



RF PET GROOMING HOSPITAL BUSINESS

BY

JIAHAO YE

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

According to the "China Pet Industry White Paper 2021", in 2021, there will be 73.35 million pet owners in China, of which 46.1% will be dogs and 30.7% will be cats. With the continued prosperity of the "it economy", the market size of dogs and cats reached 202.4 billion yuan, of which 124.4 billion yuan was consumed by dogs, an increase of 17.8% over last year, and 78 billion yuan was consumed by cats, an increase of 19.6%. In the next few years, the pet market scale will have a growth space of tens of billions of dollars per year. The purpose of this article is to introduce pet grooming services as the entry point for offline shops, which can cover several areas such as live pet sales, pet food/supplies, and pet medical care. In China's pet shop branding environment, the establishment of high-quality offline pet shops is promising. : The company's current ratio is 0.984 and quick ratio are 0.943, which are at a high level in the industry and also greater than the cautionary line of 0.8, so the company will not have liquidity problems in the short term, providing favorable conditions for bank borrowing in the third year.

Keywords: Pet industry; pet grooming; company building; business plan

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Section 1

Executive Summary

According to the "China Pet Industry White Paper 2021", in 2021, there will be 73.35 million pet owners in China, of which 46.1% will be dogs and 30.7% will be cats. With the continued prosperity of the "it economy", the market size of dogs and cats reached 202.4 billion yuan, of which 124.4 billion yuan was consumed by dogs, an increase of 17.8% over last year, and 78 billion yuan was consumed by cats, an increase of 19.6%. In the next few years, the pet market size will have a growth space of tens of billions of dollars per year.

With the impact of consumer upgrading throughout the times, pet grooming is one of the most significant pet service expenditures. Pet grooming, although the single consumption amount is not high, has high-frequency characteristics, especially in winter, and the annual per capita consumption of pet bathing and grooming in 2017 was 2,199 yuan. In addition, the consumption of pet snacks and nutrition is on the rise, with data showing that pet owners spend an average of more than RMB500 per month on pet staple food, snacks and health care products, with the average spend for pet dogs at RMB548.2/month; and for pet cats at RMB572.9/month.

With pet grooming services as the entry point for offline shops, multiple areas such as live pet sales, pet food/supplies and pet medical care can be covered. In the general environment of branding pet shops in China, there is great potential for establishing high-quality offline pet shops!

The company's current ratio is 0.984 and quick ratio are 0.943, which are at a high level in the industry and also greater than the cautionary line of 0.8, so the company will not have liquidity problems in the short term, providing favorable conditions for bank borrowing in the third year; in addition, the company has better short-term solvency, faster asset turnover and good corporate operating capacity.

Section 2

Company Description

2.1 Company History.

The project company, Hangzhou Yuanfu Pet Service Limited Liability Company, was established in January 2022, with a registered capital of 100,000 yuan and a corporate legal person chenchen, is a company that focuses on the branding of pet grooming. At present, the company has an advanced professional live pet care technology centre, a mature branding operation system, and a huge pet supplies (services) sales system that combines O2O online and offline, covering such aspects as pet shop chain management, pet supplies sales, live pet sales, pet grooming services, pet training, and pet breeding.

2.2 Mission Statement.

Vision: O2O model to reshape the future pattern of Yuanfu, to seize the industry's high ground in the era of big data, its well-known brands and, constantly enhance the competitive strength of Yuanfu.

Mission: To create a perfect ecological environment for the pet industry and the rise of China's pet industry by creating one miracle after another after years of entrepreneurship and continuous innovation.

Objective: To shape the brand power and the rapid rise in a short period of time proves the scientific rationality of the new direct chain system of Yuanfu Pet; Yuanfu Pet Grooming Technology Centre provides entrepreneurs and practitioners with a full range of theoretical systems, technical support and talent reserves including industry knowledge, pet grooming techniques, dog training techniques and pet shop operation and management.

2.3 Products and Services.

Product Type: Mainly visit tickets, interactive feeding and courses, live and peripheral retail,

Live animal services.

Product brands: The company's brands "Yuanfu Pet" and "Mengjia".



We are committed to creating a new type of pet-themed chain of boutiques with integrity and warmth, unlike traditional family pet washing and cutting workshops. We advocate passionate and happy emotions, safe and healthy space and facilities, professional and intelligent service supply, and high-quality and natural product selection.

Life stages of pets: Stage 1: 0-2 months puppy stage, newborn stage; Stage 2: 2 months old-6 months old, puppy stage; Stage 3: 7 months old-1 year old, rapid growth stage; Stage 4: 1 year-2 years old, adolescent stage; Stage 5: 2 years-5 years old, mature stage with infinite charm; Stage 6: middle and old age (7-12 years old).

2.4 Current Status.

We are the first in the industry to put forward the new concept of modern pet ownership, "health is better than beauty, and human-pet interaction replaces pedigree", which has gained wide recognition from the industry and the market. At present, we have five community pet boutiques in Hangzhou, with a membership of nearly 2,000 people.

2.5 Legal Status and Ownership.

The company now owns well-known brands such as Yuanfu and Mengjia, which have applied for brand protection. The founder of the company owns the business and aims to build the company into the most large-scale and influential diversified and full-industry chain enterprise in China's pet industry.

Our company is a limited liability company. Ownership is based on the proportion of actual shareholders. We have chosen this legal status because

a) It is relatively simple to form a limited company. There are two ways to set up a

public limited company, namely initiation and fundraising period. Initiation and establishment are relatively simple, whereas fundraising establishment requires the collection of shares from the public. Therefore, its establishment procedure is more complex and is intended to protect the public. In the establishment of a limited public limited company, there is only the method of initiation and establishment, not the method of fund raising.

b) The organisational structure of a limited company is relatively simple. As the number of shareholders in a limited company is relatively small, sometimes as few as two or less. Therefore there is no requirement for a limited company to set up a general meeting of shareholders. In foreign countries, a limited company can have only one board of directors or even one executive director, so it is extremely simple to set up an organisational structure.

c) There is a limit to the number of shareholders in a limited company. Due to the small number of shareholders, coordination between shareholders is easy. At the same time, it is often less difficult to settle the affairs of the company through negotiation because of its heavy human element.

d) Limited companies are slightly eased by the desirability of publicity. Publicity means that the company is obliged to announce the state of the company, in particular its financial position, to a certain range of people or the public. In the case of joint-stock companies, the joint-stock company is under a relatively strict obligation to publicise.

2.6 Choice of Business Name.

Our company name is Hangzhou Yuanfu Pet Service Co., Ltd, "Yuanfu" means to focus on the internal and external health management of pets, to provide a full range of services and technical support for pet families and pets, advocating human care, customer (pet owners) first, to provide the best service.

2.7 Primary Considerations for Naming a Business.

According to the Company Law of the People's Republic of China, the naming of this enterprise is mainly in accordance with the spirit of the enterprise, which is an important part of the image of the enterprise, the embodiment of the core values of the enterprise, the common beliefs, faith and group consciousness of every

employee of the enterprise, a powerful driving force for the formation of cohesion in the enterprise, and a powerful spiritual weapon for giving full play to the enthusiasm, cooperation and creativity of every employee.

2.8 Legal Issues.

The company name will be used in the future as a unified identity for the sale of products or the provision of services by the company, and the Company has applied for its registration as a trademark in accordance with its own strategic planning. Prior to registration, it has been established that no prior right holder of the company name has applied to register a trademark for similar or similar goods or services.

