



BEIJING CONSULTING MANAGEMENT ENTERPRISES

By

RUNBING HUANGFU

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

SOUTHEAST ASIA UNIVERSITY

ACADEMIC YEAR 2022

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Abstract

With many years of rapid development, China's economy has developed from a shortage stage to a surplus stage. Companies with limited technological innovation have encountered enormous challenges to their survival and development. In the last decade, the internet economy, represented by Alibaba, has grown rapidly, but they are only business model innovations that do not create new products which market demands.

In order to achieve economic transformation and upgrading and encourage scientific and technological innovation, Chinese government has formulated many supportive policies, which have fostered world-class enterprises in the new energy, medical device and pharmaceutical industries, represented by CATL, LONGi Green Energy and Mindray Medical in the new energy, medical device and pharmaceutical industries. Due to the huge demand in China and overseas markets, the development of China's pharmaceutical, medical equipment, and new material industries is still in its infancy, and there is great room for market development.

Due to the characteristics of high-risk and high-return investment in the high-tech industry, Beijing Restart Enterprise Management Consulting Company focuses on small and medium-sized pharmaceutical, medical equipment, and new material enterprises. The main goal of operation is to achieve high investment returns. The company acquires clients with high quality and low cost management consulting services, and looks for high-growth investment opportunities from them with a comprehensive and in-depth understanding of the operation of the enterprises.

The company's initial investment is 15 million yuan, and from 2023 to 2025, it

will raise 15 million yuan at a 20.20% equity consideration. The five-year average annual profit from 2022 to 2026 is 10.3169 million yuan, and the five-year average return on investment is 34.39%. Since the exit cycle of each investment project is set at 5 years, the payback period of the initial investment is up to 7.5 years.

Acknowledgement

The busy and fulfilling MBA study is coming to an end. I would like to thank Southeast Asian University and Graduate School for providing me with valuable learning opportunities. Thanks to Dean Dr. Puttithorn Jirayus, Dean of Assoc, Prof. Dr. Napaporn Khantanapha and all the professors. During the whole learning process, your selfless dedication and affection to work not only allow me to have a deeper understanding of management but also improved my own work. Moreover, I can apply the theories I have learned to analyze and solve real-life problems, which enables me to improve my management skills. Thanks to my mentor for guiding me throughout the business plan, giving me many revisions and helping me with some confusion.

Finally, I would like to thank my family and friends who have given me great help and support throughout my entire study process so that I could successfully complete the whole course of study.

Runbing Huangfu

Table of Contents

Abstract.....	IV
Acknowledgement.....	V
Table of Contents.....	VI
Section 1 Executive Summary.....	1
Section 2 Company Description.....	5
Section 3 Industry Analysis.....	9
Section 4 Marketing Plan	28
Section 5 Management Team and Company Structure	42
Section 6 Operations and Production Plan.....	44
Section 7 Financial Projections.....	52
References.....	71
Biography	72

Section 1

Executive Summary

With 40 years of rapid development since Chinese economic reform, China's economy has evolved from a shortage stage to a surplus stage, and the market for traditional industrial products and consumer goods is extremely competitive, with low profit margins for most enterprises. In the last decade, the Internet economy represented by Alibaba, JD.com, Tencent, Meituan, and ByteDance has developed rapidly, but they are essentially solving the problem of efficiency in exchange of goods, and do not create new products which market demands. These companies innovated business models rather than engaged in real value creation.

In order to achieve economic transformation and upgrading and encourage scientific and technological innovation, Chinese government has formulated many supportive policies, which have fostered world-class enterprises in the new energy, medical device and pharmaceutical industries, represented by CATL, LONGi Green Energy, Mindray Medical and WuXi AppTec in the new energy, medical device and pharmaceutical industries. Early investors have achieved investment returns of tens of times or more. Due to the huge demand in China and overseas markets, the development of China's pharmaceutical, medical equipment, and new material industries is still in its infancy, and it should be a high-quality field of investment in the next ten years.

Although pharmaceutical, medical device, and new material industries are high-quality fields of investment, most startups end up in failure and only a small percentage of companies achieve great success due to the high risk of investment in science and technology innovation. There are several ways to reduce the risk of investing in high-tech industry and improve the success rate of investment and rate of return: The first is to directly invest in the development of high-tech products in a particular industry. The founders of such companies are often scientists, but there is a great deal of uncertainty about whether the investment will be successful and how long it will take to achieve success. The second is to invest through private equity investment institutions. Based on the rate of return of private equity investment in

recent years, most investment projects are not ideal, mainly due to information asymmetry. In most cases, it is difficult for investors to have a comprehensive and in-depth understanding of the real operation of the invested company, and often the success rate of the invested projects is low or the valuation of the company is too high. The third is to directly invest in the company or introduce investment only if one finds a worthy company based on a broad and in-depth understanding of the operation of start-ups. Our company is using our management consulting business as an entry point to find investment opportunities in the pharmaceutical, medical device and new materials industries.

The company's routine business is management consulting, but the long-term business goal is to become an excellent investment company in the pharmaceutical, medical device, and new material industries. If there is a suitable opportunity in the future, our company intends to hold a controlling stake in a company engaged in the research and development of pharmaceuticals, medical devices or new materials. As the company's development strategy aims to become an investment company, therefore, from the medium and long-term perspective, the income from management consulting business is to maintain the daily operation of the company, and the main profit will come from direct investment income and investment income shared from introducing investment for clients.

Management consulting is an important branch of the consulting business. In the early days of management consulting firms, they mainly addressed some basic issues in production management. After the 1980s, the approach of management consulting services has been improving. They no longer only provided consulting advice, but also included assisting clients to implement the consulting recommendations. In recent years, the fastest growing demand in the management consulting industry has been from SME clients, and SMEs are the main market for local consulting firms in China.

Based on the consulting needs of small and medium-sized pharmaceutical, medical device, and new material companies, the consulting products we plan to develop include: business strategy, R&D project management, financial management, marketing, IT system construction planning, financing solution design, and preparation of relevant legal documents.

The company is registered in Beijing with a registered capital of 15 million yuan. The founding shareholders consist of three members. The largest shareholder, Mr. Liu Yang, is a Ph.D. in chemistry from Imperial College London. He worked in a domestic chemical group for three years and successfully established a building materials company. The co-founder Mr. Feng Ji hong is an expert in law and finance, and the co-founder Mr. Zhang Tao is a senior IT expert who was responsible for the management of the IT department of a large pharmaceutical group. The good professional background of the founding shareholders is often beneficial for the company to engage in management consulting business in the pharmaceutical, medical device and new material industries for the following reasons: Firstly, it is conducive to recruiting professional talents. Secondly, it is conducive to developing competitive management consulting products. Thirdly, it is conducive to providing high-quality consulting services to clients and assisting them in implementing consulting recommendations.

In the first year, the company will mainly operate in Beijing, Tianjin and Hebei. In the second year, it will try to carry out some business in Chengdu and neighboring areas, and in the third year in Shanghai, Jiangsu and Zhejiang areas. In the fourth year, we will consider whether to set up an operation branch in the Chengdu area. The company's initial investment is 15 million yuan, and from 2023 to 2025, it will raise 15 million yuan at a 20.20% equity consideration. The five-year average annual profit from 2022 to 2026 is 10.3169 million yuan, and the five-year average return on investment is 34.39%. Since the investment project exit period is set at 5 years, the payback period of the investment is as long as 7.5 years.

The company's business model has certain advantages, but there are also some risks and challenges. The first risk is that the company fails to develop high-quality consulting products as planned, lacks the ability to provide high-level consulting services to clients, and is unable to acquire expected number of clients in a competitive market. The second risk is that no good investment opportunity can be found within five years, or our direct investment or the investment that we help clients to introduce do not reach the expected rate of return. The third risk is litigation risk from management consulting services or assisting clients to introduce financing

services. The fourth risk is possible employee accidents, financial risks, tax risks, etc. that may occur during the company's operation.

Section 2

Company Description

2.1 Company History

Beijing Restart Enterprise Management Consulting Co., Ltd. was founded in Oct 2021 by well-known entrepreneur Dr. Yang Liu along with legal and financial expert and senior IT expert with rich practical experience in the industry. There are currently 12 employees, including 7 employees with master's or higher degrees, and other people with bachelor's degree. Currently, we mainly conduct business in Beijing and neighboring areas.

2.2 Mission Statement

Helping high-tech start-ups succeed.

2.3 Products and Services

The company mainly provides management consulting, investment introduction or direct investment services for small and medium-sized pharmaceutical, medical device and new material companies:

Management consulting services: business strategy, R&D project management, marketing management, financial management, legal affairs management, IT system construction planning, etc.

Capital introduction services: optimizing equity structure design, assisting enterprises in developing financing plans, writing business plans and legal documents required for financing, and introducing investors.

Direct investment: direct investment in clients with our company's own funds.

2.4 Current Status

Up to now, the main founder Dr. Liu Yang and co-founder Dr. Feng Jihong have started the company in August 2021. Co-founder Mr. Zhang Tao joined the new company in September 2021 and the head of the General Department joined the new company in October 2021. We have successfully registered " Beijing Restart Enterprise Management Consulting Co., Ltd."

At this stage, the following aspects of work have been carried out: First, the company's business development plan is formulated, mainly including the type of business to be carried out and the five-year business development plan. Second is to finalize the company's organizational structure and job responsibilities, and plan to set up a business consulting department, a marketing department, and a general department (including finance, HR, administrative office). Third, we will formulate a new employee recruitment plan, an equity incentive plan for the core team, and continue to recruit new employees and provide onboarding training for them.

2.5 Legal Status and Ownership

Based on the long-term development plan of the company, and taking into account the legal risk and tax cost factors, the enterprise type of the company is set as a limited liability company with independent legal entity status, bearing legal responsibility with all the assets of the enterprise. The shareholders of the company bear legal responsibility up to the registered capital they have subscribed.

Beijing Restart Enterprise Management Consulting has three founding shareholders. The largest shareholder, Dr. Liu Yang, subscribed for a contribution of 10 million yuan, the co-founder Dr. Feng Ji hong subscribed for 3 million yuan, and Mr. Liu Tao subscribed for 2 million yuan. The largest shareholder, Dr. Liu Yang is the controlling shareholder of the company.

2.6 Selecting the Name for Business

A good company name should be easy for clients to remember, and if possible, it should also have a good meaning. In fact, it is often difficult to have both, so keep your business name as short as possible, preferably two words, and secondly consider three or four words.

In order to avoid duplicate names of enterprises, when registering an enterprise, the government management department generally requires five company names, and names that are identical or very similar to the registered company or famous trademark will not be registered after online inquiry. After deliberation, we successfully registered the business name of " Beijing Restart Enterprise Management Consulting Co., Ltd.". Place of registration: Hai dian District, Beijing.

2.7 Primary Consideration in Naming a Business

We take the followings into consideration when naming the company. Firstly, the government has normative requirements for the name of the company, which generally begins with the place of registration, such as: China XXX Company, Beijing XXX Company, and names beginning with "China" need to be reported to the State Administration for Industry and Commerce of the People's Republic of China for approval. Secondly, the enterprise name should reflect the industry attributes, such as: enterprise management consulting, indicating that the company's main business is to provide management consulting services for enterprises. Thirdly, the enterprise name should indicate the enterprise type, such as: limited liability company, company limited, limited partnership and so on. Different enterprise types correspond to different legal liabilities and taxation treatments. Fourthly, the enterprise name cannot be the same as or very similar to other registered enterprises, and it cannot be the same as some famous trademarks. Other than that, the company name should also have a good connotation, be concise and easy to remember, and consider the pronunciation of people in different regions.

2.8 Legal Issues

Legal issues that need to be considered when setting up a company: First, in order to limit legal risks, the company is set up as a limited liability company, and all shareholders' liability are limited to their subscribed registered capital. The company's legal liability and the shareholders' legal liability have clear boundaries. The second is the legal risk related to the registered capital amount. The subscription system does not force shareholders to pay up the capital in a short period of time. However, since the legal risks borne by each shareholder are limited to the registered capital subscribed, registered capital amount should not be increased carelessly if the company's registered capital can meet operational needs.

After the business is launched, the company will also face the following risks: First is the operation risk. The target of the company's services is small and medium-sized technology companies, and most of the start-up companies are relatively short of funds, and each customer pays a smaller amount of consulting service fees. If the number of new clients added cannot reach the expected number each year, it will

cause an operating loss. If the success rate of the projects that the company directly invested is low, the impact on the company's operating profit will exceed the reduction of consulting fees. Second is financial management risks, mainly including shortage of operating funds, failure to collect receivables on schedule, and theft or misappropriation of funds. Third is tax compliance risk. Enterprise operation mainly involves VAT, corporate income tax, employee personal income tax, stamp duty, etc. Enterprises should make reasonable tax planning and pay taxes in full and on time in accordance with the law. Fourth is the risk of personal safety of employees. Employees will be on regular business trips, so the risk of personal safety is relatively high, and it's necessary to educate employee on safety and purchase commercial insurance for them. Fifth is the risk of legal litigation: firstly, some clients may think that there are major issues with the consulting service that leads to business failure; secondly, there may also be errors in the financing legal documents which may lead to legal actions.

Section 3

Industry Analysis

Consulting services originated in the United Kingdom, and the consulting industry in western developed countries has formed its own characteristics and strong areas such as United States in business management, the United Kingdom in engineering consulting, and Japan in industrial information. At present, there are a number of world-renowned consulting institutions, such as the RAND Corporation in the United States, the Stanford Consulting, the International Institute for Strategic Studies in London a, the Nomura Research Institute and the Mitsubishi Research Institute in Japan. The United States is the country with the most developed consulting industry, accounting for more than 60% consulting business revenue of the world.

