States trade frictions, bilateral tensions, trade restrictions, international trade difficulties still exist, coupled with the impact of the mutation of the novel coronavirus strain, leading to the uncertainty of the end of the epidemic, the full recovery of the tourism industry may be delayed.

6.7 Costs

The basis of the pre-investment budget of project A: (1) The construction cost is estimated according to the existing base price, rate and similar building structure in Chengdu. At present, the average price of a two-storey building is about 3500 yuan/square meter.

Table 6-3 A Project construction investment estimate table

| | The project name | Construction area or quantity of engineering (square meters) | The cost of unilateral (Yuan/square) | Total price (yuan) |
|---|----------------------------|---|---|--------------------|
| 1 | Total construction | | | 376,893,600 |
| | Civil engineering fees | | | 103,180,000 |
| | The main body of the | 10,000 | 3,500 | 35,000,000 |
| | Main building decoration | 10,000 | 5,500 | 55,000,000 |
| | Underground engineering | 2,000 | 3,600 | 7,200,000 |
| | Underground decoration | 2,000 | 2,000 | 4,000,000 |
| | | | | 1,980,000 |
| | Three ways and one level | | | 8,200,000 |
| 2 | Equipment engineering cost | 10,000 | 150 | 1,500,000 |
| | Water supply and drainage | 10,000 | 220 | 2,200,000 |
| | Electric lighting | 10,000 | 70 | 700,000 |
| | fire | 10,000 | 200 | 2,000,000 |
| | Ventilation and air | 10,000 | 100 | 1,000,000 |
| | Intelligent weak current | | | 800,000 |
| 3 | The elevator | | | 4,800,000 |
| | Outdoor engineering | | | 1,820,000 |
| | Greening, lighting, etc | | | 1,280,000 |
| | Roads, parking lots | | | 1,700,000 |
| 4 | Outdoor electrical, water | | | 248,755,000 |
| | Other fees | 9,000 | 27,345 | 246,105,000 |
| | | 9,000 | 140 | 1,260,000 |
| | Land cost | | | 1,390,000 |
| 5 | Supervision, design and | 116,180,000 | 5% | 5,809,000 |
| 6 | Other fees | 38,320,000 | 3% | 1,149,600 |
| 7 | Reserve funds | | | 5,000,000 |
| | Unforeseeable expense | | | 376,893,600 |

(2) Land cost: Project A is Grade II land for recreation and sports, and the reference price is 27,345 yuan/square meter. (3) Decoration cost, combined with their own actual planning, and refer to the peer decoration standards in Chengdu region, the average price of about 5000 yuan/square meter. (4) Fees shall be reserved according to relevant national regulations. The total investment scale of project A is about 377 million yuan. (See Table 6-3).

6.8 Intellectual property

A Project patent certification: In order to avoid falling behind the society, according to the development of the latest science and technology, the mature technology has been timely introduced to the enterprise. Advanced technology can be introduced in the following ways: by participating in the hotel exhibition discovery; Through supplier recommendation; Through a competitor; Through customer feedback.

Section 7

Financial Projections

7.1 Source and Use of Funds Statement

In the course of the construction project, the self-owned capital is not invested in one time, but should be invested several times according to the year or the project duration. The sustainability of capital investment should be ensured. When self-owned capital is insufficient, funds can be raised through bank loans, risk financing, introducing other investors, etc. Bank loans, through the payment of interest to the bank to obtain funds, the bank does not interfere in the construction and management of the hotel, to ensure that the hotel construction process will not be due to the participation of other investors faced with construction changes. Risk financing means, through the introduction of venture capital or other investment to obtain funds, such investors have certain requirements on the profitability of the hotel or the control of the company, but this way can reduce a part of the interest cost.

7.2 Assumptions Sheet

The planned total investment scale of Project A is 377 million yuan, of which 246 million yuan is the estimated land acquisition cost. This project and the land of The Three Kingdoms Shu Hancheng Project are allocated land, and only the estimate of project value is made, without involving the inflow and outflow of funds, so the total actual construction investment of the project is about 131 million yuan. Project A is a part of The Three Kingdoms Shu Seoul PPP Project. According to the capital use plan of the total project, 40% of the capital during the construction period will be allocated annually, and the remaining 60% will be funded by XC Group, the contractor, and CT Group will pay the remaining amount after the completion and acceptance of the project. See Table 7-1 for the capital use plan of project A during the construction period.