Section 3

Industry Analysis

3.1 Industry Size, Growth Rate and Sales Forecast.

3.1.1 Industry Size.

According to the "China Pet Industry Market Foresight and Investment Strategic Planning Analysis Report" statistics released by the Foresight Industry Research Institute, the market size of China's pet industry will be 134 billion yuan in 2021. The CAGR of the past ten years reached 38.94%. By the end of 2021, the market size of China's pet industry reached 170.8 billion yuan.

3.1.2 Growth Rate.

According to the 2021 China Pet Industry White Paper ("White Paper"), China's urban pet (dog and cat) consumption market will exceed the \$200 billion mark in 2021, with overall consumption reaching \$202.4 billion, up 18.5% from 2020. 99.15 million, an increase of 7.66 million from 2019. Of these, the number of pet dogs is 55.03 million, up 8.2% from 2019; the number of pet cats is 44.12 million, up 8.6% from 2019, with the increase in the number of pet cats outstripping the increase in pet dogs.

Statistics on the number of pets in China, 2010-2017



3.1.2 Growth Rate

In terms of the age group of pet owners, the post-90s have become the "main force" of pet ownership in China. Women make up the highest proportion, but in the future the post-95s will be the main consumers of pets in China. The pet-owning population has started to sink to lower tier cities, while the pet-owning population in first tier cities tends to be younger. The proportion of pet owners in first-tier cities is 38.8%, while the proportion of pet owners in third-tier cities and below is not to be underestimated, reaching 34.4%.

3.1.3 Sales Forecast.

Pet medical care and grooming are the most important pet service expenditures. In the overall consumption of pets, the ratio of consumption expenditure on goods and services is about 7:3. pet grooming, the purchase ratio reached 70%, pet grooming, although the single consumption amount is not high, but has high frequency characteristics, especially in winter, the annual per capita consumption of pet bathing and grooming in 2021 is 2,199 yuan.

Pet grooming chain operation has become a trend, compared with small husband and wife shop, pet grooming chain through a unified logo, standardized operation of the chain management, can effectively create a brand effect, and in technology, equipment, talent to achieve resource sharing, unified operation and standardized management model, more to achieve standardization and branding benefits, pet grooming chain operation has become the main pet service industry in China The development trend.

3.2 Company History.

Pet shops in the market today can be subdivided into two categories: community pet shops and boutique pet shops in shopping malls. Shopping mall boutique pet shops are a new type of pet shop that has emerged in the last two years. After preliminary research, we have analysed the operational dilemmas and business models of the two types of pet shops, and optimised and innovated the business models of the two types of shops, with significant results in the preliminary practice process.

3.2.1 Mall Boutique Pet Shop Pain Points and Solutions.

Mall boutique pet shop as an emerging pet shop model, has been in China's first and second-tier cities to explore the journey, but the current mall boutique pet shop belongs to the model exploration stage, the profit model and operation model is immature, resulting in many malls boutique pet shop mostly into high rent and decoration costs, high operating costs, low income embarrassing situation.

Table3-1 Analysis of boutique pet shops in shopping malls

Subjects	Painpoints	Solutions
Clientele	Lack of diversified holiday recreation areas for urbanites, lack of places to get close to animals and nature in the city centre, lack of places for children to have fun and learn	Build a small urban pet interactive experience centre
Business	Operating a traditional pet shop	Transformation from a service-driven experience-driven model in traditional pet shops to an experience-driven service-driven model in shopping malls, with interaction-oriented access to a large number of customers, visual innovation to create communication and conversation, and parent-child themes to smooth the sales curve
Customer flow	Uneven weekday/holiday traffic	Conduct interactive courses to promote knowledge and attract youth group customers, develop the group customer market and increase the average daily patronage

3.3 Industry Trends.

The market size of China's pet industry reached 191.5 billion yuan in 2019, with an average annual compound growth rate of about 13.78% over the next five years (2019-2023) and is forecast to exceed 300 billion yuan in 2023, reaching 321 billion yuan.

Market size statistics and forecast for China's pet industry from 2017-2023



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3.4 Long-term Prospects.

Our family structure and demographics are becoming increasingly attached to and dependent on the emotional attachment to pets. The number of "elderly people living alone", "empty nest families" and "only children" has increased, seeking to compensate for the lack of emotion in their pets. Since entering the 21st century, China has entered a phase of rapid population ageing, with an average annual increase of 5.96 million new elderly people, and an average annual growth rate of

3.28%, and by 2021, the elderly population will reach 248 million, with an ageing level of 17.17%. In the future, with the improvement of people's consumption level and the further aggravation of the aging problem, the domestic pet industry market scale will usher in a new round of explosion.Industry Trends.

Section 4

Market Analysis

4.1 Market Segmentation and Target Market Selection.

4.1.1 Market Segmentation.

At present, Elements Pet plans two shop formats - S-store and C-store.

(1) S-store: mall concept shop

The mall concept shop is mainly for mobile customer groups in shopping malls. It is a sophisticated shop with a more brand image and affinity, offering human-pet interaction, live pet and pet peripheral sales, high-end pet cleaning, pet fur care, pet grooming and pet training courses. The mall concept shop relies on the advantages of mall endorsement and wide customer contact, and has a good brand effect, and is the future urban brand image shop of Yuanfu Pet.

(2) Store C: Community Service Store

Community service shops are aimed at the people of the community, with precise and stable community customer groups, small shops, mainly for pet bathing and grooming, pet fur care, pet peripheral sales, while community service shops also provide pet daycare, boarding, training, friendship and other activities for community pet owners.

Table 4-1 Conceptual characteristics of Store S and Point C

Shop type	Customer group	Dissemination	Financial	Carriers	Financing advantages
C-store	Stable and purposeful customer base	High customer loyalty High communication penetration	Small investment in a single shop Risk diversification	Decentralised carriers High fault tolerance	Wide network coverage Accurate C-side traffic data Strong growth sustainability

S-store	Massive non-purposeful clientele	Wide customer reach High spread of communication	Concentrated investment High profitability	Standardised carriers Less difficult to replicate	Scarcity of commercial resources Mall brand endorsement Innovative business model
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4.1.2 Target Market Selection.

1. S-store - mall concept shop planning

(1) Human-Pet Interaction

Beautiful transparent pet crates, children's playground-style pet interaction area, passing mall consumer customers can stop and interact with their pets, providing touch, feeding, cuddling and other types of human-pet interaction.

(2) Live and peripheral retail

Through the human-pet interaction, the pet's emotions and desire to buy can be enhanced, and the pet you like can be bought directly home. Roundford Pets has its own pet breeding centre and all pets sold are guaranteed to be healthy and fully vaccinated. In addition, we have precise pet peripheral SKUs, domestic and foreign mainstream brand products, covering most pet shopping needs.

(3) Pet knowledge training courses

The shop has a large screen to broadcast pet knowledge training courses, while the shop also regularly holds various types of pet knowledge training courses, the duration of the course is 20-30 minutes, high frequency and short time, providing some practical small courses on pet ownership, in addition these courses will also be repeated through the online APP/public number to achieve repeat broadcast, offline customers will be diverted to online.

(4) Pet socialising

To create a "lifestyle with pets", we will provide free membership registration for pet owners, so that "pooper scoopers" can gather and form a unique social circle, using pets as a medium to keep this group of people close together, with online

friendship and mutual assistance, and offline The C-Store is a community service store.