3.1 Industry Size, Growth Rate and Sale Projections

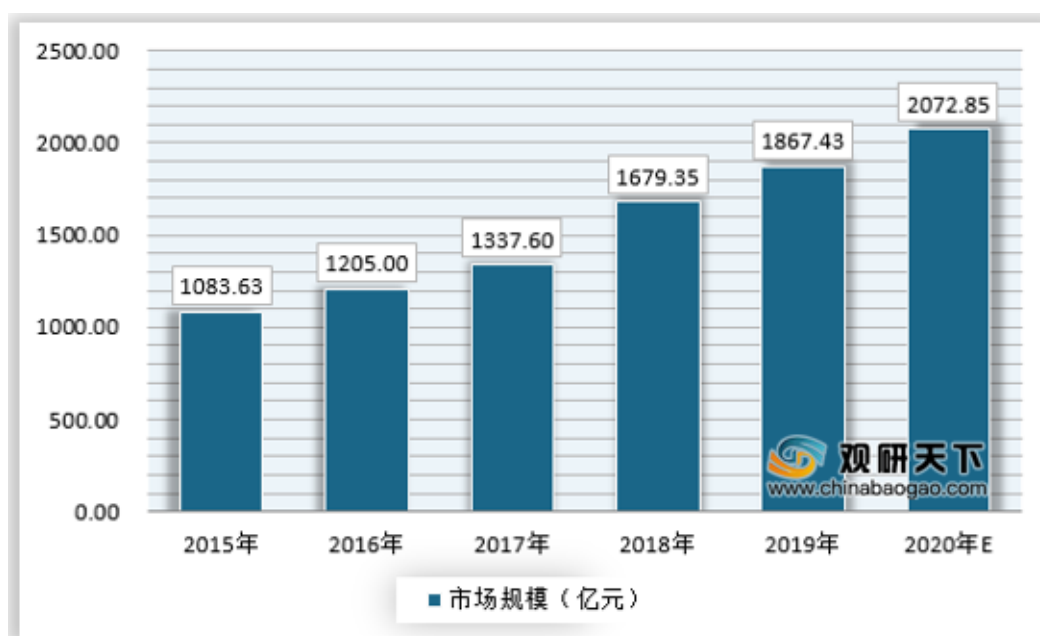
The consulting industry in western countries is fairly mature, especially in the United States and the United Kingdom which involves almost all aspects of life. At present, the average annual growth rate of the global consulting industry output value is between 25% to 30%. In the 21st century, the output value of the U.S. consulting industry continues to grow steadily.

Management consulting is a crucial part of the consulting industry. Management consulting was developed from the United States. In the early days of management consulting firms, management consulting mainly solved some basic problems in the production management process. After the 1980s, the management consulting industry has undergone major changes. Management consulting methodologies have been improved, the quality of consulting services has been increased, and management consulting no longer only provides consulting advice, but also assists clients to implement them.

China's management consulting industry is developed based on the management theories, methods and experiences of European countries and America. With the continuous development of China's economy and the increasingly fierce

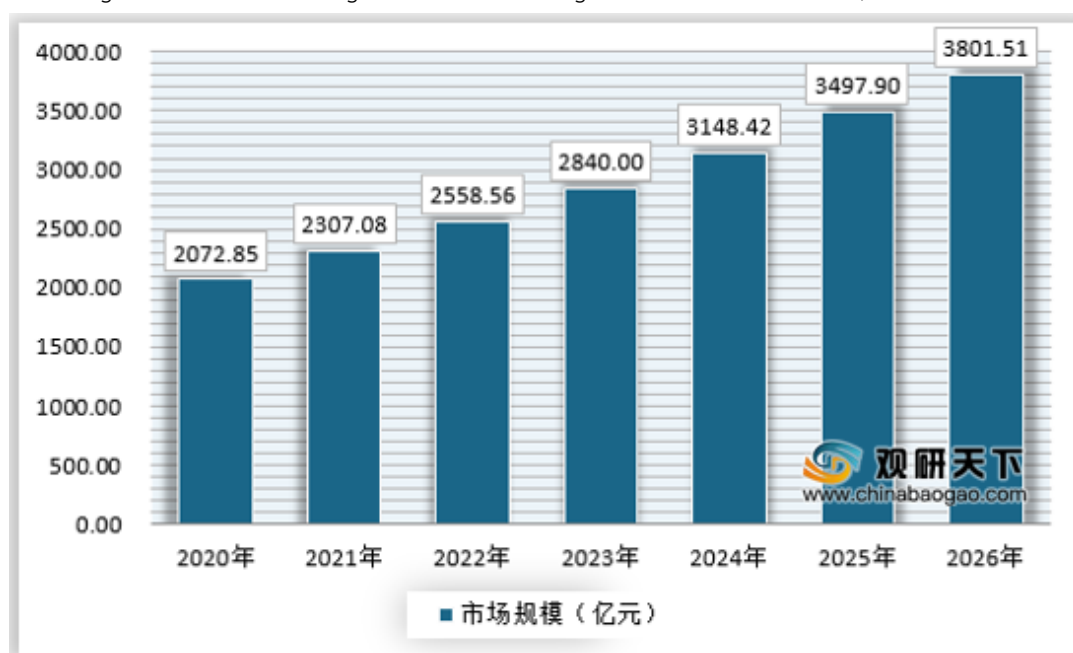
market competition, China's management consulting industry market will enter a period of rapid growth in the future according to forecasts. According to IBIS World and China Enterprise Confederation Management Consulting Committee, the revenue of the management consulting industry in China was about 120.5 billion yuan in 2016, up 9.22% year-on-year, and reached 133.76 billion yuan in 2017, up 9.54% year-on-year. It increased to RMB 207.285 billion in 2020 (see Figure 1) and to RMB 230.78 billion in 2021.

Figure 1. Revenue scale of the management consulting industry



With the gradual upgrading of China's industries and the rise in market competition, the market size of the management consulting industry is expected to reach 380.151 billion yuan by 2026 (see Figure 2).

Figure 2. China Management Consulting Market Size Forecast, 2020-2026



SMEs are a big market for local management consulting firms. Although some internationally renowned consulting firms have seized the opportunity to compete in the market of China's consulting industry, they currently mainly serve large domestic enterprises due to high fees and lack of deep understanding of local Chinese culture. By the end of 2020, more than 90% of Chinese enterprises belong to SMEs. A large number of small and medium-sized technology companies need to be consulted in their development. Therefore, small and medium-sized technology enterprises are the most promising market for consulting business, and the size of this market can fully meet the needs of local consulting companies in China for survival and development.

At present, China's enterprise management consulting services mainly serve small and medium-sized enterprises, and the number of large enterprises that choose Chinese management consulting companies for services is relatively small. The market share distribution of various types of enterprise management consulting services is predicted as follows (see Figure 4)

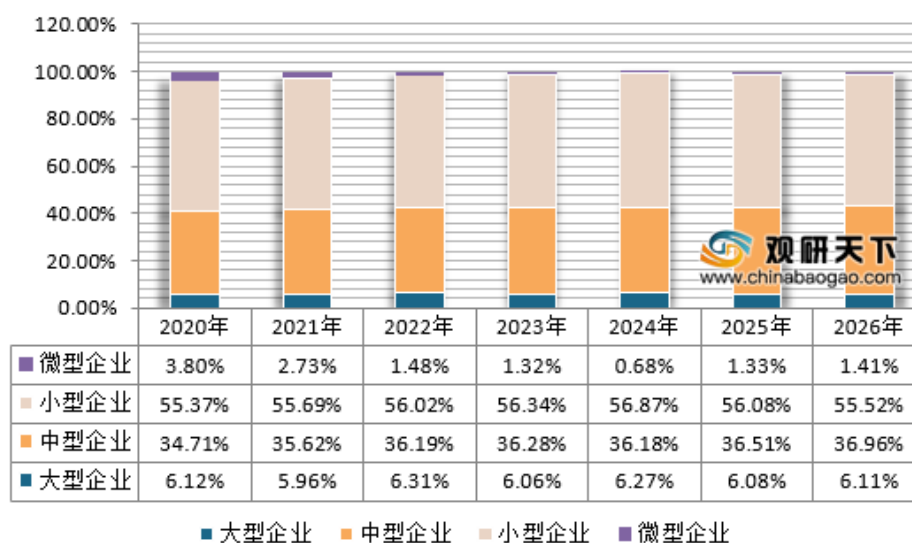


Figure 4. 2020-2026 Enterprise Management Consulting Segment Market Distribution Forecast

At present, more than 40% of the domestic management consulting industry's revenue comes from the manufacturing industry, followed by the service industry and TMT (see Figure 5).

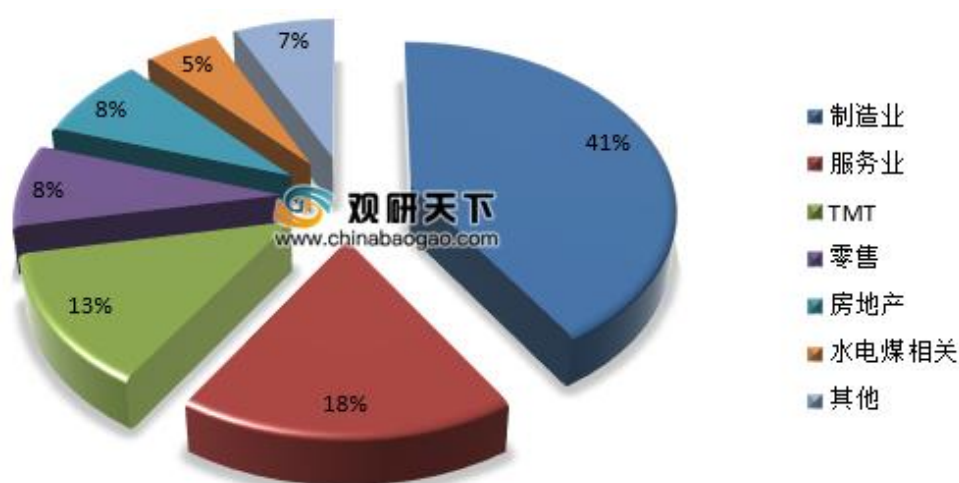
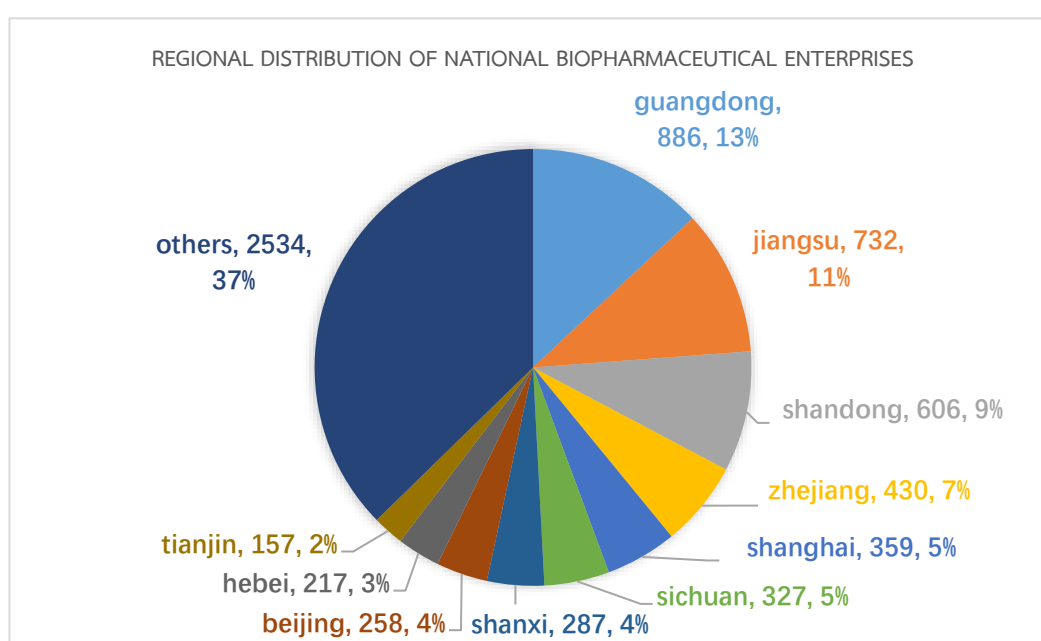
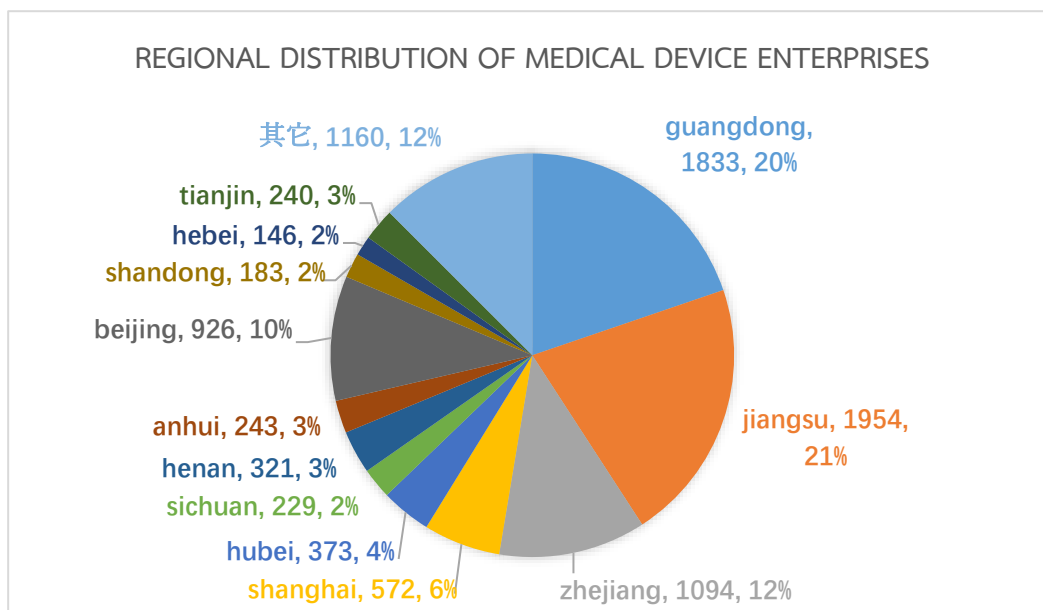


Figure 5. Management consulting industry demand structure

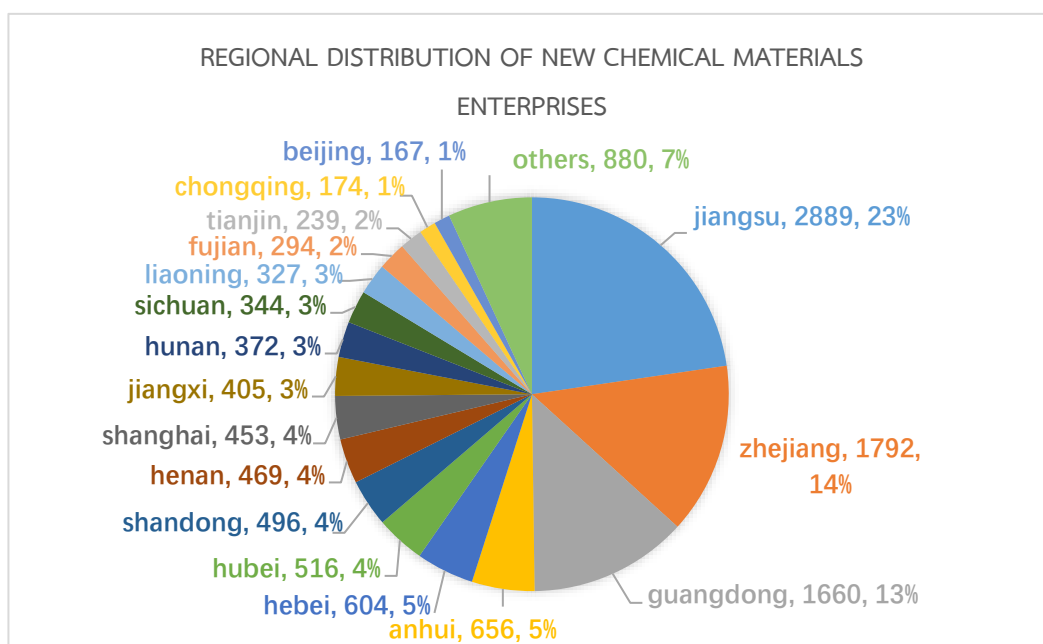
According to the "Qi cha cha" database, there are 6,973 small and medium-sized biopharmaceutical enterprises (excluding those with annual revenue of 500 million yuan or more), of which 2,848 are newly registered from 2017 to 2021, accounting for 40.8%. The regional distribution of biopharmaceutical enterprises nationwide is as follows: 886 in Guangdong, 732 in Jiangsu, 606 in Shandong, 430 in Zhejiang, 359 in Shanghai, 327 in Sichuan, 287 in Shaanxi, 258 in Beijing, 217 in Hebei, 157 in Tianjin, and a total of 2,534 in other regions.