Table 7-1 A Annual investment plan for the project construction period (Unit: Ten thousand Yuan)

| | Year 1 | Year 2 | Year 3 | total |
|-------------------|--------|--------|--------|--------|
| Percentage points | 20% | 40% | 40% | 100% |
| Its own funds | 2,616 | 1,308 | 1,308 | 5,232 |
| Other funds | - | 3,924 | 3,924 | 7,847 |
| total | 2,616 | 5,232 | 5,232 | 13,079 |

7.3 Pro Forma Financial Statements

According to the above forecast, after the hotel enters the operation period, the profit and loss forecast results are shown in Table 7-2.

Table 7-2 Profit and Loss forecast of Project A during operation period (Unit: ten thousand yuan)

| | Operating income | Variable costs | Fixed costs | Taxes of additional | depreciation | Gross profit margin | Income tax | After-tax profits |
|-------|------------------|----------------|-------------|---------------------|--------------|---------------------|------------|-------------------|
| 2026 | 9,444 | 2,833 | 1,116 | 519 | 1,884 | 3,091 | 773 | 2,318 |
| 2027 | 12,278 | 3,683 | 1,138 | 675 | 1,884 | 4,896 | 1,224 | 3,672 |
| 2028 | 14,733 | 4,420 | 1,161 | 810 | 1,884 | 6,457 | 1,614 | 4,843 |
| 2029 | 16,207 | 4,862 | 1,184 | 891 | 1,884 | 7,384 | 1,846 | 5,538 |
| 2030 | 17,017 | 5,105 | 1,208 | 936 | 1,884 | 7,883 | 1,971 | 5,913 |
| 2031 | 17,357 | 5,207 | 1,232 | 955 | 1,884 | 8,079 | 2,020 | 6,059 |
| 2032 | 17,704 | 5,311 | 1,257 | 974 | 1,884 | 8,278 | 2,070 | 6,209 |
| 2033 | 18,058 | 5,418 | 1,282 | 993 | 1,884 | 8,481 | 2,120 | 6,361 |
| 2034 | 18,420 | 5,526 | 1,308 | 1,013 | 1,884 | 8,689 | 2,172 | 6,516 |
| 2035 | 18,788 | 5,636 | 1,334 | 1,033 | 1,884 | 8,900 | 2,225 | 6,675 |
| 2036 | 19,164 | 5,749 | 1,360 | 1,054 | 1,884 | 9,116 | 2,279 | 6,837 |
| 2037 | 19,547 | 5,864 | 1,388 | 1,075 | 1,884 | 9,336 | 2,334 | 7,002 |
| 2038 | 19,938 | 5,981 | 1,415 | 1,097 | 1,884 | 9,560 | 2,390 | 7,170 |
| 2039 | 20,337 | 6,101 | 1,444 | 1,119 | 1,884 | 9,789 | 2,447 | 7,342 |
| 2040 | 20,743 | 6,223 | 1,473 | 1,141 | 1,884 | 10,023 | 2,506 | 7,517 |
| 2041 | 19,706 | 5,912 | 1,502 | 1,084 | 1,884 | 9,324 | 2,331 | 6,993 |
| 2042 | 18,721 | 5,616 | 1,532 | 1,030 | 1,884 | 8,659 | 2,165 | 6,494 |
| 2043 | 17,785 | 5,335 | 1,563 | 978 | 1,884 | 8,024 | 2,006 | 6,018 |
| 2044 | 16,896 | 5,069 | 1,594 | 929 | 1,884 | 7,419 | 1,855 | 5,564 |
| 2045 | 16,051 | 4,815 | 1,626 | 883 | 1,884 | 6,843 | 1,711 | 5,132 |
| total | 348,894 | 104,668 | 27,116 | 19,189 | 37,689 | 160,232 | 40,058 | 120,174 |

7.4 Proforma Income Statements

According to the decoration and construction standards of the project, the geographical location, the historical situation of competitors in Chengdu and Chinese counterparts, and the influence of the current epidemic situation that has not been completely eliminated are also referred to. To sum up, the future rental rate of project A is carefully selected: room rental rate of atrium luxury single-family villa is 50%, room rental rate of atrium luxury townhouse is 60%, room rental rate of forest townhouse and riverview townhouse is 75%. During the 20-year operation period of Project A, the revenue of hotel rooms is predicted, and the forecast results are shown in Table 7-3.