2. C-Shop - Community Service Shop

(1) Pet cleaning and fur care

We offer a range of cleaning and care products based on natural green ingredients and a full range of imported Italian grooming equipment and accessories for pets of all shapes and skin types. We focus specifically on the skin, coat and inner health of our pets through proper product use, selection, technical support and staff training to keep our valued guests out of the traditional "shave-wash-pay-go" cycle. Ultimately, by improving the appearance and texture of your pet's coat, you will experience an unprecedented change in clothing and experience.

(2) Pet Grooming Salon

We have highly professional, fully trained and safety certified dog and cat stylists at your disposal. We protect the rights of our clients and owners through our strict Look-Great-Guarantee system - we don't leave, we don't give up and we don't give up until you are happy with the way your pet looks.

(3) Pet Swimming and Fitness

Specially designed and manufactured for pets, our EU CE and North American ACI quality system certified swimming pool in a constant temperature room has seven systems in one, including a cleaning and filtration system, sanitation and disinfection system, auxiliary anti-bacterial material system, intelligent constant temperature heating system, intelligent computer control, colourful lighting system and sound system. It allows dogs to experience the 7 functions of surfing, water massage, bubbles, fountain, waterfall, lights and sound effects while swimming happily. Enjoy more swimming fun while enhancing their physical fitness and interacting perfectly with their owners.

(4) Pet Day Camping

We offer a safe, fun and new space for pets to play, rather than leaving them alone or with a pet sitter! Open 7 days a week, the campsite has convenient hours where campers can pass our safety certification and enjoy the many well-organised pet activities with our pet-loving staff.

(5) Pet hotel

We offer comfortable pet accommodation with safety certification, providing an intimate and inviting environment for pets that cannot stay with their owners every minute of every day. In addition, we are equipped with a high-tech Remote Monitor Care System, which allows pet owners to keep track of their pets' clothing, food, accommodation, happiness and sorrow at the hotel.

(6) Pet Mindfulness and Positive Training Classes

We have professional pet trainers and professors, as well as fun and effective companion groups and private lessons! With Victoria Stilwell's theory of positive training, our valued guests feel successful throughout their real life through a positive reinforcement model of pet behaviour rather than the negative incentives of demands, pressure, coercion and corporal punishment.

4.3 Buyer behaviour.

(1) Yuanfu Pet is currently the first mid-to-high-end boutique pet shop in Hangzhou, with two innovative shop business models, S-store and C-store, to achieve refined operation and no competitors in Hangzhou. In the first phase, Hangzhou was used as a pilot to optimise the S-store and C-store business models for market practice, and to form a franchise model that can be quickly replicated.

(2) Yuanfu Pet focuses on being a mid-to-high-end pet shop, with business services covering the actual needs of pet owners, and all pet products are selected through big data for SKU selection, minimising the pressure on franchisees to open shops and reducing operating costs.

(3) Perfect franchisee shop operation guidance and marketing guidance, for franchisees to subdivide the market and targeted to do marketing programs, franchise refinement management, to truly achieve the success of joining a, a.

4.4 Competitor Analysis.

For the national market, the competitors of this project are mainly traditional pet shops and boutique pet shops. At present, the larger pet shops in China include Paidog Pet and Saint Pet.

(1) Paddock Pet

Paidog Pet, currently a chain of 100 shops across the country, positioning in the

high-end pet shops, the perfect combination of products and services, market reputation and good reputation. The business scope covers all aspects of the pet industry, pet technology training schools, its own brand Yi Bai pet supplies and Madden pet food, the first domestic live pet B2C mall, etc.. At present, in addition to community shops, Paddock's boutique shop model has become the fastest growing part of the business.

Strengths: High brand awareness, perfect franchise model and strong support from headquarters.

Disadvantages: the pursuit of high-quality shops, business, personnel, commodities without optimization, high overall operating costs, operation and promotion model along the traditional community pet shops, the franchisee operation is difficult.

(2) St. Pet

Ltd. has registered trademarks: Saint Pet (Saint Pet Pet Chain, Saint Pet Pet Grooming Training School), Hapi Dog (pet supplies mall, online and offline O2O integrated services) and FAVOR (product series). It is a diversified pet brand organization that covers offline physical chain shops, professional technical training support system, online mall, offline shop O2O integration and product channel extension. At present, there are more than 1,100 franchised shops distributed throughout the country.

Advantages: high brand awareness, has formed a perfect franchise model, the headquarters support is strong.

Disadvantages: mainly low-end community pet shop types, not involving pet boutiques, many pet shops to carry out general business, cannot refine, compared with other pet shops on the market, no characteristics, homogenization is serious.

4.5 Estimated annual sales and market share.

The revenue of this project comes from four main components: sales revenue from the mall's S-store, franchise revenue from the C-store, supply revenue from the C-store, sales revenue from the online mall, and revenue from the realization of big data from fans.

(1) S-store sales revenue: mainly from tickets, interactive feeding/lessons/pet products and pet services.

(2) C-store franchise income: calculated at RMB150,000 per shop, 5 new franchises are expected to be added in the first year, 20 in the second year, 70 in the third year, 100 in the fourth year and 200 in the fifth year.

(3) C-store supply income: including live pets, pet food, pet supplies, pet service consumables, etc., which is expected to account for 30% of C-store sales income.

(4) Online shopping mall sales revenue: mainly from the APP, comprehensive e-commerce platform of pet products sales revenue, the first two years of the project operation is mainly agent products, the third year of operation began to partially self-managed products.

(5) Big data realisation income from fans: mainly from the amount of fans attracted by the online APP/small program/public number, it is expected that 27,000 fans will be registered in the first year of project operation, and in the next five years, with the increase of the shop it is expected that the registered fans will exceed 5 million.

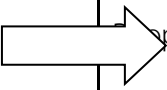
Section 5

Marketing Plan

5.1 Overall Marketing Strategy.

The two categories of S-stores (small concept shops) and C-stores (community service shops) are planned by Elements Pet. Both have their own focus on business models, and model innovations based on customer segments, consumption types and buying habits.

Table 5-1 Upgrading of C-stores and S-stores

Category	Traditional C-Store		Innovation S Store	Note
Carrier Flow	Community		The Mall	The leap from ten to ten thousand in offline traffic
Audience Type	Pet Owners		Pet lovers	Lowering the traffic threshold to everyone
Business Driven	Service driven		Experience Driven	Allowing more people to experience the wonder of being with animals
Theme Type	Human-Pet Relationship		People+Pets+Family	Turning a non-essential need into an essential need and increasing emotional consumption
Product Showcase	Dogs and cats		Multi-category pets	Satisfy the desire of all kinds of people for all kinds of animals
Service concept	Professional Orientation		Communication-driven	Let more people get to know us

The S-store is more experience-driven in its business model, with retail as the mainstay and a weaker service function. C-store, on the other hand, is more service-

oriented in its business model, with service as the driver, retail as the mainstay, and weakening the interactive function of experience.

Table 5-2 Business models and innovation points of S-store and C-store

Shop Type	Business Models	Innovation Directions	Innovative content
C-store	Service driven Retail Body Weak interaction	Management and sales model innovation	Reduce fixed costs with management Strategic price control for rapid access to offline traffic Increase efficiency with O2O virtual space
S-store	Experience Driven The retail bodies Weak service	Business model and visual innovation	Interactive orientation to gain many customers Visual innovation to create communication and buzz Parent-child themes smooth the sales curve

5.2 Pricing Strategy

Combining innovation in business model with innovation in visual design, we use quality commercial real estate brand resources to quickly attract attention, create public opinion and expand industry influence. In the future, all S-stores will be marketed as the company's brand image, either directly or through brand co-branding.