According to the "Qi cha cha" database, there are currently 9,274 medical device enterprises, of which 6,639 were incorporated before 2017, accounting for 71.58%. The regional distribution of medical device enterprises is as follows: Jiangsu 1,954, Guangdong 1,833, Zhejiang 1,094, Beijing 926, Shanghai 572, Hubei 373, Henan 321, Anhui 243, Tianjin 240, Sichuan 229, Shandong 183, Hebei 146, and a total of 1,160 in other regions.



According to the "Qi cha cha" database, there are 12,737 chemical new materials enterprises, of which 9,820 were incorporated before 2017, accounting for 77.09%. The regional distribution of chemical new materials enterprises nationwide is as follows: Jiangsu 2,889, Zhejiang 1,792, Guangdong 1,660, Anhui 656, Hebei 604, Hubei 516, Shandong 496, Henan 469, Shanghai 453, Jiangxi 405, Hunan 372, Sichuan 344, Liaoning 327, Fujian 294, Tianjin 239, Chongqing 174, Beijing 167, and 880 in other regions.



To sum up, there are currently 16,247 small and medium-sized pharmaceutical and medical device companies and 12,737 small and medium-sized new material companies in China. If 30% of the above enterprises have demand for management consulting services and the annual consulting cost of each client is 150,000 yuan, the annual market demand is about 130,428 million yuan. Among them, there are 2,954 enterprises in Beijing, Tianjin and Hebei each year, and the demand for management consulting is about 132.93 million yuan, which is enough for new management consulting companies to start and develop.

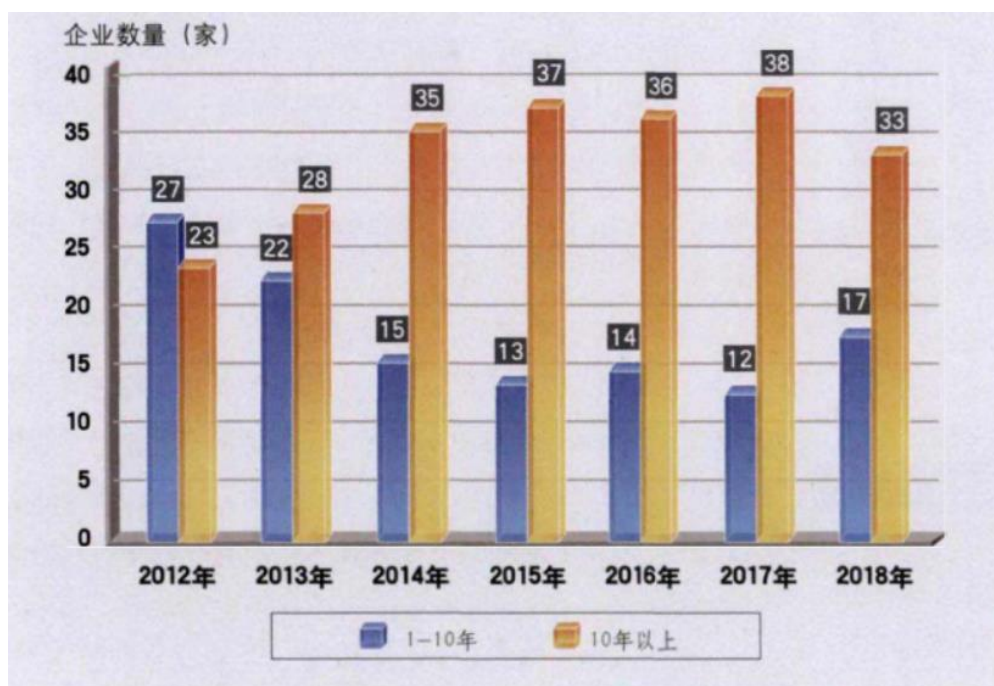
3.2 Industry Characteristics (Industry Structure, Nature of Participants, Ratios, Key Success Factors)

Since 2012, China Enterprise Confederation Management Consulting Committee has released the list of the "Top 50 Management Consulting Institutions in China" for seven consecutive times. According to the data analysis of the 2012-2018 "Top 50 Chinese Management Consulting Institutions" list, the following six conclusions can be drawn:

1) Business scale continues to grow and performance is rapidly improving. From the revenue data of seven consecutive years, we can see that the total business revenue of the "Top 50 Chinese Management Consulting Institutions" has increased from 2.903 billion yuan to 5.902 billion yuan, an increase of 103%.

2) Management consulting institutions have been in existence for an extended period of time and have developed rapidly. In terms of the number of years of establishment, the number of organizations established for more than 10 years in the "Top 50 Chinese Management Consulting Institutions" remains around 30, from 23 in 2012 to 33 in 2018, an increase of 43.5% (see Figure 6). The total revenue of consulting firms established for more than 10 years is 3.476 billion yuan, accounting for 72.13%, which indicates that the number of years of establishment is directly proportional to the consulting revenue, and the more mature and larger the consulting organization is, the higher the revenue from its long-term business operation.

Figure 6. Statistics on the number of years of establishment of the "Top 50 Chinese



Management Consulting Institutions"

3) Consulting organizations are strong in the east and weak in the west, and the development is unbalanced between regions. The development of China's management consulting industry shows a clear pattern of strong in the east and weak in the west, with the development of management consulting business in the central and western regions significantly lagging behind that in the eastern regions. From the number of shortlisted institutions in the 2018 list (see Table 1), there are 25 in Beijing, 5 in Shanghai, and 11 in Guangdong Province. Among the "Top 50 Chinese Management Consulting Institutions", 41 institutions are from Beijing, Shanghai and

Guangzhou, accounting for 82% in total, while only 9 institutions from other regions have been selected, accounting for 18% in total. From the perspective of business revenue of the finalists, business revenue of Beijing accounted for 60.51% of the total "Top 50 Chinese Management Consulting Institutions", ranking first; business revenue of Shanghai accounted for 11.95% of the total "Top 50 Chinese Management Consulting Institutions". Guangdong accounted for 12.7% of the total revenue of the "Top 50 Chinese Management Consulting Institutions"; the revenue of the three regions accounted for 85.16% of the total revenue. Thus the development of management consulting organizations in China is highly correlated with regional economic development and external environment.

Table 1. Regional distribution of "Top 50 Chinese Management Consulting Institutions"

排名	地区	入围机构数量	业务收入总额 (亿元)	利润总额 (亿元)
1	北京市	25	29.16	2.90
2	广东省	11	6.12	1.19
3	上海市	5	5.76	1.28
4	天津市	1	2.28	0.34
5	福建省	2	2.25	0.76
6	浙江省	3	1.29	0.1
7	辽宁省	1	0.69	0.02
8	江苏省	1	0.36	0.01
9	四川省	1	0.28	0.02

4) The number of consulting projects is large, but the scale of project revenue is relatively small. "2018 Top 50 Chinese Management Consulting Institutions" completed 9,613 management consulting projects, with an average revenue of 500,000 yuan per project. Figures 7 and 8 compare the number of consulting projects completed by the "Top 50 Chinese Management Consulting Institutions" and the average project revenue over the years. The number of their businesses has increased slightly, and the average revenue per consulting project is relatively small. This reflects that most management consulting organizations lack the support of large-scale consulting projects, and also indicates that the monopoly of large-scale and high-end management consulting projects by multinational consulting companies remains

unchanged.



Figure 7. Number of projects in the “Top 50 Chinese Management Consulting Institutions”

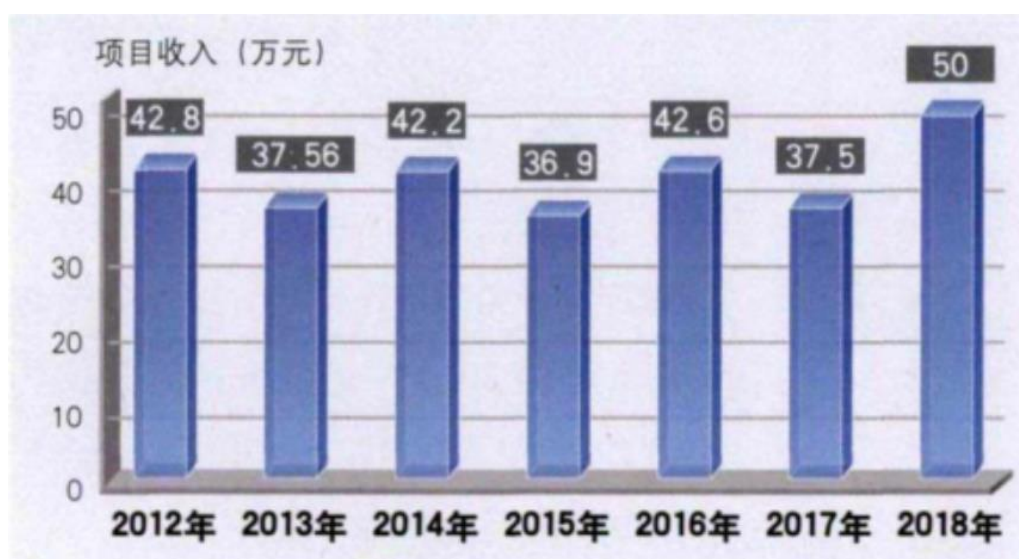


Figure 8. Average revenue per project of the “Top 50 Chinese Management Consulting Institutions”

5) Most management consulting firms have relatively low revenue, and there is a clear gap between firms. Taking "2018 China's Top 50 Management Consulting Institutions" as an example, only 5 companies have reached the standard of medium-sized enterprises in terms of business revenue, while the remaining 45 organizations

are all small enterprises. At the same time, the operating income of the "Top 50 Chinese Management Consulting Institutions" varies greatly. The highest business income (368.88 million yuan) is 13.71 times the lowest business income (22.9 million yuan).

6) There is a significant gap with internationally renowned consulting firms. "2018 China's Top 50 Management Consulting Institutions" employed 10,200 professionals, with an average of 204 per organization, of which 6,991 were consultants, with an average of 139 per company. There is a clear gap compared to multinational companies. For example: McKinsey currently has more than 9,000 consultants with education from world-renowned universities; in 2015, Accenture's annual revenue was about 32.9 billion US dollars, equivalent to about 230.3 billion yuan, and the total business income of "2018 China's Top 50 Management Consulting Institutions" was about 4.819 billion yuan, equivalent to only 2.1% of Accenture's annual revenue.

3.3 Industry Trends (Environmental Trend, Business Trend)

With the promotion of economic transformation and upgrading and the strong support of China's national policies, small and medium-sized pharmaceutical, medical device, and new material enterprises are in a stage of rapid development, and enterprises represented by new energy have taken the lead in forming breakthroughs. In the next decade, the contribution of pharmaceutical and medical device enterprises to the economy will grow at 10%, and the contribution of new materials enterprises to the economy will grow at more than 18%.

Looking into the future, China's management consulting industry shows the following trends:

1) The management consulting industry is developing rapidly. On the one hand, the number of small and medium-sized technology enterprises is huge, and their demand for management consulting is increasing year by year. On the other hand, China's optimization of economic structure and conversion of economic growth requires high-quality development and digital transformation of enterprises, which creates a broad market for the development of consulting industry.

2) Management consulting firms are having polarized development. Some management consulting firms are expanding their scale through cooperation, mergers and acquisitions, and are striving to enhance their ability to provide comprehensive consulting services to large and medium-sized enterprises. Many small management consulting firms, on the other hand, take "specialization and precision" as the aim and take the road of professional development. They deepen professional knowledge and management skills in a certain field to provide consulting services to the majority of small and medium-sized enterprises.

3) Information technology and management consulting become increasingly integrated. Part of the traditional management consulting business, especially the professional work of market research, is gradually replaced by new technologies such as big data and artificial intelligence. The integration of management consulting and modern information technology has increased the service scope and technical content of management consulting solutions.

4) Enterprises are demanding more and more professional abilities from management consultants. Management consultants not only need to have high analytical and communication skills, but also need to have more professional background and experience in business operation.

5) The management consulting business industry will become more and more regulated. As an important part of national think tanks, management consulting has attracted the attention of relevant government departments. In 2016, eleven ministries including the Ministry of Industry and Information Technology issued the "Opinions on Guiding Enterprises to Innovate Management and Improve Quality and Efficiency". Under the active promotion of relevant government departments, the market competition in the management consulting industry will become more and more regulated.

3.4 Long-Term Prospects

In the next decade, pharmaceuticals, medical devices, and new materials, as science and technology innovation enterprises, will greatly increase social wealth and have huge room for growth. Although it is difficult to accurately predict the exact scale, the new sales of pharmaceuticals and medical devices and new materials will

exceed 100 billion yuan each year. As a result, the demand for management consulting services from small and medium-sized technology companies will grow significantly.