Table 7-3 A Forecast Table of Project Room Revenue (Unit: Ten thousand yuan)

| | Upper and lower | Luxury single family villas in | 中庭豪华联排别墅 | Atrium luxury townhouse | Riverview townhouse | Total room revenue |
|-------|-----------------|--------------------------------|----------|-------------------------|---------------------|--------------------|
| 2026 | 100% | 657 | 788 | 1,380 | 1,281 | 4,106 |
| 2027 | 130% | 854 | 1,025 | 1,794 | 1,665 | 5,338 |
| 2028 | 120% | 1,025 | 1,230 | 2,152 | 1,999 | 6,406 |
| 2029 | 110% | 1,127 | 1,353 | 2,368 | 2,198 | 7,046 |
| 2030 | 105% | 1,184 | 1,421 | 2,486 | 2,308 | 7,399 |
| 2031 | 102% | 1,207 | 1,449 | 2,536 | 2,355 | 7,547 |
| 2032 | 102% | 1,232 | 1,478 | 2,586 | 2,402 | 7,698 |
| 2033 | 102% | 1,256 | 1,507 | 2,638 | 2,450 | 7,851 |
| 2034 | 102% | 1,281 | 1,538 | 2,691 | 2,499 | 8,009 |
| 2035 | 102% | 1,307 | 1,568 | 2,745 | 2,549 | 8,169 |
| 2036 | 102% | 1,333 | 1,600 | 2,800 | 2,600 | 8,332 |
| 2037 | 102% | 1,360 | 1,632 | 2,856 | 2,652 | 8,499 |
| 2038 | 102% | 1,387 | 1,664 | 2,913 | 2,705 | 8,669 |
| 2039 | 102% | 1,415 | 1,698 | 2,971 | 2,759 | 8,842 |
| 2040 | 102% | 1,443 | 1,732 | 3,030 | 2,814 | 9,019 |
| 2041 | 95% | 1,371 | 1,645 | 2,879 | 2,673 | 8,568 |
| 2042 | 95% | 1,302 | 1,563 | 2,735 | 2,540 | 8,140 |
| 2043 | 95% | 1,237 | 1,485 | 2,598 | 2,413 | 7,733 |
| 2044 | 95% | 1,175 | 1,410 | 2,468 | 2,292 | 7,346 |
| 2045 | 95% | 1,117 | 1,340 | 2,345 | 2,177 | 6,979 |
| total | | 24,271 | 29,125 | 50,969 | 47,328 | 151,693 |

7.5 Proforma Balance Sheet

Table 7-4 Cash flow forecast of all investment in Project A (Discount rate I =10%)

(Unit: Ten thousand yuan)