Table 5-3 Pricing options

Type of business	Admission	Interactive Feeding & Lessons	Live and Peripheral Retail	Live Services
Selling price (one time)	200	300-500	100-5000	150-500
Fees	0	150-300	50-4000	100-300
Profit	200	150-200	40-1000	50-200
Percentage of cost	0%	50%	80%	60%

5.2.1 S-store.

1. S-store site selection criteria

The site selection criteria for S-store is a domestic chain of high-profile commercial properties, such as Wanda Plaza and Suning Plaza. These commercial properties are generally located in densely populated areas of the main urban areas, and with their brand influence, they can effectively ensure customers and quality.

S-store locations are generally located on the ground floor of the commercial street / ground floor garage / or high floor children's playground area main lift entrance, etc., where customer reach is high. With a shop area of 300-400 sqm, it helps the main function areas to realize and express the brand tone perfectly. The spacious frontage helps the shop to be well presented.

Table 5-4 S-store site selection criteria

Category	Features	Strengths
Brand	Highly visible national commercial property brand	Brand backing is easy to raise in this round
Type of Business	Large shopping center	Guaranteed mall dividends from traffic
Commercial Volume	National chain	Low replication difficulty
Shop Address	Located in a densely populated area of the main city	Ensures quantity and quality of customers
Shop Size	300-400 sq ft	Easy to refine features to express tone
Shop Location	Ground floor retail street / ground floor garage or underground entrance / main staircase entrance to children's area on upper floors	High customer reach
Shop Form	Wide frontage/good display area	Easy to communicate and promote

Shop rent	Total cost within 10 RMB/ sq ft/day Total rent within \$100,000	Easy to control total costs
Construction conditions	Good smoke/sewer facilities	Easy to follow up

2. S-store business model and visual innovation

The S-store has a large non-purpose clientele, a serious uneven flow of customers on weekdays and holidays, and a clientele that is mainly female. The specific business model is planned as follows.

(1) The average daily traffic in the mall is 40,000 to 50,000 people, mainly shopping and leisure, not strong purpose, for the characteristics of the clientele, the pet category in S shop adopts the "small but comprehensive" layout characteristics, small pet categories (dogs, cats, pigs, rodents, reptiles, fish, etc.), to provide interactive services for people and pets, the clientele can be close to the pet touch, feeding, games, to increase the experience fun. (2) Because the clientele is a non-pets-oriented one, it is not easy to find the right pets.

(2) Because of the non-purposeful nature of the customer base, it is necessary to further attract people to the shop through visual innovation of the shop, so the design of the Netflix element is used to provide a multi-dimensional shooting scene to encourage customers to spontaneously spread the word; and through the new media channels preferred by young people online, to create a pet-friendly Netflix shop to attract more people to enter the shop and open it.

(3) In response to the uneven flow of customers, we plan to adopt the "parent-child theme" model, and cooperate with parent-child clubs and kindergartens in the region to attract a group of children aged 3-10 through interactive courses to popularize knowledge and average daily customer flow.

(4) In response to the characteristics of the clientele being female, the shop adopts scenario-based marketing and a family-style pet-keeping atmosphere to stimulate consumer desire and achieve scenario-based sales of pet supplies.

Table 5-5 S-store business model and visual innovation measures

	Features	Specific	Patterns	Measures	Effects
adapting to local conditio ns Tapping into the flow	massive clientele	Average daily traffic of 40,000 to 50,000	Multi- category small pets	Master pets / scented pigs / alpaca birds / rodents / reptiles / fish enrichment	Meet the preferences of different customers for different animals
	Non- purposeful segments	Leisure and shopping oriented	Experience driven	Touch- feeding up close and personal Adding to the fun of the experience	Lower the threshold of consumption Fosters desire to buy
	Wide range of sources	Regional	Visual innovation	Netflix element design Multi- dimensional shooting scenes Online communicati on campaign	Encourages willingness to spread the word Enhances communicati on effectiveness
	Uneven weekday/holi day traffic	Population 400,000 - 500,000	Parent- child theme	Interactive courses to promote knowledge	Exploit the group market Average

				Appeal to a team of children aged 3-10	daily patronage
	70% of young and middle-aged female customers	Highly communicative	Scenario-based consumption	Family-style scenes Constantly reminding female clients Pets can be kept at home	Stimulate desire to spend Realise retail profitability

3. S-store functional area distribution

The S-store is planned to cover an area of 300-400 square metres. The functional areas of the shop are divided into four parts, including the visiting and interactive area, the leisure area, the retail area and the service area, of which the visiting and interactive area is planned to cover 150-200 square metres, the leisure area is planned to cover 30-40 square metres, the retail area is planned to cover 90-120 square metres and the service area is planned to cover 30-40 square metres.

Table 5-6 Distribution of S-store functional areas

Functional Areas	Area share
Visit the interactive area	50%
Recreation Area	10%
Retail Area	30%
Service Area	10%

4. S-Store Profit Model

S-store profitability is mainly derived from admission fees for visits, interactive feeding, and classes, live and peripheral retail, and live services. Specific revenue percentages are shown in the table below.

Table 5-7 S-store operating revenue share

Business Type	Revenue share
Tour Tickets	30%
Interactive Feeding & Classes	30%
Live Animals & Peripherals Retail	30%
Live Animal Services	10%

5. S-store single-store investment

S-store single-store investment is estimated at RMB2.5 million per shop, mainly for shop leasing, decoration, equipment purchases and working capital.

Table 5-8 S-store single-store investment estimate

Section	Amount (RMB million)	Note
Rent Prepayment	18	3 months prepayment based on rent up to RMB60,000/month
Various deposits	12	Decoration and stored value card deposits
Furnishings	100	Based on RMB2500/month, 400 sq ft
Equipment	20	Cashier, spa tank, display table, projector sound, monitoring mainly
System build	5	SaaS system and connection, shop guide app production
Pre-promotion	10	WeChat, VW, Netflix, Jitterbug
Purchase of goods	20	Based on 300sku, average 100RMB/ single product
Working capital	40	At 50% of the base cost for 4 months
Finance costs	15	At 7.5% interest rate
Unforeseen expenses	10	At 5%
Total	250	

6. S-store single-store business data estimation

The estimated monthly patronage of the S-store single shop is 3,000, with a unit price of RMB 200 per patron. The estimated monthly operating income is RMB 600,000, of which RMB 180,000 is from admission fees, RMB 180,000 is from interactive feeding/classes, RMB 180,000 is from merchandise sales and RMB 60,000 is from services. It is expected to achieve an annual operating income of \$7.2 million.

Table 5-9 Estimated single shop operating data for Store S

	Category		Amount	
Business Overview	Monthly patronage (persons)		3000	
	Daily patronage (times)		100	
	Customer unit price (yuan)		200	
			Monthlyised value	Annualised value
Operating income	Turnover (million yuan)		60	720
	of which	Tickets	18	216
		Interactive feeding/classes	18	216
		Merchandise	18	216
		Services	6	72
Operating costs	Operating expenses (\$ million)		29	348
	Fixed costs	Rent	6	72
		Amortisation of fixed inputs	2.5	30
		Basic staff salaries	4.5	54
		Promotional costs	1.5	18
	Mobility costs	Personnel performance incentives	2.5	30
		Merchandise purchases	8	96
Utilities and		3	36	

		consumables		
		Maintenance costs	1	12
Profits	Operating profit		45.5	546
	Net profit		31	372

5.2.2 C-store Business Model.

C-store has a significant community and regional nature, and good service is the core of the shop's survival and development. Therefore, C-stores need to achieve a combination of management model innovation and sales model innovation, offline diversion, and online fission, in order to apply the new retail concept that is becoming popular, connecting people, goods and venues, and quickly occupy the Hangzhou market.