Data show that investment and financing events in China's consulting services industry reached a peak during 2017-2018, and have shown a downward trend in recent years due to the economic environment and the epidemic. The market started to pick up in 2021, with the number of investment and financing events growing to 96, with a total investment and financing amount of 17.09 billion yuan. The number of closed investment and financing deals from January to May 24, 2022 has reached 26. This indicates that the confidence of the capital market in the consulting and management services industry is gradually increasing.



3.5 Status Quo Analysis

According to SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, China's management consulting industry will make full use of its strengths, overcome its weaknesses, grasp the opportunities for the development of the industry, avoid the threats that exist, and continue to grow and develop in the market competition.

3.5.1 Advantages of China's management consulting industry

1) Localization advantage

Compared with foreign companies, Chinese management consulting firms have a better understanding of China's national conditions and culture, and have a more comprehensive and in-depth understanding of the status quo, history and cultural background of Chinese enterprises than foreign management consulting firms. Since they have a better understanding of market information, they can communicate more effectively and establish stable relationships with clients. The consulting products they provide are often more in line with China's national conditions and have stronger operability. Although some large foreign companies are professionally competent and have rich consulting experience, they often cannot understand the Chinese culture and market, and the proposed consulting solutions are less feasible due to different cultural backgrounds.

2) Flexibility advantage

Foreign consulting companies are larger in business scale, charge higher fees for consulting services, and mainly target large enterprises. They are usually reluctant to provide consulting services for small and medium-sized enterprises. Chinese consulting firms have large and small business scale, and are more flexible in choosing clients, mainly providing services for SMEs. The content of consulting services is also more flexible, some are only single product consulting services, and some are comprehensive consulting services. As a result, Chinese management consulting firms serve a larger number of clients.

3) Price advantage

The fees charged by well-known foreign consulting agencies in China are generally high, ranging from millions to tens of millions yuan. Only some large enterprises can afford such high prices. For many reasons, the implementation of many "high-priced" solutions failed to meet expectations. In recent years, some large enterprises do not only consider foreign companies when purchasing consulting services, but also local Chinese management consulting companies.

3.5.2 Disadvantages of Chinese management consulting firms

1) Poor reputation

The consulting industry provides intellectual products. Client satisfaction depends not only on the product itself, but also on the final implementation of proposals in the enterprise. Since the implementation is a prolonged process, whether the enterprise has full trust in the consulting company and whether the enterprise itself has the conditions for implementation will affect the satisfaction with the consulting service.

There are two main reasons for the poor reputation of the consulting industry in China. First, there is a lack of consensus between enterprises and consulting firms. The consulting industry provides intellectual products, such as business philosophy, scientific management methods, operation models, etc. It takes a long time for it to function, but clients hope consulting services can achieve significant results in a short period of time. It requires joint efforts from both parties to reach a consensus to fairly determine the value and price of intellectual products. In reality, there are discrepancies between the two sides in terms of consulting duration, cost and goals. Second, because of the low barriers to entry in the consulting market, it is possible to register a consulting company with little capital, resulting in the lack of professional skills of consultants, irregular services, and poor quality in some consulting companies, thus leaving a poor impression to the public.

2) Lack of high-quality consulting talents

The essence of a consulting firm is to use its knowledge, wisdom and experience to help companies in need to solve problems and achieve success. The quality of consultants is a key factor in determining whether a consulting firm can succeed. Consulting companies should have enough experts to support the clients and truly help the enterprise to solve the problems existing in the project. Consultants should also bring international perspective under globalization.

The development history of my country's consulting industry is short, and there is a lack of talent accumulation. Local consulting companies do not pay much attention to talent training and professional skills improvement. Consultants from universities and research institutes have profound theoretical knowledge, but they often lack experience in enterprise operation, and the proposed solutions are less

feasible. Consultants from enterprises have rich experience, but insufficient theoretical knowledge limits their innovation ability. Consulting talents with both theoretical knowledge and enterprise operation experience are scarce.

- 3) The quality of consulting is low and the number of professional consulting firms cannot meet the market demand

The level of services from Chinese consulting companies is generally not high, and the services are not standardized. The services provided by consulting companies differ from their commitments to clients. Compared to foreign consulting companies, many domestic consulting companies have poor service quality, non-standard consulting system, limited consulting case database, and dated information sources.

3.5.3 Development opportunities for China's management consulting industry

- 1) China's rapid economic growth creates a favorable development environment

The consulting industry is not a closed system, and its development is closely related to the economic environment. Since the reform and opening up, China's economic construction has made great achievements, and the total economic volume has entered the forefront of the world. In this environment, the restructuring of state-owned enterprises, the development of international markets by some enterprises, and the rapid development of a large number of high-tech companies have provided huge business opportunities and development space for the consulting industry.

- 2) Strategic adjustment of industrial structure is a powerful driving force for the development of management consulting industry

In order to effectively resolve the main issues that restrict economic growth, China is making strategic adjustments to the industrial structure and proposes to vigorously develop the tertiary sector of the economy. The management consulting industry, just started and with great potential for development in the tertiary industry, has received strong support from the government.

- 3) National policy support brings unprecedented opportunities to management consulting industry

The development of management consulting industry is inseparable from the

support of national policies. Enterprises have a higher level of trust in the industry with the support of national policies. The "Several Opinions of the State Council on Further Promoting the Development of Small and Medium-Sized Enterprises" issued in September 2009 called for improving the management level of SMEs, and guiding and supporting SMEs to strengthen their management. Support the cultivation of SME management consulting firms and management consulting activities. Management consulting firms can help SMEs improve their competitiveness in the market by providing practical suggestions and solutions such as improving corporate system, organizational structure, product quality, cutting production costs, and cultivating innovative talents.

- 4) Increased market competition leads to increased awareness for corporate consulting

Credibility of China's consulting industry is still relatively low, many companies are not very conscious of consulting and prefer to solve problems by themselves. However, we also notice that Chinese enterprises have a higher acceptance for consulting compared to the early 1990s. Especially in the economically developed Pearl River Delta and Yangtze River Delta regions, many enterprises have an increasing demand for consulting in development process.

The market is constantly changing, technology is evolving rapidly, and consumer demand is changing elusively. As the market competition intensifies, Chinese companies are facing increasingly severe challenges. Only by providing very professional consulting services and utilize core competencies, can Chinese management consulting companies increase market share, maximize profits and achieve sustainable development.

3.5.4 Threats to China's Management Consulting Industry

- 1) Large foreign consulting firms have entered the Chinese market

With the opening and rapid growth of China's economy, large foreign consulting firms are strategizing to grasp a piece of huge potential of the Chinese market. There are now hundreds of overseas consulting firms in China, and these firms are recruiting local professionals to address the issue of localizing their consulting business. For example, the internationally renowned management consulting firm McKinsey &

Company, Roland Berger and BearingPoint all regard China as the most important strategic growth country. Especially Roland Berger has the proportion of local clients, reached two-thirds, and has been exploring to localize. Local consulting firms in China are facing huge challenges to their survival and development with the presence of strong competitors.

2) Consulting industry lacks a comprehensive support system

Countries with developed management consulting industries focus on establishing and improving industry association organizations. The industry association represents the common interests of the consulting service industry. It can establish qualification standards, stipulate professional code of conduct, carry out various communication activities to expand the influence of the industry, and enable the whole industry to carry out standardized and orderly competition. So far, China has not yet established a unified management and supervisory body or association for the management consulting industry, and lacks unified and standardized industry entry standards, resulting in firms with poor service quality, irregular consulting services and disorderly competition. The lack of a supporting environment to promote the development of the industry and the lack of reasonable and comprehensive rules has restricted the healthy development of the management consulting industry.

3) Threats from substitutes and potential competitors

Threat from substitutes: Management consulting industry is an industry providing intellectual services, which provides a large amount of knowledge and information to enterprises. With the acceleration of informationization and the development of Internet, people have more channels to obtain knowledge and information quickly, especially some professional knowledge and information are mostly distributed in government agencies, research institutes and universities. If enterprises want to obtain relevant knowledge and information, they can search or purchase materials on the Internet. The cost of adopting this method is much less than paying for consulting services. Therefore, in the face of industry substitutes, management consulting firms must provide more value.

Threat of potential competitors: The management consulting industry has a relatively low barrier to entry, so it faces a wide range of potential competitors. First of all, market research companies: These companies provide special services about

market potential, segmentation, marketing strategies, etc. Generally, when companies have questions about the market, they seek help from market research companies. Therefore, these companies have experience and a certain customer base, and the services are similar to the management consulting industry, thus posing a threat. Secondly, university professors: When there were few management consulting companies, management consulting courses were introduced in major universities across the country, and some specialized professors often provided management consulting services for enterprises. These professors have both theoretical knowledge and some practical experience. It's possible for them join the consulting industry full-time, and compete with professional management consultants.

In the face of these threats, Chinese management consulting industry should take active measures to react. First of all, management consulting companies should help enterprises select the most helpful contents for development from a large amount of information, and integrate various information and knowledge to identify their environment, resources and business capabilities, propose feasible solutions, and assist in implementation. Second, facing potential domestic entrants, the industry should take steps to train professionals, select management consultants. This is to ensure that management consultants are more professional than university professors and industry researchers, and respond to the competition with high-level consulting services. Moreover, the industry should not confront foreign consulting companies directly, but should learn from foreign companies, continuously improve its professional ability, and win client through high-level services.

Section 4

Market Plan

4.1 Market Segmentation and Target Market Selection

With a large number of foreign companies entering the Chinese market, they have a relative competitive advantage in terms of products and operation management. In order to solve the problems in operation and management, there is an increasing demand for management consulting services from local Chinese companies. Specifically, four consumer groups have been formed, including state-owned enterprises, private large enterprises, private SMEs, and foreign companies, as shown in Table 3. These four consumer groups have different needs for management consulting services, thus providing a wide market for various types of management consulting companies. In the composition of the consumer demand for management consulting in China, market research, marketing planning and management training will continue to grow, but the three types of comprehensive management consulting business will have more growth potential (Table 4).

Table 3 Demand characteristics of four major client groups of management consulting services in China

Client Type	Management issues to be addressed	Consulting Services Needs
State-owned enterprise	1、 Enterprise system reform 2、 Ineffective incentive system 3、 Poor asset quality and return 4、 Dated management approaches	Strategy consulting, company structure planning, competitive strategy, department management, MRP,ERP
Large private enterprise High-tech enterprise	1、 Lack of long-term development strategic planning 2、 Non-standardized department management	Strategy consulting, company structure planning, competitive strategy, MRP, ERP

	3、 Improve the level of information management	
Foreign companies	1、 Lack of understanding of China's market demand and competition characteristics 2、 Unfamiliar with China's social, economic and policy environment 3、 Lack of understanding of employees	Market entry strategy, economic consulting, market research, employee psychology consulting
Private SMEs	1、 Dated management approaches 2、 Chaotic management system 3、 Lack of management talents 4、 Poor quality of products and services	Management training, quality certification training, management system design

Table 4 Three most promising types of integrated consulting services

Service	Client	Content
Full range of management consulting	Private enterprises	1、 Strategic planning, organizational structure design, management system planning 2、 Consultation on marketing, personnel, production, finance and technical functions 3、 Implementation of the above plans and guidance, personnel training 4、 Financial system planning, financing planning and IPO planning
Information management consulting	State-owned enterprises, large and medium-sized private enterprises	1、 IT application and strategy consulting, business process reengineering (BRP) 2、 MRP、 ERP software implementation 3、 Financial system planning, financing planning and IPO planning
Solutions	Large enterprises	1、 Strategy consulting 2、 Business restructuring 3、 Commercial competition strategy based on ERP software

The rapid growth of market demand in China's consulting industry is mainly because:

1) The government requires state-owned enterprises to carry out management innovation.

2) With the opening of China's market, many private enterprises want to introduce management consulting to solve operation problems and enhance competitiveness in the market.

3) Multinational enterprises hope to use Chinese consulting companies to help them solve localization problems.

As most small and medium-sized pharmaceutical, medical device and new material companies have little or no business revenue, they do not have enough capital to hire high-level professionals in finance, legal affairs, IT, etc. They are willing to cooperate with local management consulting firms for lower fees. Our target clients are small and medium-sized pharmaceutical, medical device and new material companies, and we will mainly work in Beijing and neighboring areas in the first year, and start a small amount of business in other regions in the second year.

4.2 Buyer Behavior

The business scope of the company includes: corporate strategy, financial management, marketing, process optimization and management information consulting, etc.

For many domestic enterprises, the following problems will appear in different stages of development:

1) When the revenue scale of the enterprise is small, the profit may be large, but when the enterprise becomes large, the profit decreases instead due to management hierarchy, structure, and control problems.

2) Before the business grows to a large size, entrepreneurs are still able to manage the business with a startup mindset, but when the business grows, major internal conflicts tend to arise due to the lack of scientific means of operation.

3) When market competition intensifies, it is difficult for business managers to make correct decisions solely relying on experience as market environment becomes more complex.

4) If a company's development strategy is unclear, R&D projects are likely to

become cash-burning machines.

If these problems arise, how many options are available? What is the most optimal choice? How much difference will there be between options? When evaluating the medium and long term returns, the impact may be long term and some may be irreversible, and every entrepreneur is faced with this dilemma. Therefore, it is necessary for companies to use "outside brains" for diagnosis and consulting.

4.3 Competitor Analysis

With the increase of Chinese enterprises' awareness of management consulting, a group of excellent local management consulting companies in Beijing, Shanghai, Guangzhou and Shenzhen have gradually developed theories and methodologies in line with local situation, and have initially acquired ability to compete with multinational management consulting companies in some fields.

At present, internationally renowned consulting firms only undertake services for large clients, and small and medium-sized companies can hardly afford high fees. The number of management consulting firms specializing in small and medium-sized pharmaceutical, medical device, and new material companies is relatively small now, so there is a good market opportunity to conduct business at a price easily accepted by these companies.

1) The market entry barrier is low, and the competition is chaotic and disorderly. As the current management consulting business in China mainly started from the former market information consulting and planning companies. Such companies have low requirements for capital, equipment investment, or the quality of personnel. Some consulting companies charge low price in order to survive, resulting in poor quality and chaotic prices in market.