| | Cash inflows | Room revenue | Food and beverage revenue | SPA revenue | Cash outflows | Development and construction | Variable costs | Fixed costs | Taxes and fees | Income tax | Net Cash Flow | Cumulative cash flow |
|------|--------------|--------------|---------------------------|-------------|---------------|------------------------------|----------------|-------------|----------------|------------|---------------|----------------------|
| 2023 | | | | | 7,538 | 7,538 | | | | | -7,538 | -7,538 |
| 2024 | | | | | 15,076 | 15,076 | | | | | -15,076 | -22,614 |
| 2025 | | | | | 15,076 | 15,076 | | | | | -15,076 | -37,689 |
| 2026 | 9,444 | 4,106 | 4,517 | 821 | 5,242 | | 2,833 | 1,116 | 519 | 773 | 4,203 | -33,487 |
| 2027 | 12,278 | 5,338 | 5,872 | 1,068 | 6,721 | | 3,683 | 1,138 | 675 | 1,224 | 5,557 | -27,930 |
| 2028 | 14,733 | 6,406 | 7,046 | 1,281 | 8,006 | | 4,420 | 1,161 | 810 | 1,614 | 6,727 | -21,202 |
| 2029 | 16,207 | 7,046 | 7,751 | 1,409 | 8,784 | | 4,862 | 1,184 | 891 | 1,846 | 7,423 | -13,780 |
| 2030 | 17,017 | 7,399 | 8,139 | 1,480 | 9,220 | | 5,105 | 1,208 | 936 | 1,971 | 7,797 | -5,982 |
| 2031 | 17,357 | 7,547 | 8,301 | 1,509 | 9,414 | | 5,207 | 1,232 | 955 | 2,020 | 7,944 | 1,961 |
| 2032 | 17,704 | 7,698 | 8,467 | 1,540 | 9,611 | | 5,311 | 1,257 | 974 | 2,070 | 8,093 | 10,054 |
| 2033 | 18,058 | 7,851 | 8,637 | 1,570 | 9,813 | | 5,418 | 1,282 | 993 | 2,120 | 8,245 | 18,300 |
| 2034 | 18,420 | 8,009 | 8,809 | 1,602 | 10,019 | | 5,526 | 1,308 | 1,013 | 2,172 | 8,401 | 26,700 |
| 2035 | 18,788 | 8,169 | 8,986 | 1,634 | 10,228 | | 5,636 | 1,334 | 1,033 | 2,225 | 8,560 | 35,260 |
| 2036 | 19,164 | 8,332 | 9,165 | 1,666 | 10,442 | | 5,749 | 1,360 | 1,054 | 2,279 | 8,721 | 43,981 |
| 2037 | 19,547 | 8,499 | 9,349 | 1,700 | 10,661 | | 5,864 | 1,388 | 1,075 | 2,334 | 8,886 | 52,868 |
| 2038 | 19,938 | 8,669 | 9,536 | 1,734 | 10,883 | | 5,981 | 1,415 | 1,097 | 2,390 | 9,055 | 61,922 |
| 2039 | 20,337 | 8,842 | 9,726 | 1,768 | 11,110 | | 6,101 | 1,444 | 1,119 | 2,447 | 9,226 | 71,148 |
| 2040 | 20,743 | 9,019 | 9,921 | 1,804 | 11,342 | | 6,223 | 1,473 | 1,141 | 2,506 | 9,401 | 80,550 |
| 2041 | 19,706 | 8,568 | 9,425 | 1,714 | 10,829 | | 5,912 | 1,502 | 1,084 | 2,331 | 8,878 | 89,427 |
| 2042 | 18,721 | 8,140 | 8,954 | 1,628 | 10,343 | | 5,616 | 1,532 | 1,030 | 2,165 | 8,378 | 97,806 |
| 2043 | 17,785 | 7,733 | 8,506 | 1,547 | 9,882 | | 5,335 | 1,563 | 978 | 2,006 | 7,903 | 105,708 |
| 2044 | 16,896 | 7,346 | 8,081 | 1,469 | 9,447 | | 5,069 | 1,594 | 929 | 1,855 | 7,449 | 113,157 |
| 2045 | 16,051 | 6,979 | 7,677 | 1,396 | 9,035 | | 4,815 | 1,626 | 883 | 1,711 | 7,016 | 120,174 |

7.6 Proforma Cash Flow

The net present value (NPV) of an investment project is the present value of the project's future cash flow minus the project's investment cost, indicating whether the project has achieved our goal. If the NPV is positive, the project will create value for the company and increase shareholder wealth, and we should accept the project. Its main steps include

- (1) Estimate cash flow related to the project
- (2) Estimate the necessary rate of return required for investments of the same level of risk
- (3) The formula for calculating NPV is as follows

Where r is the discount rate. Discount rate refers to the risk-adjusted discount rate used in the process of calculating the NPV of investment projects. The selection of the discount rate is complicated and presents many difficulties because the nature, period and risk of each project are different. There are four common methods to determine the discount rate: opportunity cost of capital, industry average rate of return, weighted average cost of capital and capital asset pricing model.

Here, based on the actual situation of the project, we refer to the opportunity cost of capital and the average rate of return of the industry in recent five years, and comprehensively evaluate and determine the discount rate of the project, which includes both risk factors and inflation factors. But it may have two main problems, one is the accuracy of statistical data; Second, the industry average rate of return is an average number, the extreme situation in the industry rate of return may be ignored.

In project A, we take 10% as the discount rate of NPV calculated by comprehensive evaluation. The discount rate of project A is 10%. The net present value of investment of project A is 168.36 million. We magnify the risk and calculate with the discount rate of 12%, the net present value of investment of project A is equal to 94.34 million; Then the risk is amplified. Calculated at A discount rate of 15%, the net present value of investment in Project A is equal to 16.3 million. Accordingly, we can conclude that project A has strong anti-risk ability and great investment value.

7.7 Ratio Analysis

This chapter predicts the investment scale of A project, which is about 377 million yuan, based on the relevant documents of Chengdu's land and real estate construction, the data of peer hotels and their own planning. With reference to relevant industry data, the operating income and cost expenditure after the project is put into operation are estimated. Calculated at 10% discount rate, the NPV of A boutique hotel is 168.36 million yuan. After analyzing the future cash flow of the project, it is concluded that the static payback period is 8.75 years, the dynamic

payback period is 13 years, and the internal rate of return IRR15.82%. From the data, it can be concluded that A boutique hotel project has a high investment value.