5.2.2 C-store Business Model.

1. Business model

The most important business model for community shops is to reduce costs and increase efficiency.

In terms of cost reduction, rent, labour and wear and tear are the biggest costs. Through rational planning, we can reduce the operating area and renovation wear and tear, and using automated equipment, we can reduce the number of staff and expenses. In addition, multi-store operation can effectively bring about scale effect, unified procurement and staff sharing, which can effectively reduce costs. In the direction of increasing efficiency, it is mainly through online and offline expansion, efficient customer expansion and ensuring sufficient cash flow for shop operations.

Table 5-10 C-store business model

Philosophy	Measure s	Classificati on	Dilemma	Target	Benefits	Effects
Cost reduction/effici ency	Reduce fixed costs and upfront investme	Rent	High rents Waste of space low efficiency	50% reduction in rent	Small reduction in capacity and display, significant reduction in	Fixed costs significan tly lower than industry

	nt				rental costs	average, reducing operating burden
		Labour	Uneven productio n capacity Waste of labour Insufficien t staff income	50% reduction in labour	No reduction in capacity output, significantly reduced labour costs/manage ment difficulties	
		Attrition	High total depreciati on of renovatio ns Rapid shop wear and tear	50% reduction in renovation waste	Significantly reduce initial investment / maintenance costs by minimising visual impact	
		Scale effect	High renovatio n and purchasin g costs Low customer trust	15% reduction in renovation purchase costs Reduced difficulty in making consumer decisions	Reduce costs with operational leverage Promote fission with brand effect	
	Increase custome r traffic	Strategic price control	No significant price	Volume to compensa te for price	Efficient customer attraction Rapidly	The efficiency of diversion is significan tly higher than the industry average, and the market is quickly

			advantage	50% reduction in climbing period	improve cash flow	captured
		Expansion online(O2O)	Limited physical display space Limited customer reach medium	add mall, promotion, reservation, cashier, inventory management and other functions Enriched with strictly selected products 1:5 strong relationship to attract traffic	Reduce labour and increase efficiency Enrich product offerings Increase reach	

2. C-store management model innovation specific measures

(1) Reduce costs and initial investment

By reducing rent, labor and consumption to reduce the three blocks to reduce the initial investment. Specific measures are as follows.

Table 5-11 C shop management model innovation specific measures

	Classification	Functions	Industry in general (excellent)	Measures	Current status	Effects
Reduced Rent	Lot	Ensure quality/quantity of clientele	Densely populated areas in the city centre	No change	Maintain	Reduction of business area by approximately 50%
	Size / Rent	Reflect the tone	100-150square 1.5-2million	Retain high level efficiency area	50-70square 0.7-1million	Reduced rent and upfront investment Increase efficiency
Reduced Labor	Assistant	Bathing/treatment	2-3	Replace manual labour with machines	2	Reduced from 4-6 people/store to 2.5 people/store
	Hairdresser	Beauty styling	1-2	Two or more shops to achieve flow	0.5	Save 50% on single shop labour costs
	Receptionist	Product sales	Assignment	1	Display/app mall	0
		Phone/ap				

		of tasks		p booking		approxima tely 40%
		Customer maintenance		Phone/ap p customer service		
		Bookkeeping and cashiering		Assistant / saas system		
	Shop Manager	Supervision	1	Back office video monitorin g	0	
		After Sales Maintenance		Back office customer service channels		
		Business data analysis		Back- office data analysis		
Reduc e Losses	Initial renovatio n investme nt	Meeting shop owner preferences	30- 40million	Standardi sed, practical and durable oriented	15- 20million	By reducing floor space, selecting materials
	Renovatio n	Visual needs only	Paint and solid	Use of masonry	Extend shop	and unifying

	materials		wood are highly susceptible to staining, redecoration every 3-5 years, high maintenance costs later	and metal materials to compensate for visual effects with high-end design	refurbishment cycle to 5-8 years	management Reduced inputs, extended wastage and elimination of waste Reduced depreciation, amortisation and post-operational maintenance costs by approximately 50%
	Consumables	Maintaining the normal operation of the shop	Appraisal of shop manager's personal management, high variability 5% of turnover	Centralised rationing as required depending on the volume of business and incorporating assessment to reduce waste	Reduce by 30%	

(2) Precise and efficient customer acquisition

Through strategic price control, strict selection of superior products, online O2O and

other ways to achieve precise and efficient customer expansion.

Table 5-12 Specific measures for C-store management model innovation

	Classification	Industry general (excellent)	Measures	Current status	Effects
Strategic price control	Commodities	Official guide price or even upwards	Consolidation through suppliers Strategic foregoing of 10%-15% gross profit	Gross profit maintained at 55% Selling price 5% below guide price	30% increase in offline traffic Rapid customer acquisition and market capture
	Services	Prices based on decoration positioning and labour costs	Control service prices through labour and other operating costs Strategic foregoing of 5-10% of gross profit	Gross profit maintained at 80% Selling price 5% below market price	Improved cash flow 50% reduction in crawl period
Selecting the best products	Product selection	Selection based on supplier sales effort and profit margin Sku150-200	Based on industry data and customer segment positioning, select products with outstanding quality, low sales	Reduced offline sku to 75-100	Collective purchasing to reduce costs Reduced consumer decision time by 50%

			difficulty and guaranteed profit margin		
Online expansion(O2O)	System support	Simple booking, sales and communication through WeChat	Systematic management of sales, inventory and cash register	Efficient shop management Save 15% on labour	Extended Physics Operating space 10x Customer Reach 5 times higher
	Online shop		Establish a shopping mall through offline streaming, online UI design and evaluation system	Expand offline sku 10x to 1000-1500	
	Customer Service Appointments		Set up back-office customer service and online booking	Smooth capacity output curve 15% labour savings	
	Communications		Incentive by fission law Strong relationship 1:5 diversion	Achieving MUA 1000/store or more	

3. C-store membership management

C shop adopts membership management mode, using rechargeable cards or consumption as the basis for membership status, and has formulated a series of membership benefits in order to be able to better serve its members.

Table 5-13 C-store membership policy

Method	Gold Card	Black Card
Recharge	1000	3000
Consumption	Consumption in the last quarter 3000	Consumption in the last quarter 5000
Live purchases (including related items purchased with the same guest)	Turnover over 2000 / Duration 6 months	Turnover over 6000 / Duration 6 months

Table 5-14 Shop C Membership Status

Member Benefits	Silver Member	Gold Member	Black Card Members
Product Discounts	None	9	7.5
Points Redemption	Single	1.5 times	2X
Free Visit	First time discount	Tickets to visit the s-store	Admission to visit s shop + 1 drink free
Opening Promotion	First free bath	Free shower for the first month of opening	Free shower for the first two months of opening
Anniversary Celebration	None	Duration/offer strength	Degree of time/offer strength
Birthday	None	Free gift	High-end giveaways
Priority service rights	None	Preceded by Silver Card	Top Priority

4. C-store online O2O platform

The online platform includes an online shopping mall, points exchange, membership management, event release, service reminder, online booking, manual customer service, etc., to provide a good service to the members of Yuanfu Pet and to achieve offline traffic.