2) The market competition pattern has evolved into two categories: foreign and local management consulting companies. Due to the high market demand in the industry, not only local management consulting companies are growing rapidly, but also foreign companies have entered the Chinese market, forming a competitive landscape between Chinese and foreign management consulting companies.

There is a big gap between the competitiveness of Chinese and foreign

management consulting companies. In terms of scale, theory and experience, talents and information database, Chinese management consulting industry has a huge gap with its international counterparts, and they are at a significant disadvantage in the competition. In terms of cost, feasibility of solutions and adaptation to local conditions, local management consulting companies have some advantages, which leads to different competitive positioning of the two sides in the market. Foreign management consulting companies mainly target multinational corporations and large state-owned enterprises, and their consulting projects mainly focus on corporate strategy and organizational structure planning; local management consulting companies mainly target small and medium-sized private enterprises, and their business mainly focuses on some specific management projects, such as financial management, marketing management, digital transformation, etc.

3) There are two major directions of competition: specialization and integration. Companies that provide customers with professional consulting services must have specific advantages in related fields (such as financial management, marketing management, investment and financing management) to survive; companies that provide customers with comprehensive management consulting services must have strong technology system integration capabilities.

4.4 Estimate of Annual Sales and Market Share

According to the China Enterprise Database query, there are 16,247 existing small and medium-sized biopharmaceutical and medical device companies and 12,737 small and medium-sized new material companies in China. Among them, the number of enterprises in Guangdong, Yangtze River Delta (Shanghai, Jiangsu, Zhejiang), Beijing and neighboring regions (Tianjin, Hebei), Sichuan and neighboring regions (Chongqing, Shanxi) are distributed as follows:

pharmaceutical, medical device and new material enterprises

	BioMedical	Medical Devices	Total of Two Items	New Materials	Total of Three Items
Guangdong	886	1833	2,719	1,660	4,379
Shanghai	359	572	931	453	1,384
Jiangsu	732	1954	2,686	2,889	5,575
Zhejiang	430	1094	1,524	1,792	3,316
Beijing	258	926	1,184	167	1,351
Tianjin	157	240	397	239	636
Hebei	217	146	363	604	967
Sichuan	327	229	556	344	900
Shanxi	287	67	354	71	425
Chongqing	156	119	275	174	449
Total	3,809	7180	10,989	8,393	19,382

According to the preliminary market research, about 30% of small and medium-sized technology companies have the demand for management consulting services, and they want to limit the annual cost of management consulting services within 200,000 yuan, and the average service period would be 3 years. Based on this calculation, the annual market demand for management consulting services for small and medium-sized pharmaceutical and medical device companies exceeds 731.12 million yuan, and the market demand for management consulting services for small and medium-sized new material companies is about 573.16 million yuan. Among them, the market demand of management consulting business in Beijing and neighboring areas (Tianjin and Hebei) is about 132.93 million yuan. The market demand in Sichuan and neighboring areas (Chongqing and Shaanxi) is about 79.83 million yuan, and the market demand in Yangtze River Delta (Shanghai, Jiangsu and

Zhejiang) is about 462.37 million yuan.

The company only served Beijing and neighboring areas in the first year, and will start to serve the market in Chengdu and neighboring areas in the second year, and the Yangtze River Delta region (Shanghai, Jiangsu and Zhejiang) in the third year. In the first year, the management consulting business income would be around 2.25 million yuan, accounting for about 1.69% of the market share in Beijing and neighboring areas; in the second year, the management consulting business income would be 5.85 million yuan, accounting for about 4.40% of the market share in Beijing and neighboring areas; from the third to the fifth year, the management consulting business income market share would increase by more than 10% per year on average.

4.5 Marketing mix analysis (7ps)

In order to better serve customers in the small and medium-sized pharmaceutical, medical device and new material industries and to achieve the company's medium and long term development goals, the marketing of consulting services will be carried out in the following seven areas:



1) Products: Since most of the target clients are founded within 5 years with little or no income, and they lack sufficient funds to hire the required high-level professionals in finance, marketing, law and IT, the following products are mainly developed according to the needs of most of the target clients.

First, the business strategy development consulting service. For startups, strategic

planning is very important. If the business development strategy is not clear, it may lead to the wrong product development strategy, which will easily cause the problem of financing difficulties and even the risk of capital chain rupture. Second, financial management consulting services. Financial management involves capital management, project management, cost accounting, tax management, financing planning, etc. By providing financial management consulting services, we can help clients effectively manage funds, avoid tax risks and improve the level of scientific decision-making. Third, R&D project management consulting service. R&D project is a systematic project with many links from project initiation, execution and closing, involving material procurement, coordination and cooperation of personnel involved in the project, as well as project cost budgeting and accounting. Through R&D project management consulting services, clients can reduce costs and improve R&D efficiency and success rate. Fourth, marketing consulting services. Since the sales channels and sales methods of pharmaceutical, medical device and new material products are very different from those of traditional consumer products, marketing plans must be designed in advance according to the characteristics of the products to rapidly expand the scale of business income and maximize product revenue. Fifth, IT system construction planning consulting services. IT system construction planning is easily overlooked. In the early stage of business, customers do not need a complex IT system, but when the business grows to a larger scale, it is difficult to achieve the goal of management quality and management efficiency at the same time without strong IT system support. Sixth, we provide services such as developing financing plans, and preparing relevant legal documents. Most of the founders of pharmaceutical, medical device and new material R&D companies are scientists, and they need financing in the process of growing a business, but they lack expertise and experience in designing equity structures and financing plans. Management consulting firms can assist them in developing financing plans and preparing legal documents related to help clients resolve financing difficulties.

2) Price: Since most of the small and medium-sized drug companies and new material companies have little or no revenue, they do not have enough funds to hire a full range of high-level financial, legal and IT professionals to manage and finance their business operations, and therefore local management consulting firms with low

fees are their priority.

For our company, in the early market development stage, the price we charge should be competitive in order to gain a piece in the market competition. At present, for general consulting services, such as enterprise system structure, personnel management, financial management and other conventional services, the price is tentatively set at about 100 to 200 thousand yuan. For capital introduction and other financial services, the price is tentatively at a 3% commission. Moreover, we should also be flexible to provide solutions and pricing schemes to achieve customer satisfaction.

3) Place: Our company's initial market development scope is Beijing and the surrounding areas, that is the Bohai Sea Economic Zone, which is a region with many target clients for pharmaceuticals, medical devices and new materials research and development. In this area, there are many small and medium-sized technology enterprises, and there are relevant favorable national policies to support the development of our company. As the company based in and around Beijing, the company's business will gradually expand from Beijing to Shanghai (Yangtze River Delta region) and Guangzhou (Pearl River Delta), and also the recent rising areas of biomedical research and development such as Chengdu, Xi'an and other places.

4) Promotion: For the company's business, the initial expansion will be carried out by means of price concessions and acquaintance recommendations, and later driven by word-of-mouth, gradually spreading the influence in the industry to other regions in China. At the same time, we also consider setting up an office or branch office in Chengdu to expand our local business by employing people who are familiar with the local industries.

5) Participant: Due to the nature of the industry, we require our personnel to have a sense of service and a considerable amount of professionalism. We will initially build up a team of personnel by recruiting in the same industry. At the same time, we can also recruit and conduct training and mentoring to gradually expand the team. In the process of business communication and dealings, we should help customers solve problems with professional attitude, but also pay attention to communication attitude and company's reputation. When customers encounter problems, we should be patient, polite and meticulous to help them even if there is client negligence. In

addition, we should collect client feedbacks and continuously improve the quality of service.

6) Physical Evidence: For the design of the company's environment, equipment and facilities, as we are a professional service organization, in addition to a comfortable and clean office environment, we should also have a modern corporate appearance to show to clients. At the same time, we should be an example for the informationized office and institutionalized management. The company leases commercial office area initially. When the scale of business reaches a certain size, we plan to purchase commercial land and building exclusive office facility.

7) Process Management: In customer service process, the customer's experience is directly related to our reputation. When helping customers to solve problems, the actual investigation, proposal, implementation, and effectiveness evaluation should be properly communicated with clients, so that they can participate and take the initiative to identify problems. Then we can propose solutions, which can better meet the underlying requirements of clients.

In addition, the distribution of service tasks for different clients, corporate benefits should also keep employees in the loop within the company. In this way, employees will have a sense of ownership and take initiative to establish and implement systems with motivation. For daily workflow, we should utilize flat management to reduce redundancies, save time, and increase efficiency.

4.6 Overall Marketing Strategy

In order to achieve the long-term development goals of the company, the company has studied client needs in depth and formulated an overall marketing strategy by incorporating professional capabilities. It specifically includes the following: product design, product pricing, full marketing, end-customer marketing, media marketing, government marketing, and ally marketing.

The company's products are designed to meet the needs of small and medium-sized new drug companies and new material companies, including: corporate development strategy, R&D project management, financial management, marketing management, IT system construction planning, financing planning (including

preparation of financing legal documents for customers), and IPO planning. In order to improve the professional level of business consulting, it is necessary to establish a consulting process for each product, collect outstanding business cases in the industry, and build a professional database.

The following factors are taken into consideration for product pricing: the number of employees of the client, business revenue, time of establishment, current status of operation and management, and whether the client has financing needs. Each product is quoted separately, and if customers purchase more than one product, they enjoy a discount on the combination. The price of a single product is significantly more competitive than medium and large consulting peers, and is within the affordable range of small and medium-sized technology companies.

Marketing is not just a responsibility of the marketing department, other departments also need to be involved in the marketing work. The product design department should strive to design products that meet customer needs; the marketing department should sell the products that clients needed; the business consulting department should provide customers with high-quality consulting services; The general department should maintain the relationship with relevant government counterparts and build a good corporate reputation; the finance department and IT department should actively assist the front office to provide professional consulting for customers in addition to doing a good job in internal affairs.

End-customer marketing is direct marketing to target clients. Firstly, we collect the list of small and medium-sized new drug companies and new material companies through the internet, government administration websites or industry conferences, select some target clients and make telephone contact or physical visit. Then we offer consulting plan and quotation according to demand, and modify according to customer's feedback in order to win target clients.

In order to enhance the company's visibility and market influence, the company will make full use of new media marketing. First, the construction of corporate website and WeChat public Account to introduce the company's culture, products and services; second, we use new drugs and new materials industry platform websites and self-media to promote; third, we would actively participate in academic exchanges and marketing activities related to new drugs and new materials, using third-party

media to promote; fourth, we would go live on some social media platforms to expand the company's brand reach.

In recent years, government departments have formulated many industrial support measures for small and medium-sized technology companies. The company would actively contact relevant government departments to provide professional consulting services for target clients with full or partial government funding to reduce marketing difficulty, increase the number of clients and raise the level of individual charge.

At present, new drugs and new materials are hot fields for investment, but due to the asymmetric information between financiers and investors, investing in new drugs or new materials are facing high risks, and thus some high-quality companies are difficult to find suitable investors. Our company can work with some professional investment institutions. If we find worthy clients with financing needs, we can recommend professional investment institutions to connect and invest. Therefore, we would indicate during marketing process that our company has professional investment institutions as partners and can help them with financing problems and if clients have financing needs.

4.7 Pricing Strategy

Our revenue come from four components: business consulting fees, financing commissions, investor's share of proceeds, and direct investment income. The consulting fees basically cover the business cost, and the profit mainly comes from direct investment, financing commissions and investors' share of proceeds.

As small and medium-sized pharmaceutical, medical device and new material companies have limited funds and are sensitive to the price of consulting services, we intend to adopt a competitive pricing strategy. The annual consulting service cost for a single product is limited to about 120,000 yuan. If customers undertake multiple business consulting products, we can offer a larger discount. Average consulting fee per customer per year is limited to less than 200,000 yuan, and the contract period is three years with annual payment. In addition, we will adjust the product quotation moderately according to the region, development stage, business scale and

complexity of the target clients.

Staff in marketing department, specialists and senior management work together to market clients; in neighboring areas where the company does not have a presence, potential target clients are sought through agents, and then the company's marketing team, specialist team, etc. connect and negotiate with clients.

4.8 Sales Process and Promotions Mix

The company's sales process mainly includes: making sales plan, collecting target client information, contacting by phone, email or visiting, making business consulting plan and price quotation according to customers' needs, signing contract, collecting payment and after-sales service.

In order to develop a scientific and reasonable sales plan, we first conduct market research in the company's registered place to understand the needs of small and medium-sized new drug companies and new material companies for products such as strategic consulting, financial consulting, IT system construction planning and financing planning, and to understand their price tolerance for different products. On this basis, we develop a three-year sales plan for the company, which includes: customer classification, customer acquisition channels, number of customers, product types, contract prices, business revenues, sales expenses, contract gross profit, etc.

Collecting target client information is crucial to the sales. We mainly collect through the following channels: First, we collect company name, contact number, and operation status from the local government management department for small and medium-sized new drugs, new materials companies. Second, we make inquiries about company profile, product introduction, etc on the internet. Third, we search through classmates, colleagues, etc for customer information, and then through existing clients for other clients. Fourthly, we attend new drug companies and new material company conferences to get some client information. We develop customer relationship management system, enter the customer information obtained from various channels into the system, and fully grasp the operation status of clients.

We select some from the target clients and visit their headquarters to understand their operation. We introduce our consulting business products and offer solutions

and price quotations on the basis of understanding the customers' business needs, then modify the business consulting solutions and price quotations according to the customers' feedback, and sign business contracts after both parties reach an agreement.

After signing the business contract, we collect the first payment, while the final payment is collected after all consulting reports are completed. Since the consulting service contract provided to the client also includes helping to implement specific solutions, the service period of each contract is three years, and each year the client pays another set of consulting fee. In the second and third years of the service term, in addition to coaching customers through implementation, we can also provide customers with other related business consultations. If the client only purchases basic package and does not request a detailed business consulting report, the client will generally not be charged additional consulting fee. If the client requests a detailed business consulting report, a separate business contract will be signed and a price discount will be given.

In order to improve the success rate of sales, certain discounts are given to clients with more professionals and easier problems. For clients who are in the initial stage and have tight capital, we offer price concessions and can defer payment options. For clients referred, price discounts are given to both original and new clients. For clients with financing needs, if investors are successfully introduced, we can also offer some discounts for consulting fees.

4.9 Distribution and Sales

The company's products are professional business consulting services to clients and cannot be distributed. In the city where the company is registered, the company's marketing staff, specialists and senior management work together in marketing; in neighboring areas where the company does not have a presence, potential target clients are sought through agents, and then the company's marketing team, specialist team, etc. connect and negotiate with clients.