Investment payback period refers to the time required to recover the initial investment of the project based on the annual net profit value of the project. The investment payback period method is divided into static recovery and dynamic recovery.

(1) Calculation of static payback period of project A.

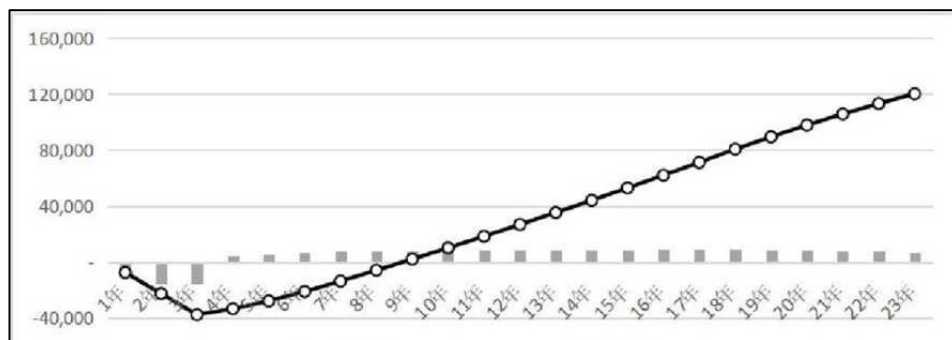


Figure 7-5 A Static cash flow diagram of the project

Static payback period of project A = $(9-1) + 5982/17357 = 8.75$ years

(2) Calculation of dynamic payback period of project A.

Table 7-6 A Project Dynamic Cash flow statement (Unit: Ten thousand yuan)

| | Net cash flow | Cumulative cash flow | discount time | discount rate | Present value | Cumulative net present value |
|------|---------------|----------------------|---------------|---------------|---------------|------------------------------|
| 2023 | -7,538 | -7,538 | - | 10% | -7,538 | -7,538 |
| 2024 | -15,076 | -22,614 | 1 | 10% | -13,705 | -21,243 |
| 2025 | -15,076 | -37,689 | 2 | 10% | -12,459 | -33,702 |
| 2026 | 4,203 | -33,487 | 3 | 10% | 3,158 | -30,545 |
| 2027 | 5,557 | -27,930 | 4 | 10% | 3,795 | -26,749 |
| 2028 | 6,727 | -21,202 | 5 | 10% | 4,177 | -22,572 |
| 2029 | 7,423 | -13,780 | 6 | 10% | 4,190 | -18,382 |
| 2030 | 7,797 | -5,982 | 7 | 10% | 4,001 | -14,381 |
| 2031 | 7,944 | 1,961 | 8 | 10% | 3,706 | -10,675 |
| 2032 | 8,093 | 10,054 | 9 | 10% | 3,432 | -7,243 |
| 2033 | 8,245 | 18,300 | 10 | 10% | 3,179 | -4,064 |
| 2034 | 8,401 | 26,700 | 11 | 10% | 2,944 | -1,120 |
| 2035 | 8,560 | 35,260 | 12 | 10% | 2,727 | 1,608 |

| | | | | | | |
|------|-------|---------|----|-----|-------|--------|
| 2036 | 8,721 | 43,981 | 13 | 10% | 2,526 | 4,134 |
| 2037 | 8,886 | 52,868 | 14 | 10% | 2,340 | 6,474 |
| 2038 | 9,055 | 61,922 | 15 | 10% | 2,168 | 8,642 |
| 2039 | 9,226 | 71,148 | 16 | 10% | 2,008 | 10,649 |
| 2040 | 9,401 | 80,550 | 17 | 10% | 1,860 | 12,509 |
| 2041 | 8,878 | 89,427 | 18 | 10% | 1,597 | 14,106 |
| 2042 | 8,378 | 97,806 | 19 | 10% | 1,370 | 15,476 |
| 2043 | 7,903 | 105,708 | 20 | 10% | 1,175 | 16,651 |
| 2044 | 7,449 | 113,157 | 21 | 10% | 1,007 | 17,657 |
| 2045 | 7,016 | 120,174 | 22 | 10% | 862 | 18,519 |

Dynamic payback period of project A = $(13-1) + 1120/2727 = 12.41$ years

To sum up, it is calculated that the discounted investment payback period of Project A is less than the average 15-year recovery period of traditional hotels, so project A has high investment value.

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