Table 5-15 APP/small program

Functions	Specific measures
Online Mall	Enabling goods display, order and payment, and evaluation
Points Exchange	Realize multi-dimensional linked sales
Member registration/management	Easy association with WeChat, entry of basic information, data analysis
Event and Information Release	Posting of various promotions and thematic events
Routine service reminders	Periodic operations such as vaccines, internal and external deworming, and birthdays
Online booking function	Based on the capacity of the purchasing unit shop unit
Online Customer Service	Provide online channels to answer questions and receive customer complaints

5.C shop single shop investment estimate

The estimated investment in C-store is 400,000 RMB, including rent, decoration, equipment, goods, working capital and finance costs. Specific investment estimates are shown in the table below.

Table 5-16 C shop single shop investment estimates

Section	Amount (million)	Note
Rent Prepayment	6	Based on rent up to RMB10,000/month with 6 months advance payment
Renovation	15	Based on RMB2,500/month for 60 sq ft
Equipment	5	Cashier, drying box, grooming table, spa tank, monitoring, boarding cage mainly
Purchase of goods	4	Based on 75sku at an average of RMB100/unit
Working capital	5	Based on 50% of three months base cost
Finance costs	3	at 7.5% interest rate
Unforeseen expenses	2	at 5%
Total	40	

6.C shop single shop operation data estimation

C shop single shop daily customer flow 18 times, customer unit price 150 yuan / person, monthly repeat purchase times 2.7 times, the estimated monthly revenue income of 80,000 yuan, including bathing and care 35,000-yuan, beauty trimming 10,000 yuan, commodity sales 25,000 yuan, boarding services 10,000 yuan. Annual revenue is expected to achieve \$960,000.

Table 5-17 Estimated single shop operating data for Store C

		Category	Amount	
Business Overview	Total number of customers (persons)		200	
	Customer unit price (yuan)		150	
	Daily patronage (times)		18	
	Average monthly repeat purchase (times)		2.7	
			Monthlyised value	Annualised value
Operating income	Turnover (million yuan)		8	96
	of which	Bath & Shower	3.5	42
		Grooming & Trimming	1	12
		Merchandise	2.5	30
	Boarding	1	12	
Operating costs	Operating expenses (\$ million)		4.8	57.6
	Fixed Costs	Rent	1	12
		Amortisation of fixed inputs	0.5	6
		Staff basic salaries	1.1	13.2
	Current costs	Personnel performance incentives	0.5	6
		Merchandising	1.2	14.4
Utilities/consumables/maintenance		0.5	6	
Profits	Operating profit		5.8	69.6
	Net profit		3.2	38.4

5.3 Sales Process and Promotional Campaign Mix.

Pet shops, because they have to deal with people in the community and people with pets in other areas, should often hold various events and offer special services at the right time. Include important holidays such as Chinese New Year, National Day and Mid-Autumn Festival, as well as targeted themed events, such as free health checks for pets, etc., to attract new and potential customers.

5.4 Distribution and Sales.

5.4.1 Franchise Model.

Shop S adopts the direct operation model, while Store C adopts the brand franchise model. At present, Store C adopts the whole shop output franchise scheme, the franchisee only needs to apply, the rest including shop design and decoration, equipment distribution, shop furnishing, personnel training, activity planning, etc. are all executed by the company headquarters.

Table 5-18 Franchise Model

	Member Services	Join Membership Appeal	Recruiting advantages	Company benefits	Entry Options	Fee
Roundford Pet Business Club Membership Recruitment	Unified VI Identity	Ride under a big tree	High returns on a small investment 300,000 principal 15 months payback	Exporting brands Scaling up	One-time full payment of 150,000	
	Unified Data Analysis	a clear idea of where to locate				
	Unified Business Model	Short payback period				
	Unified procurement channels	Significant cost reduction				
	Unified System Support	No operational difficulties	Easy to be the boss Chatting with customers Meeting with staff	Access to resources Access to data	Or a one-off payment of 10 Future annual payment of 50,000	
	Uniform flow promotion	Easy access to traffic				
	Unified staff recruitment	Relieved labour pressure				

	Unified back office monitoring	Real-time status control	Reconcile accounts with head office		
	Unified career development	Career to career	Accessible to both inward and outward	Reduce inputs	Or a one-off payment of 50,000
	Unified head office buy-back	Plenty of exit routes	enjoy capital profits in addition to operating profits	Reap the benefits	

5.4.2 Market Development Support.

(1) Franchise shop manager partner program

After determining the franchise, the company will recruit new shop manager within the company or the company's mature directly managed shops, through the assessment of the shop manager applicant, can contribute 5% to become the franchise partner, and become the franchise shop manager, participate in the preparation and operation of the new shop management. This saves time in recruiting and training shop managers, and also allows shop managers to have greater responsibility and enthusiasm to participate in the management of the franchise.

(2) Franchise consumer crowdfunding scheme

After the opening of the franchise, consumption crowdfunding will be carried out, consumers for membership, after recharging 200 yuan, you can get crowdfunding gift package (recharge to send 50 yuan, 200 points, pet birthday privileges), consumption crowdfunding 200 people, in a relatively short period of time to lock several customers.

(3) Regional shop expansion plan

Encourage single-store franchisees with very good business conditions to become regional cooperators, providing a franchise expansion chain planning system to assist regional cooperators to develop new franchises in the cooperation area, without huge expenses, easy to expand shops.

Section 6

Management Team and Company Structure

6.1 Management Team.

The company has now formed a relatively well-established management team and marketing team. There are currently four core team members.

Table 6-1 Table of core team members

Name	Biography	Division of labour
Zhao	BA from Zhejiang University, MA from Hong Kong Baptist University, many years of experience in media, worked for Phoenix TV, Zhejiang TV, Tencent Dazhe.	CEO Corporate Planning, Public Relations, Operations
Wang	Bachelor of Shanghai International Studies University, Master of Zhejiang University of Technology, many years of financial work, worked in Bank of Communications, Softbank Fund, New Lake Wealth financial services work.	Sales Director Corporate Marketing, HR, Financing
Sun	Director of Store Operations of Naughty Family, ceo of Pets for Bear	Operations Director Chain shop operations management

6.2 Members of the Board of Directors.

As our company, Hangzhou Yuanfu Pet Services Limited Liability Company, was initially small in size, according to Article 50 of the Company Law, a limited liability company with a small number of shareholders or a small size may have an executive director and no board of directors. The executive director of the company is thus the founder.

6.3 Advisory Board.

The company employs a team of professional pet owners, who hold professional qualifications such as a medical practitioner's license and a professional veterinary certificate and have many years of experience in the treatment of small animals, who act as the company's advisory board and are responsible for the interface and operation of the business.

6.4 Other Professional Staff.

The company employs professionals in the areas of finance, administration, cleaning services, etc. to operate the company's finances, material expenditures, etc.

Sector 7

Operation Plan

7.1 Business Model and Procedures.

The project implementation cycle is 1 year, from Jan 2022 - Dec 2022, and is divided into three phases for project implementation planning.

(1) Start-up period: for a period of 3 months, during which work will be completed including mall shop site selection, mall shop design planning, mall shop decoration, supply chain improvement, shop management system development, etc.

(2) Development period: for a period of 3 months, the mall shop will begin trial operation, online and offline comprehensive promotion, to achieve offline flow of offline traffic; online flow of offline consumption. In addition, the layout of community C-stores began, in the process of forming a perfect whole shop output system, to prepare for the subsequent franchise.

(3) Brand period: a period of 6 months, the mall shop began to fully realize business, the formation of brand influence. Start a comprehensive layout of community C-store investment to join the work, through the network, the Chamber of Commerce, exhibitions and other forms, recruit partners.