Section 5

Management Team and Company Structure

5.1 Management Team

Mr. Liu Yang, 45, graduated from Sichuan University with a bachelor's degree in chemistry and holds a PhD in chemistry from Imperial College of Science and Technology in the UK. He worked in a chemical group in China for 3 years, and then successfully founded a building materials company. Now he is the general manager of the company and is fully responsible for the company's operations and management.

Mr. Feng Jihong, 42, graduated from East China University of Political Science and Law with a bachelor's degree in law, holds a master's degree in finance from Shanghai University of Finance and Economics, and is a CPA. He once worked in a large domestic securities company in corporate IPO legal affairs, and served as the company's deputy general manager, responsible for client financial, legal, financing and IPO planning consulting.

Co-founder Mr. Zhang Tao, aged 38, graduated from Zhejiang University with a bachelor's degree and a master's degree in software engineering, and worked in the IT department of a pharmaceutical group. He is responsible for enterprise IT planning and consulting, as well as the organization and implementation of the company's IT system construction.

5.2 Board of Directors

The Board of Directors consists of three members: Mr. Liu Yang, Mr. Feng Jihong and Mr. Zhang Tao.

Liu Yang is the chairman and legal representative, and Feng Jihong is the vice chairman.

The term of office of the Board of Directors is five years, and the directors can be re-elected.

The Company does not have a supervisory board, and has one supervisor, Mr. Zhang Tao.

5.3 Board of Advisors

The company has a professional advisory committee, which currently has three experts:

Rao Yushi: Cell biologist. Professor of Chinese Academy of Sciences.

Li Zhida: Polymer chemistry expert. Professor of Sichuan University.

Zhang Jie: Legal expert. Professor of China University of Political Science and Law.

5.4 Other Professionals

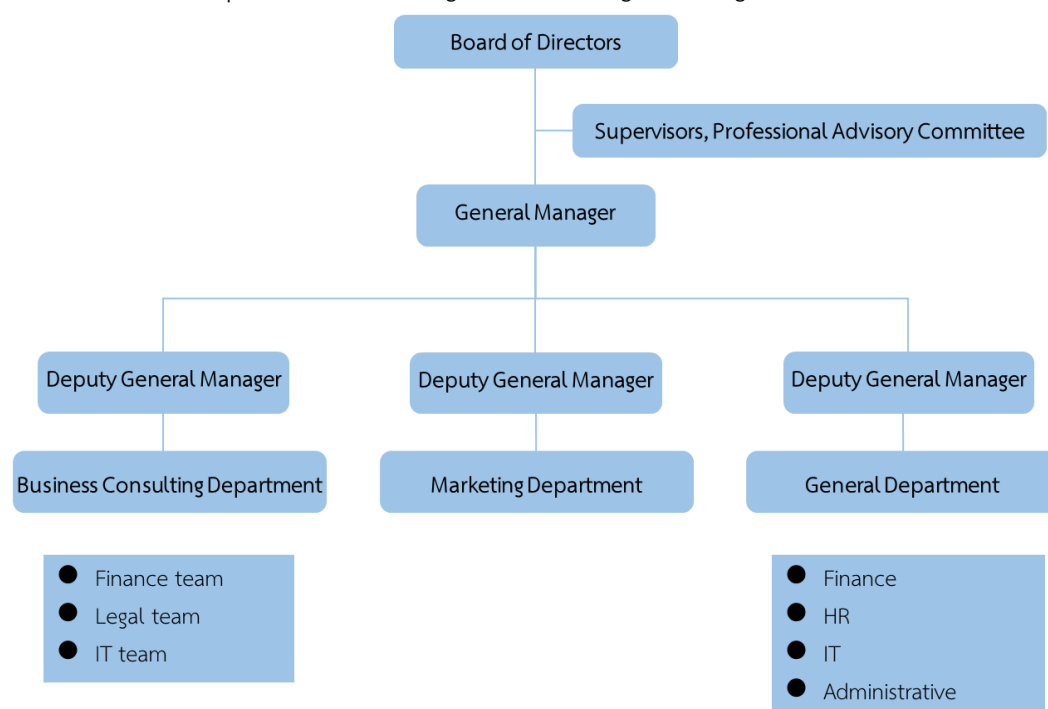
The company's departments and personnel are as follows:

7 persons in business consulting department (finance team, legal team, IT team).

Vice general manager Feng Jihong is also the head of this department.

2 people in the marketing department, directly led by general manager Liu Yang.

3 people in the comprehensive department (finance, HR, administrative affairs), under the supervision of vice general manager Zhang Tao.



Section 6

Operations and Production Plan

6.1 Operations Model and Procedure

It is the company's primary task to form a team of professionals with high-level business management background and rich practical experience. On this basis, we will continue to improve the consulting business products to be carried out, including but not limited to corporate business strategy, financial management, marketing, investment and financing planning, IT system construction planning, etc. Since the Company's target clients are small and medium-sized pharmaceutical, medical device and new material companies, the consulting business products should also be developed in accordance with the needs of these companies to solve their problems in daily operations in a more targeted manner and help improve the quality and efficiency.

Brand awareness is beneficial to company's competitiveness in the market. At present, the professional ability of consulting companies in China varies greatly. Internationally renowned consulting companies have huge brand influence, and they mainly serve large and medium-sized enterprises, and the price charged is often several million yuan or more, which is unaffordable for small and medium-sized enterprises. The consulting services for small and medium-sized enterprises are provided mainly by domestic consulting companies, but the quality of the consulting business of these companies is difficult to guarantee. It is common for clients to be generally skeptical of the professional ability of domestic consulting companies. Under such circumstances, as a new company entering the market, it must demonstrate its professional ability to clients through specific cases, and enhance the company's brand awareness and influence through word-of-mouth among clients and media publicity.

Our business model is diversified. The management consulting business is the main source of the company's revenue and the entry point for the investment business, but it is not contributing major profit. In the process of carrying out the

consulting business, if the client is considered to be a company with worthy development prospects and financing needs, we would consider assisting the client in formulating financing plans and introducing investors. If the investment opportunities are exceptional, we would also consider making direct investments. If financing is provided, we can charge the client a certain percentage of commission as agreed, and also share a certain percentage of the investment return from the investor.

Medical devices, new drugs and new materials are currently popular investment fields in China, in which there are excellent investment opportunities and great risks. Compared with other external investment institutions, our company can substantially increase the success rate of introduced investments or direct equity investments because of a huge information advantage and a more in-depth understanding of our clients' intrinsic value. Sharing of investment return from investors and direct equity investment are the main sources of profit for us, which has uncertainty and time delay. It is also because this uncertainty, the return on investment could potentially be rewarding with some luck.

The Company primarily uses a direct sales business model. Since the business requires physical visits to the client's company and in-depth communication with the client's senior management and other staff in order to identify problems and find effective solutions, the marketing department will also need to expand its business based on traditional ways for a certain period of time.

Specifically, the process of conducting business is as follows: collecting information from target clients, contacting and visiting them, recommending consulting business products and making price quotations, negotiating to determine the products offered and price and signing contracts. We enter the client's company to conduct in-depth interviews and research, write the business consulting report and revise it according to the client's feedback, submit the final business consulting report to the client, assist the client in implementing the relevant work, and pay a return visit to the client who has completed the implementation of the consulting business plan. Introducing investments or making direct investments to clients is relatively complicated. First of all, in the process of providing business consulting services to clients, we gain an in-depth understanding of the market demand for the products developed by the clients. We need to understand whether there are similar products

in the market, the competitiveness of the products, the client's professional and technical ability, management ability, whether the client has financing needs, whether the equity structure is reasonable, whether the valuation is reasonable, etc. Based on what we learned, we will figure out whether a client or a project of a client is worth investing in. If it is just an ordinary investment opportunity, we will only provide business consulting services to the client and not get involved in capital introduction or direct investment. We would only help the client introduce investment or make direct investment when we expect the high return on investment.

The main workflow within our company is as follows: the marketing department collects information from target clients, put together a list to be visited in the near future, and visits them together with the business consulting department to gain an in-depth understanding of their needs. With the support of the business consulting department, the marketing department recommends the consulting business products and offers price quotation. Then we sign the business contract after repeated communication and negotiation. The finance department collects payment from the customer according to the contract, and the business consulting department enters the customer's company to carry out consulting services. Our company pays the project bonus according to the contribution of the marketing department and business consulting department in this consulting service. The business consulting department continuously increases and improves our consulting business products according to the business consulting service activities that have been carried out, and documents successful cases in the industry, builds the company's data base and training system, and improves the professional skills of all business personnel.

6.2 Business Location

The core of pharmaceutical, medical device, and new material companies is scientific and technological talents, and most of the outstanding small and medium-sized technology companies are concentrated in the following regions: 10,275 in the Yangtze River Delta (Shanghai, Jiangsu, Zhejiang), 4,379 in Guangdong, 2,954 in Beijing and neighboring regions, and 1,774 in Chengdu and neighboring regions. Among the regions above, Chengdu has emerged a great many newly established small and medium-sized pharmaceutical, medical device and new material companies due to

the relatively low labor cost and friendly investment and business environment in recent years.

Based on the regional distribution of small and medium-sized technology enterprises, the business location in the first year would mainly be in Beijing, where the company is registered, and the target clients also included Tianjin and Hebei because of locational proximity. In the second year, we would expand the scope of clients to Chengdu, recruiting part-time local marketing staff, while the Beijing headquarter provides business consulting and financing services for clients. In the third year, we would seek clients in Shanghai, Jiangsu and Zhejiang, while the Beijing headquarter provides consulting services or financing services for Shanghai clients. After three years of operation, we would consider whether to set up a branch company in Chengdu.

6.3 Facilities and Equipment

Consulting companies do not need to invest in a lot of fixed assets. The core competitiveness of the company is from our talents, and the main expense would be labor costs. The main facilities and equipment of the company are as follows:

- A. Office workplace and office furniture (leased)
- B. Computer and network equipment (office computers, multi-function printers, servers, network equipment)
- C. Commercial vehicles (self-purchased)

6.4 Operation Strategy and Plans

In order to support and complete the overall strategic goals of the enterprise, it is very important to build a scientific and efficient operation management system. As a start-up management consulting company, we plan to build an operation management system from the following aspects:

1) Focusing on niche markets, we only provide management consulting and financing services for small and medium-sized pharmaceutical, medical device and new material companies. As the barrier for new companies to enter the traditional industry is low, the market competition in the traditional industry is very fierce and it

is very difficult to obtain higher profit margins. Pharmaceutical, medical, and new materials are high-tech industries and are also industries strongly supported by the state for development. If companies can develop high-tech products with huge market demand, the return on investment will be substantial.

Start-up high-tech enterprises have the preconditions of high investment input, high risk and high return. These high-tech enterprises are often founded by scientists, and generally have the problems of low operational and management level and insufficient capital. They generally need to improve their operation and management ability with the help of external brains, and also need to introduce investment to solve their problems of insufficient R&D or operation funds. Since the company has adopted the strategy of focusing on target clients, it will consider the needs of target clients when recruiting professional consulting talents and developing consulting products. We should develop products that better meet the needs of clients, as well as be more capable of identifying problems in clients' operation and management, thus increasing the company's market competitiveness and ability to survive and grow.

2) We should take consulting business as an entry point which leads to providing financing services for clients and thus improving the success rate of direct investment. If the introduction of financing services and direct investment for clients becomes the main source of profit for the company, then our management consulting services can compete in the market with a low-price strategy, thus gaining more clients, winning a larger market share and obtaining more profits.

3) Build a consulting solution database for pharmaceutical, medical device and new material industries. The knowledge base includes but is not limited to industry technology news, market information, equity structure issues and solutions, corporate governance issues and solutions, R&D project management issues and solutions, marketing issues and solutions, IT system construction planning, financing planning, business plans and related legal documents. The database can be used as learning materials for company's employees, and can also provide value-added services to clients online to enhance customer service satisfaction.

4) Establish an organizational structure and operation management system in line with the characteristics of management consulting business. All the work of the company is centered on project operation, and when the project leader puts forward

resource requirements to each functional department, each department has the responsibility to actively support and cooperate. With project operation management as the core, we would establish scientific and reasonable assessment and incentive mechanisms to fully motivate employees to engage in marketing, business consulting and support services.

In order to achieve the company's medium and long-term business goals, the five-year operation plan from the company's establishment is as follows:

The main work in the first year is to recruit professionals who meet the requirements. We would develop and complete strategic planning, R&D project management, financial management, marketing, IT system construction planning, financing business and other products, collect information on target clients in Beijing, and start marketing and business consulting. The main goal of the company's operation in the first year is to operate on a full scale normally, with a reasonable operating loss and negative operating cash flow.

In the second year, the company's operation plan is to improve the professional level of the company's consulting business, increase marketing efforts, and try to develop business in Tianjin, Hebei and Chengdu in addition to business in Beijing. We strive to achieve break-even in the second year.

From the third year, the company will focus on the consulting business products. We would abandon certain consulting business products that lack competitiveness in the market, increase the development of business in the Chengdu market, and try to develop business in the Shanghai area, and strive to achieve profitability in the same year.

From the fourth year onwards, the company enter maturity in operation and determine whether to set up an operation organization in Chengdu based on the operation situation.

6.5 Development Status and Tasks

Our company is mainly engaged in management consulting services, and we use this as an entry point to provide financing consulting, introduction of investment and direct investment services to our clients. Our consulting service products mainly include: corporate management strategy, R&D project management, financial

management, marketing management, IT system construction planning, financing planning, program design and provision of related legal documents. Due to the short time of incorporation, the development plan of consulting products is formulated by the founder of the company, and professional talents are recruited according to the planned consulting service projects. After recruiting the relevant professional talents, the general manager or deputy general manager is the person in charge of the product development team and leads them to complete the development tasks of each consulting product according to the plan.

6.6 Challenges and Risks

Developing high quality business consulting products that meet the needs of our clients is critical to the success of our business. The main challenges in developing products are: First, it takes a long time to fully and deeply understand the pharmaceutical, medical device, and new material industries. Second, it is also difficult to properly understand the needs of our clients. To solve this problem, in-depth market research work is required before developing product development plans. Third, it was very challenging to recruit management consulting talents that met the requirements. As a start-up company, there is no brand recognition and no obvious competitiveness in salary package, while talents with both rich theoretical management knowledge and certain experience in business operation and management are very scarce. We also must convince candidates that our company has good development prospects. Fourth, investment and financing expertise is crucial to the success of the company's operations. Therefore, recruiting excellent professional investment management talents, developing high-level financing management consulting service products, and finding external investment institutions with sufficient capital strength for business cooperation are all difficult tasks that company faces.