7.2 Business Locations.

In the first year, the company will focus on the Hangzhou area, and plans to open 3 concept shops in shopping malls (direct mode) and 10 community service shops (franchise mode), so as to establish the brand of mid- to high-end service pet services in the Hangzhou market.

7.3 Facilities and Equipment.

1. The equipment needed to open a pet shop is not much, and depends mainly on the items operated by the pet shop. Pet grooming equipment, including pet grooming tables, pet grooming tools, water blowers and so on, can be used to give

pets a bath and beauty.

2. Pet shops such as operating medical projects, need medical equipment. Large pet medical equipment is very expensive, newcomers, it is not good to operate medical projects, large investment, slow recovery costs, high risk.

3. pet supplies sales project, need shelves equipment, while some pet shop decoration, television, air conditioning is also the need for equipment.

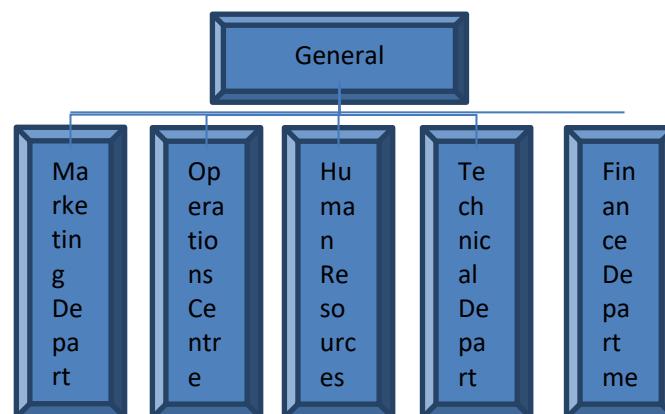
4. money system equipment, a computer as well as a cash register.

7.4 Operational Strategies and Plans.

7.4.1 Organizational Structure.

(1) Organisation Chart

The company adopts a vertical structure model, forming an organisational structure with five functional departments working together under the leadership of the General Manager. 5 functional departments include the Marketing Department, the Operations Centre, the Human Resources Department, the Technology Department and the Finance Department.



(2) Departmental functions

A. General Manager: responsible for the overall management of the company, the direction of the company's development, responsible for the overall performance of the company, and regularly report to the shareholders' meeting on the operation of the company.

B. Marketing Department: responsible for brand external investment, brand

management, supplier negotiation and other work.

C. Operation Centre: There are secondary departments such as planning department, training department, logistics department and after-sales service department. Responsible for marketing, activity planning, personnel training, Internet platform management, logistics and distribution, after-sales service, customer service consultation and other work.

D. Technology Department: Responsible for the integration of pet service technology research and development, filming and production of pet breeding courses, and technical management of APP/small programs.

E. Finance Department: responsible for the entire flow of funds of the company, external financial transactions, salary assessment and distribution of employees, and providing quarterly statements to the Board of Directors for financial reporting.

F. Human Resources Department: mainly responsible for personnel recruitment, training, and management, as well as other six modules of human resources work.

7.4.2 Operation Management Programme.

(1) Shop management plan

Because the shop has live pets, the shop is opened in a densely populated area of the mall to ensure the integrity and beauty of the shop while achieving strict zoning, and to ensure regular disinfection and cleaning every day, forming a strict and perfect shop cleaning management system.

(2) Product management programme

All products sold in the shop come from domestic and international pet supply brands, with 100% genuine products guaranteed. All live pets come from formal breeding institutions to ensure the purity of the breed, and strict physical checks and vaccinations are carried out before entering the shop to ensure the health of the pets. At the same time, a strict product management system is established, with broken and near-expired products replaced in a timely manner, and standardised hygiene cleaning and health monitoring of live pets.

(3) Staff management programme

A comprehensive staff training system, including pre-employment training, internal training, promotion training and further training, etc. The entire staff team will

become the core development force of the brand in the future.

(4) Customer service management programme

Develop a high standard service system, so that customers can enjoy high standards, high quality and professional services.

Section 8

Production and development Plan

8.1 Development Status and Mission.

8.1.1 Pre-opening Promotion Programme

(1) Targeted and focused promotion: continuous activities will be carried out in the mall, including pet festivals and parent-child activity festivals, to target potential target customers, collect customer information and distribute cash vouchers and pet grooming cards.

(2) Continuous promotion and pre-opening: DMs will be distributed in the surrounding communities, and pet gifts will be collected through the promotion of public number activities to achieve rapid short-term traffic and establish an internet community for the department store.

8.1.2 Post-opening Promotion Plan.

(1) Development of cooperation channels: We will develop cooperation channels with parent-child groups, photography agencies, regional V public numbers, community management committees, etc. We will continue to develop cooperation channels that are sociable with our target customer groups, carry out joint activities and establish cooperative promotion.

(2) Internet community model: establish a community of pets in Yuanfu, regularly explain pet knowledge, exchange pet anecdotes, and answer pet questions to establish a high-quality and active community and enhance profitability.

(3) Promotion by WeChat V: Form joint promotion with WeChat V public number, using the form of explosive articles or mutual promotion, to divert fans of V public number to their own public number/small program.

(4) Give away shopping coupons, customers can get shopping coupons by doing tasks or games online, and the coupons can be shared with friends, who can receive coupons directly by clicking into the app, thus achieving spontaneous diversion of ordinary users.

(5) In the early stage, the promotion is mainly done in the new media in the form of promotional videos or creative advertising films. The large volume of new media platforms include Xiaohongshu, ShakeYin and Racer, which initially form brand awareness; cooperation with new media anchors and weblebrities to promote the brand and products with the influence of their fans to achieve rapid diversion. In the medium term, the company will mainly focus on quality content output and hold various fan activities, with fans spontaneously promoting the new media platform to achieve the second stage of traffic attraction.

8.2 Challenges and Risks.

8.2.1 Financial Risks.

During the company's operations, the liability component may evolve into financial risks, including insolvency risk and interest rate variability risk, due to the interaction between internal management and the external environment. Insolvency risk refers to the risk that investments made by the company with its liabilities will not be recovered on time and achieve the expected returns, and that regular interest payments and principal repayments will not be made. The result will not only lead to financial stress, but also affect the credibility of the company, and may even suffer from the failure to pay. The risk of changes in interest rates is the risk that the expected return will be offset by an increase in interest rates on loans due to inflation, etc. during the period of the company's indebtedness.

8.2.2 Market Competition Risk.

With the gradual ageing of Chinese society, there is an increasing number of products and services based in the pet market and a growing trend. In addition, due to the large target market space, more and more similar pet services will enter the market and compete with the Company for target customers. Therefore, if the competition strategy is not appropriate, not only will the company fail to open up the market and obtain a stable target customer base, it will also face greater risk of competition in the market.

8.2.3 Franchise Chain Risk

The company will later launch a franchise operation method. As franchisees are not subject to the management of the head office, they may not strictly follow the system standards of the directly operated shops in their operation and management and may even pursue short-term interests and give less points to the quality of services, which will damage the reputation of the Company and affect the long-term development of the Company. In addition, the franchisee will compete with the directly operated shops to a certain extent, affecting the profit level of the directly operated shops, thus creating a chain franchise risk.

8.3 Fees.

8.3.1 Funds Management.

Establish an independent financial management, which will be responsible for financial forecasting and statistics, as well as keeping records of the flow of funds and budgeting. We will take out small loans from banks for initial investment; we will also seek sponsorship to replenish our funds; we will divide our profits into a portion for continued investment, a portion for basic operations, and a portion for staff salaries; we will introduce capital management software; we will keep strict records of income and expenditure during operations; we will prohibit any unclear flow of funds; we will set aside a budget for special funds; we will set aside a portion of our funds to prevent risks and emergencies. The company has to set aside a budget for special funds and a portion of funds to prevent risks and contingencies.