There are risks in the following aspects of product development: First, the consulting products could not be developed to fully meet the needs of customers as planned. Second, the consulting products could be defective and fail to effectively solve customers' problems or mislead customers, resulting in customer dissatisfaction, thus affecting the company's reputation and endangering the company's survival.

Third, the company could fail to find worthy clients for investment within a few years, thus there could be no cases to introduce investment or for direct investment. Therefore, the company could gain neither commission input nor investment income. If the above outcomes arise in our operating, it proves that the company's planned business model is likely to be unviable and that there is a risk of underpricing consulting products.

6.7 Costs

As a knowledge-based service company, the main cost of developing products is the cost of human resources. Only professionals with extensive knowledge of management and practical experience in running a business can possibly develop a competitive consulting product. In order to be able to recruit elite talent, the company needs to spend more on labor costs than its competitors. In the early stages of the business, several founders had to get personally involved in the development of consulting products in order to reduce human resources expenses and improve the efficiency and quality of product development.

6.8 Intellectual Property

Generally speaking, management consulting products are a system of expertise and do not need to be patented, but the products developed by the company at a great cost, mainly based on the needs of clients in the pharmaceutical, medical device, and new material industries, which are clearly different from that of other consulting companies. These products help improve the company's market competitiveness, and are important assets of the company. The intellectual products are important assets of the company and must be protected by practical measures to prevent competitors from acquiring them. For example, we can sign confidentiality agreements with the company's employees, both during and after employment, so that information about our products cannot be used or disclosed illegally without authorization.

In addition, in the process of developing products, we must take care not to infringe on the intellectual property rights of other companies and to operate in compliance with the law.

Section 7

Financial Projections

7.1 Source and Use of Funds Statement

1) Beijing Restart Management Consulting Co., Ltd. is funded by three founding shareholders A, B, C with initial capital invested of 15 million yuan. From 2023 to 2025, the company will introduce new shareholders D, E, F with 15 million yuan. All capital contributions are monetary, the composition and proportion of shareholders' capital contributions are as follows:

Original shareholders' capital contribution Unit: ten thousand yuan

Shareholder	Amount Subscribed (in 10k, CNY)	Contribution Type	Investment Date	Ownership
A	1,000	Cash	2022/1/1	66.6667%
B	300	Cash	2022/1/1	20.0000%
C	200	Cash	2022/1/1	13.3333%
	1500			100.0000%

First round of equity financing

Unit: ten thousand yuan

Shareholder	Amount Subscribed (in 10k, CNY)	Investment Date	Contribution Type	Pre-money Valuation	Post-money Valuation	Ownership
A	1,000	2022/1/1	Cash			60.0000%
B	300	2022/1/1	Cash			18.0000%
C	200	2022/1/1	Cash			12.0000%
D	500	2023/1/1	Cash	4,500	5,000	10.0000%
Total	2000				5,000	100.00%

Second round of equity financing

Unit: ten thousand yuan

Shareholder	Amount Subscribed (in 10k, CNY)	Investment Date	Contribution Type	Pre-money Valuation	Post-money Valuation	Ownership
A	1000	2022/1/1	Cash			56.0000%
B	300	2022/1/1	Cash			16.8000%
C	200	2022/1/1	Cash			11.2000%
D	500	2023/1/1	Cash			9.3333%
E	500	2024/1/1	Cash	7,000	7,500	6.6667%
Total	2000			7,000	7,500	100%

Third round of equity financing

Unit: ten thousand yuan

Shareholder	Amount Subscribed (in 10k, CNY)	Investment Date	Contribution Type	Pre-money Valuation	Post-money Valuation	Ownership
A	1000	2022/1/1	Cash			53.2000%
B	300	2022/1/1	Cash			15.9600%
C	200	2022/1/1	Cash			10.6400%
D	500	2023/1/1	Cash			8.8667%
E	500	2024/1/1	Cash			6.3333%
F	500	2025/1/1	Cash	9500	10,000	5.0000%
Total	2000			9500	10,000	100.00%

- 1) The initial working capital is from capital invested by the three founding shareholders of the company, which is mainly used for office space rental, computer and network equipment purchase, and daily operating expenses.
- 2) After the management consulting company starts the operation, the source of cash income is mainly the revenue from consulting business.
- 3) The direct equity investment of the management consulting company to the client comes from our own funds.

7.2 Assumptions Sheet

Company has four revenue streams:

- 1) Consulting service fee: 15 clients in the first year, 24 clients in the second year, and 30 clients per year from the third year onwards. The annual fee for each

customer is 150,000 yuan, with a three-year contract, and the income is recognized on an average annual basis

- 2) Financing commission: the commission for introducing investment is estimated at 3% of the actual capital in place.
- 3) Income share from investment introduction: the payback cycle of investment introduction is 5 years, calculated from the start year with average annual investment return of 60% (including the investment loss occurs). Income share ratio is 10%. We expect to receive our share of investment return after 5 years.
- 4) Direct investment return: we directly invest in clients with up to 10 million yuan. Investment cycle would be 5 years, calculated from the start year of investment with average annual return of 60% ((including the investment loss occurs). We expect to receive our share of investment return after 5 years.
- 5) The main cost of the company is labor cost, which is divided into: consulting project labor cost, middle and back office labor cost, and sales cost. Cost of sales is measured at 20% of the consulting business revenue for the year, and labor costs are increased by 10% per year, and one-month year-end bonus is calculated.
- 6) Fixed assets are mainly computers, printers and network equipment. Vehicles are purchased in the second and third years, with budgets of 250,000 yuan and 300,000 yuan respectively.
- 7) Amortization expenses are from financial software, office software budgeted at 200,000 yuan and other office software at 300,000 yuan.
- 8) Taxes and fees are mainly value-added tax, taxes and surcharges of 12%, corporate income tax (25% tax rate), stamp duty, disability insurance, and labor union charges.
- 9) Financial expenses are mainly bank charges.
- 10) Daily operating expenses in administrative expenses increase by 9% per year.
- 11) Assuming that the fixed assets are invested at the beginning of the year and depreciated in the current month.

7.3 Pro Forma Revenue

2022-2026 Revenue Estimate

1) Management consulting services Unit: 10,000 yuan

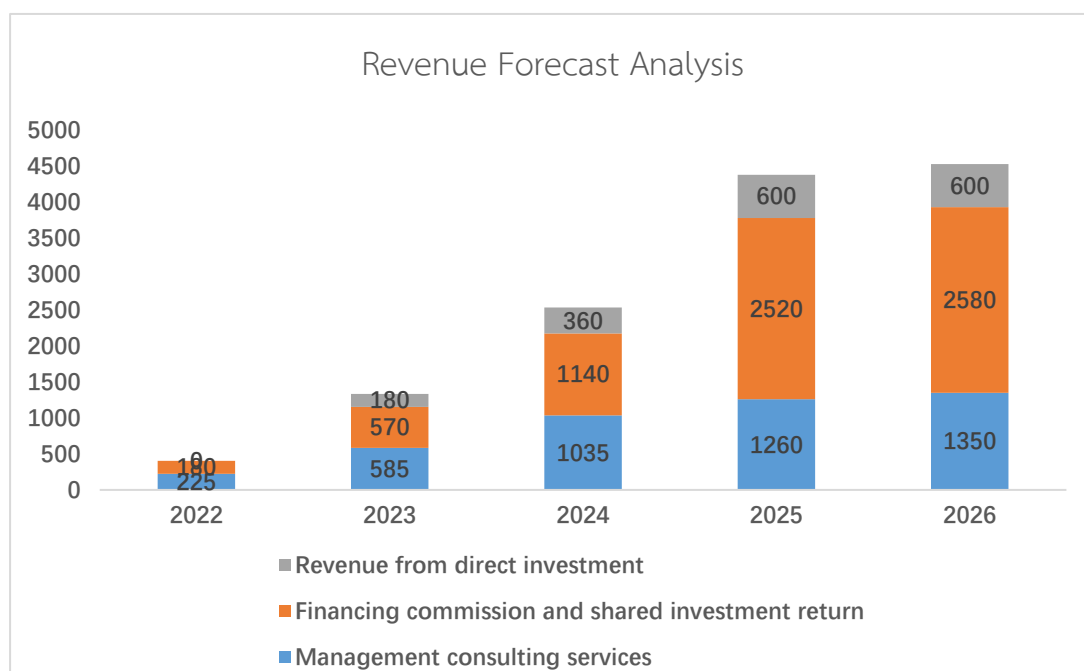
Year	Client Number	Unit Price	Output Value (3y)	Revenue
2022	15	15	675	225
2023	39	15	1080	585
2024	69	15	1350	1035
2025	99	15	1350	1260
2026	129	15	1350	1350
Total	351		5805	4455

2) Financing commission and shared investment return Unit: 10,000 yuan

Year	Investment Introduced	Commission	Revenue Share	Total Revenue
2022	2,000.00	60	120.00	180.00
2023	5,000.00	150	420.00	570.00
2024	8,000.00	240	900.00	1,140.00
2025	10,000.00	300	2,220.00	2,520.00
2026	12,000.00	360	2,220.00	2,580.00

3) Revenue from direct investment Unit: ten thousand yuan

Year	Investment Cost	Investment Return
2022	-	-
2023	300.00	180.00
2024	300.00	360.00
2025	400.00	600.00
2026	-	600.00
Total	1,000.00	1,740.00



7.4 Pro Forma Income Statements

2022--2026 Profit Estimate

Unit: ten thousand yuan

Items	2022y	2023y	2024y	2025y	2026y
Revenue	382.08	1,089.62	2,051.89	3,566.04	3,707.55
Cost of Sales	411.00	544.35	691.55	849.85	946.75
Direct Labor Cost	403.00	529.10	670.80	828.10	924.00
Depreciation and Amortization	8.00	15.25	20.75	21.75	22.75
Taxes and Surcharges	4.66	10.90	18.59	29.50	30.52
Sales Expenses	89.50	200.63	313.50	396.50	426.00
Management Expenses	189.11	212.39	234.63	258.91	271.03
Financial Expenses	1.00	1.00	1.00	1.00	1.00
Investment Return	-	180.00	360.00	600.00	600.00
Operating Profit	-313.20	300.36	1,152.62	2,630.28	2,632.25
Income Tax	-	30.09	198.15	507.57	508.06
Net Income	-313.20	270.27	954.46	2,122.71	2,124.19

1) 2022 Balance Sheet

Balance Sheet			Unit: ten thousand yuan		
Asset	Ending Balance	Opening Balance	Liabilities and Shareholders' Equity	Ending Balance	Opening Balance
Current Asset	-	-	Current Liability	-	-
Cash and Cash Equivalent	1,015.80	1,500.00	Short-term Loan	-	-
Accounts Receivable	225.00	-	Accounts Payable	-	-
Prepayments	-	-	Contract Liabilities	405.00	-
Interest Receivable	-	-	Payroll Payable	-	-
Dividends Receivable	-	-	Taxes Payable	-	-
Total Current Asset	1,240.80	1,500.00	Other Current Liabilities	-	-
Non-Current Asset	-	-	Total Current Liabilities	405.00	-
Long-term Equity Investment	300.00	-	Long-term Payables	-	-
Fixed Asset	6.00	-	Estimated Liabilities	-	-
Fixed Asset Liquidation	-	-	Total Non-current Liabilities	-	-
Productive Biological Assets	-	-	Total Liabilities	405.00	-
Intangible Assets	45.00	-	Shareholders' Equity	-	-
Development Expenditure	-	-	Paid-up Capital	1,500.00	1,500.00
Goodwill	-	-	Capital Reserve	-	-
Long-term Deferred Expenses	-	-	Less: Treasury Stocks	-	-
Deferred Tax Assets	-	-	Surplus Reserve	-	-
Other Non-current Assets	-	-	Undistributed Profit	313.20	-
Total Non-current Assets	351.00	-	Total Shareholders' Equity	1,186.80	1,500.00
Total Assets	1,591.80	1,500.00	Total Liabilities and Shareholders' Equity	1,591.80	1,500.00

2) 2023 Balance Sheet

Balance Sheet Unit: ten thousand yuan

Asset	Ending Balance	Opening Balance	Liabilities and Shareholders' Equity	Ending Balance	Opening Balance
Current Asset	-	-	Current Liability	-	-
Cash and Cash Equivalent	873.32	1,015.80	Short-term Loan	-	-
Accounts Receivable	1,485.00	225.00	Accounts Payable	-	-
Prepayments	-	-	Contract Liabilities	1,245.00	405.00
Interest Receivable	-	-	Payroll Payable	-	-
Dividends Receivable	-	-	Taxes Payable	-	-
Total Current Asset	2,358.32	1,240.80	Other Current Liabilities	-	-
Non-Current Asset	-	-	Total Current Liabilities	1,245.00	405.00
Long-term Equity Investment	780.00	300.00	Long-term Payables	-	-
Fixed Asset	23.75	6.00	Estimated Liabilities	-	-
Fixed Asset Liquidation	-	-	Total Non-current Liabilities	-	-
Productive Biological Assets	-	-	Total Liabilities	1,245.00	405.00
Intangible Assets	40.00	45.00	Shareholders' Equity	-	-
Development Expenditure	-	-	Paid-up Capital	2,000.00	1,500.00
Goodwill	-	-	Capital Reserve	-	-
Long-term Deferred Expenses	-	-	Less: Treasury Stocks	-	-
Deferred Tax Assets	-	-	Surplus Reserve	-	-
Other Non-current Assets	-	-	Undistributed Profit	-42.93	-313.20

Total Non-current Assets	843.75	351.00	Total Shareholders' Equity	1,957.07	1,186.80
Total Assets	3,202.07	1,591.80	Total Liabilities and Shareholders' Equity	3,202.07	1,591.80

3) 2024 Balance Sheet

Balance Sheet

Unit: ten thousand yuan

Asset	Ending Balance	Opening Balance	Liabilities and Shareholders' Equity	Ending Balance	Opening Balance
Current Asset	-	-	Current Liability	-	-
Cash and Cash Equivalent	755.53	873.32	Short-term Loan	-	-
Accounts Receivable	2,700.00	1,485.00	Accounts Payable	-	-
Prepayments	-	-	Contract Liabilities	1,670.75	1,245.00
Interest Receivable	-	-	Payroll Payable	-	-
Dividends Receivable	-	-	Taxes Payable	-	-
Total Current Asset	3,455.53	2,358.32	Other Current Liabilities	-	-
Non-Current Asset	-	-	Total Current Liabilities	1,670.75	1,245.00
Long-term Equity Investment	1,540.00	780.00	Long-term Payables	-	-
Fixed Asset	51.75	23.75	Estimated Liabilities	-	-
Fixed Asset Liquidation	-	-	Total Non-current Liabilities	-	-
Productive Biological Assets	-	-	Total Liabilities	1,670.75	1,245.00
Intangible Assets	35.00	40.00	Shareholders' Equity	-	-
Development Expenditure	-	-	Paid-up Capital	2,500.00	2,000.00
Goodwill	-	-	Capital Reserve	-	-
Long-term Deferred Expenses	-	-	Less: Treasury Stocks	-	-
Deferred Tax Assets	-	-	Surplus Reserve	-	-
Other Non-current Assets	-	-	Undistributed Profit	911.53	-42.93
Total Non-current Assets	1,626.75	843.75	Total Shareholders' Equity	3,411.53	1,957.07

Total Assets	5,082.28	3,202.07	Total Liabilities and Shareholders' Equity	5,082.28	3,202.07
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4) 2025 Balance Sheet

Balance Sheet Unit: ten thousand yuan

Asset	Ending Balance	Opening Balance	Liabilities and Shareholders' Equity	Ending Balance	Opening Balance
Current Asset		-	Current Liability	-	-
Cash and Cash Equivalent	176.99	755.53	Short-term Loan	-	-
Accounts Receivable	5,010.00	2,700.00	Accounts Payable	-	-
Prepayments	-	-	Contract Liabilities	1,359.27	1,670.75
Interest Receivable	-	-	Payroll Payable		-
Dividends Receivable	-	-	Taxes Payable		-
Total Current Asset	5,186.99	3,455.53	Other Current Liabilities		-
Non-Current Asset	-	-	Total Current Liabilities	1,359.27	1,670.75
Long-term Equity Investment	2,140.00	1,540.00	Long-term Payables	-	-
Fixed Asset	38.00	51.75	Estimated Liabilities	-	-
Fixed Asset Liquidation	-	-	Total Non-current Liabilities	-	-
Productive Biological Assets	-	-	Total Liabilities	1,359.27	1,670.75
Intangible Assets	30.00	35.00	Shareholders' Equity	-	-
Development Expenditure	-	-	Paid-up Capital	3,000.00	2,500.00
Goodwill	-	-	Capital Reserve	-	-
Long-term Deferred Expenses	-	-	Less: Treasury Stocks	-	-
Deferred Tax Assets	-	-	Surplus Reserve	-	-

Other Non-current Assets	-	-	Undistributed Profit	3,035.72	911.53
Total Non-current Assets	2,208.00	1,626.75	Total Shareholders' Equity	6,035.72	3,411.53
Total Assets	7,394.99	5,082.28	Total Liabilities and Shareholders' Equity	7,394.99	5,082.28

5) 2026 Balance Sheet

Balance Sheet Unit: ten thousand yuan

Asset	Ending Balance	Opening Balance	Liabilities and Shareholders' Equity	Ending Balance	Opening Balance
Current Asset		-	Current Liability	-	-
Cash and Cash Equivalent	100.93	176.99	Short-term Loan	-	-
Accounts Receivable	6,630.00	5,010.00	Accounts Payable	-	-
Prepayments	-	-	Contract Liabilities	1,379.02	1,359.27
Interest Receivable	-	-	Payroll Payable	-	-
Dividends Receivable	-	-	Taxes Payable	-	-
Total Current Asset	6,730.93	5,186.99	Other Current Liabilities	-	-
Non-Current Asset	-	-	Total Current Liabilities	1,379.02	1,359.27
Long-term Equity Investment	2,740.00	2,140.00	Long-term Payables	-	-
Fixed Asset	38.00	38.00	Estimated Liabilities	-	-
Fixed Asset Liquidation	-	-	Total Non-current Liabilities	-	-
Productive Biological Assets	-	-	Total Liabilities	1,379.02	1,359.27
Intangible Assets	30.00	30.00	Shareholders' Equity	-	-
Development Expenditure	-	-	Paid-up Capital	3,000.00	3,000.00
Goodwill	-	-	Capital Reserve	-	-
Long-term Deferred Expenses	-	-	Less: Treasury Stocks	-	-
Deferred Tax Assets	-	-	Surplus Reserve	-	-
Other Non-current Assets	-	-	Undistributed Profit	5,159.91	3,035.72

Total Non-current Assets	2,808.00	2,208.00	Total Shareholders' Equity	8,159.91	6,035.72
Total Assets	9,538.93	7,394.99	Total Liabilities and Shareholders' Equity	9,538.93	7,394.99

7.5 Pro Forma Cash Flow

2022--2026 Pro Forma Cash Flow Statement

Unit: ten thousand yuan

Item	2022y	2023y	2024y	2025y	2026y
1. Net operating cash inflow	-425.20	-314.48	-284.79	-675.54	-73.06
Cash received from sales of products and providing services	285.00	735.00	1,275.00	1,560.00	2,310.00
cash received related to operating activities	-				
Cash paid to and for employees	580.25	826.25	1,089.60	1,338.68	1,463.40
Other cash paid related with operating activities	129.95	223.23	470.19	896.86	919.66
2. Net investing activities cash flow	-59.00	-328.00	-333.00	-403.00	-3.00
Cash received from investment	-	-	-	-	-
Cash required for fixed assets, intangible assets and other long-term assets	59.00	28.00	33.00	3.00	3.00
Cash Investment	-	300.00	300.00	400.00	-
3. Net cash flow from financing activities	1,500.00	500.00	500.00	500.00	-
Cash received from accepting investment	1,500.00	500.00	500.00	500.00	-
Cash paid for dividend, profit or interest	-	-	-	-	-
4. Net increase in cash and cash equivalents	1,015.80	-142.48	-117.79	-578.54	-76.06
Add: Beginning balance of cash and cash equivalents	-	1,015.80	873.32	755.53	176.99
Ending balance of cash and cash	1,015.80	873.32	755.53	176.99	100.93

equivalents (fund surplus/ gap)					
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7.6 Breakeven Analysis

2022-2026 Breakeven Analysis Unit: ten thousand yuan

Item	2022y	2023y	2024y	2025y	2026y
Revenue	382.08	1,089.62	2,051.89	3,566.04	3,707.55
Variable Cost	460.00	676.10	925.80	1,140.10	1,266.00
Direct Labor Expenses	403.00	529.10	670.80	828.10	924.00
Sale Expenses	57.00	147.00	255.00	312.00	342.00
Contribution Margin	-77.92	413.52	1,126.09	2,425.94	2,441.55
Fixed Cost	234.27	292.16	332.47	394.66	408.30
Fixed Labor Cost	120.25	150.15	163.80	198.58	197.40
Administrative Cost	84.20	91.41	99.28	107.87	117.26
Tax	21.82	35.35	48.64	66.46	70.89
Accumulated Depreciation and Amortization	8.00	15.25	20.75	21.75	22.75
Interest Expense	1.00	1.00	1.00	1.00	1.00
Investment Return	-	180.00	360.00	600.00	600.00
Total Profit	-313.20	300.36	1,152.62	2,630.28	2,632.25
Income Tax	-	30.09	198.15	507.57	508.06
Net Income	-313.20	270.27	954.46	2,122.71	2,124.19

In 2022, the management consulting company will lose 3.132 million yuan and make a profit of 2.7027 million yuan in 2023. In 2023, the increase in management consulting service income will be in the range of 0-2.7 million yuan, and the increase in revenue from financing commissions and the introduction of investment income will be in the range of 0-1.25 million yuan to achieve breakeven.

Unit: ten thousand yuan

Item	Revenue in 2022	Revenue in 2023	Increase
Revenue from management consulting services	225	495	270
Revenue from investment introduction commissions and return	180	305	125

Total	405	800	395
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Breakeven Point

Unit: ten thousand yuan

Item	2022y	2023y
Revenue	382.08	754.25
Variable Cost	460.00	640.40
Direct Labor Expenses	403.00	529.10
Sale Expenses	57.00	111.30
Contribution Margin	-77.92	113.85
Fixed Cost	234.27	288.99
Fixed Labor Cost	120.25	150.15
Administrative Cost	84.20	91.41
Tax	21.82	32.18
Accumulated Depreciation and Amortization	8.00	15.25
Interest Expense	1.00	1.00
Investment Return	-	180.00
Total Profit	-313.20	3.86
Income Tax	-	-
Net Income	-313.20	3.86

In 2023, the revenue reaches the following conditions to achieve breakeven.

- 1) Revenue from management consulting services

Unit: ten thousand yuan

Year	Number of Client	Unit Price	Revenue (include tax)
2023y	18	15	495

- 2) Revenue from financing commission and sharing from introduction of investment return

Unit: ten thousand yuan

Year	Financing Amount	Commission Income	Sharing of Investment Return	Total (include tax)
2023y	2050	61.5	243	305

7.7 Ratio Analysis

Profitability Ratio	2022y	2023y	2024y	2025y	2026y
ROE	-23.31%	17.19%	35.56%	44.94%	29.93%
ROA	-20.26%	11.28%	23.04%	34.03%	25.09%

ROE and ROA in the first year are relatively low, and gradually increases from the second year to relatively high levels.

7.8 2022 Annual Data

- 1) 2022 Monthly Sales Breakdown

Sales breakdown from January to December 2022 Unit: ten thousand yuan

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales (tax included)	9.00	10.00	8.00	8.00	60.00	26.00	20.00	98.00	26.00	92.00	25.00	23.00	405.00
Revenue from management consulting services	9.00	10.00	8.00	8.00	28.00	26.00	20.00	20.00	26.00	22.00	25.00	23.00	225.00
Revenue from commission	-	-	-	-	12.00	-	-	18.00	-	30.00	-	-	60.00
Revenue from investment return share	-	-	-	-	20.00	-	-	60.00	-	40.00	-	-	120.00

Plus: Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	-42.92	-42.18	-43.66	-43.66	-1.38	-30.41	-34.82	34.60	-30.41	26.18	-31.09	-73.46	-313.20
Less: income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	-42.92	-42.18	-43.66	-43.66	-1.38	-30.41	-34.82	34.60	-30.41	26.18	-31.09	-73.46	-313.20

3) 2022 Pro forma monthly cash flow statement

Duration: January-December 2022

Unit: ten thousand yuan

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1. Net operating cash flow	-42.25	-41.52	-42.99	-42.99	-20.71	-29.74	-34.16	-24.73	-29.74	-13.15	-30.43	-72.79	-425.20
Cash received from sales of products and rendering of services	9.00	10.00	8.00	8.00	40.00	26.00	20.00	38.00	26.00	52.00	25.00	23.00	285.00
Other cash received related to operating activities	-												-
Cash paid to and for employees	42.05	42.25	41.85	41.85	48.25	45.45	44.25	47.85	45.45	50.65	45.25	85.10	580.25
Other cash paid related to operating activities	9.20	9.27	9.14	9.14	12.46	10.29	9.91	14.88	10.29	14.50	10.18	10.69	129.95
2. Net cash flow from investing activities	-59.00	-	-	-	-	-	-	-	-	-	-	-	-59.00
Cash received from investment return	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash required for fixed assets, intangible assets and other long-term assets	59.00	-	-	-	-	-	-	-	-	-	-	-	59.00
Cash investment	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Net cash flow from financing activities	1,500.00	-	-	-	-	-	-	-	-	-	-	-	1,500.00
Cash received from accepting investment	1,500.00				-	-	-	-	-	-	-	-	1,500.00
Cash paid to distribute dividends, profits, or repay interest	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Net increase in cash and cash equivalents	2,898.75	-41.52	-42.99	-42.99	-20.71	-29.74	-34.16	-24.73	-29.74	-13.15	-30.43	-72.79	1,015.80
Add: Beginning balance of cash and cash equivalents	-	2,898.75	2,857.23	2,814.24	2,771.25	2,750.54	2,720.80	2,686.64	2,661.91	2,632.17	2,619.02	2,588.59	-
Closing balance of cash and cash equivalents (fund surplus/gap)	2,898.75	2,857.23	2,814.24	2,771.25	2,750.54	2,720.80	2,686.64	2,661.91	2,632.17	2,619.02	2,588.59	2,515.80	1,015.80

1) Net present value: Assuming a discount rate of 6%, return from introduction of investment and direct investment will realize after 5 years.

Item	2022	End of 2022	End of 2023	End of 2024	End of 2025	End of 2026	2027	2028	2029	2030
Initial Investment	1,500.00	500.00	500.00	500.00	-					
Cash Inflow		-484.20	-642.48	-617.79	-1,078.54	-76.06				
Net Cash Flow	-1,500.00	-984.20	-1,142.48	-1,117.79	-1,078.54	-76.06	2,400.00	3,300.00	4,200.00	3,600.00
Discount Factor		0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274	0.5919
NPV	-1,500.00	-928.49	-1,016.80	-938.52	-854.30	-56.84	1,691.91	2,194.69	2,635.13	2,130.83
Total NPV	3,357.61									

The net present value of the management consulting company is 33.5761 million yuan > 0, and the project is worth investing in.

2) IRR:

When IRR=5%, NPV=54.1339 million

When IRR=7%, NPV=43.497 million yuan, using the interpolation method, the internal rate of return is calculated as:

$$5\% + \left(\frac{4,349.7 - 3,357.61}{5,413.39 - 4,349.70} \right) = 6.93\%$$

Internal rate of return > discount rate, i.e. 6.93% > 6%, the project is feasible and worth investing in.

3) Payback period:

Static payback period	7.05
Dynamic payback period	7.53

The company's main business income sources and sources of funds: the investment introduction and direct investment business have a long return period, which is more than 5 years, so the investment payback period is more than 5 years. The static payback period is 7.05 years and the dynamic payback period is 7.53 years.

4) Breakeven point:

In 2023, when the total amount of the company's consulting service income, financing commission and introduction of investment income share reaches 3.95 million yuan, the company will achieve break-even point. The income details of each break-even point are as follows:

Item	Revenue in 2022	Revenue in 2023	Amount Increased
Revenue from management consulting service	225	495	270
Revenue from financing commission and introduction of investment	180	305	125
Total	405	800	395

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