8.3.2 Withdrawal of Funds.

The original shareholders of the company have the right to have their shareholding bought back by the company after 3 years, based on the valuation of the company's assets; or to have their shareholding resold by the funders, or after 3 years when the company goes public, and the investors exit their shares through equity dilution.

8.4 Intellectual Property Rights.

Franchise chains are most likely to affect the intellectual property rights of the head office, and in response, the following strategies have been developed.

- Strictly examine the qualifications of franchisees and bind their market behaviour by signing contracts.
- Provide a full set of management systems and service standards and provide training and consultancy services to the franchisee in all aspects.
- Implement irregular inspections of franchisees and withdraw their franchise rights if they violate the rules more than a certain number of times.
- Franchise locations must be located at a certain distance from directly managed shops to avoid internal competition.

Sector 9

Financial Projections

9.1 Sources and Use of Funds Description

The project is expected to require start-up capital of \$8 million to complete the renovation and upgrade of the original five C-stores, the site selection and renovation of three S-stores for operation, direct shop operating costs, staffing costs and development costs.

Table 9-1 Funding Use Plan

Section	Funding requirements (\$ million)	Remarks
C-store renovation and upgrade	100	Renovation and upgrading of 5 community C-stores, redecoration costs, in-store program upgrade
S-store operating costs	450	Costs for site selection, leasing, renovation, equipment and working capital for 3 mall S-stores
Staffing costs	150	Salaries and benefits for company and S-store staff
Development costs	100	Including management backend software system, APP/small program development
Total	800	

Table 9-2 Personnel cost usage plan

Jobs		Salary and benefits (yuan/month)	Number of people (in names)	Subtotal
General Manager	General Manager	12000	1	144000
Marketing Department	Marketing Manager	8000	1	96000
	Marketing Specialist	6000	3	216000
Operations Department	Operations Manager	8000	1	96000
	Planning Specialist	5000	1	60000
	Training Specialist	5000	2	120000
	Customer Service Specialist	4500	2	108000
Human Resources	Human Resources Manager	8000	1	96000
	Human Resources Specialist	5000	1	60000
Technical Department	Technical Manager	8000	1	96000
	Technical Specialist	6000	1	72000
	E-Commerce Specialist	5000	3	180000
Finance Department	Finance Manager	8000	1	96000
	Finance Specialist	5000	1	60000
Total			20	1500000

9.2 Assumptions Table.

Table 9-2 Income statement (five years)

Item	2023	2024	2025	2026	2027
I. Operating income	291.6	388.8	486	583.2	680.4
Less: Operating costs	188	222.2	256.4	290.6	324.8
Operating taxes and surcharges	14.58	19.44	24.3	29.16	34.02
Selling expenses	62.3	67.3	72.3	77.3	82.3
Administrative expenses	86.4	86.4	86.4	86.4	86.4
Finance costs	3	3	3	3	3
Impairment loss on assets	0	0	0	0	0
Add: Gains on changes in fair value (losses are shown with a "-" sign)					
Investment income (loss is shown as "-")					
II. Operating profit (loss is shown with a "-" sign)	-62.68	-9.54	43.6	96.74	149.88
Add: Non-operating income					
Less: Non-operating expenses					
III. Total profit (total loss is shown with a "-" sign)	-62.68	-9.54	43.6	96.74	149.88
Less: Income tax expense	-	-	10.9	24.185	37.47
IV. Net profit (net loss is shown with a "-" sign)	-62.68	-9.54	32.7	72.55	112.41

The project is planned to be financed entirely from financing, by ceding the original shares of the company to exchange for financing. Using the total net profit of the company for the next 3 years to do the valuation, it can be seen from the financial calculations that the combined net profit for the next 3 years is \$39,731,000 and the planned financing is \$8 million, then the corresponding percentage of equity to be ceded is 20%. The financing will be funded on 31 December 2019.

9.3 Pro Forma Financial Statements.

Table 9-3 Cost budget table Unit: million

Item	Year 1	Year 2	Year 3	Year 4	Year 5
Depreciation expense	104.50	104.50	104.50	104.50	104.50
Development costs	100.00	100.00	100.00	100.00	100.00
Staff costs	150.00	350.50	1378.32	4201.44	9915.36
Overheads	66.31	146.04	574.30	1750.60	4131.40
Raw material costs	81.12	747.36	4591.20	15873.60	42456.00
Promotional costs	53.05	116.83	459.44	1400.48	3305.12
Other costs	26.52	58.42	229.72	700.24	1652.56
Total	581.50	1623.64	7437.48	24130.86	61664.94

9.4 Forecast Income Statement

Table 9-4 Operating Income Budget Statement Unit: million

Item	Year 1	Year 2	Year 3	Year 4	Year 5
Mall S-store sales revenue	1116.00	1339.20	2604.00	4836.00	7068.00
Shop C franchise income	75.00	300.00	1050.00	3000.00	3000.00
C-store supply income	115.20	345.60	1152.00	3456.00	5760.00
Online shop sales revenue	20.00	900.00	6500.00	23000.00	65000.00
Fans' big data realisation income	0.00	36.00	180.00	720.00	1800.00
Total	1326.20	2920.80	11486.00	35012.00	82628.00

Table 9-5 Operating Income Budget Table Unit: million

Projects	Total income
January 2022	98.32
February 2022	99.43
March 2022	100.65
April 2022	120.56
May 2022	99.21
June 2022	89.31
July 2022	97.98
August 2022	122.56
September 2022	89.29
October 2022	99.63
November 2022	106.56
December 2022	202.7
Total 2022	1326.20

liabilities													
Total	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	0	0
Total liabilities	400,000	626,115	652,229	878,344	1,104,459	527,984	863,695	1,195,542	1,527,390	2,602,517	4,730,351	0	0
Owner's equity													
Paid-in capital (share capital)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital surplus													
Surplus reserves		0	0	0	4,706	4,706	4,706	4,706	20,795	162,039	187,551	250,000	
Undistributed profit					42,355	42,355	42,355	42,355	229,512	500,000	1,010,249	947,800	
Total owners' equity	1,000,000	1,000,000	1,000,000	1,000,000	1,047,061	1,047,061	1,047,061	1,047,061	1,250,308	1,662,039	2,197,800	2,197,800	
Total liabilities and owners' equity	1,400,000	1,626,115	1,652,229	1,878,344	2,151,520	1,575,046	1,910,756	2,242,604	2,777,697	4,264,556	6,928,151	9,958,652	

9.6 Projected Cash Flows

Table 9-7 Company cash flow statement for the next five years Unit: yuan

	2023	2024	2025	2026	2027
Investment in fixed assets	-35000				
Liquidity	-110000				
Operating income		194748.00	298402.00	331494.00	368252.00
-variable costs		161203	78625	62742	65644
-fixed costs		53555.00	74600.00	66298.00	73650.00
Profit before sharp		8538.00	148786.00	202451.00	228956.00
Taxes		2867.80	37397.00	50757.00	57257.00
Net profit		52267.00	95761.00	141539.00	139605.00
+Depreciation		3424.00	3424.00	3424.00	3424.00
Net cash flow	-80000	55691.00	99185.00	141863.00	143029.00

9.7 Ratio Analysis

(1) Total asset turnover ratio

当前总资产周转率
1.29次/年

近10年中位数
1.29次/年

文娱用品行业中位数
0.49次/年

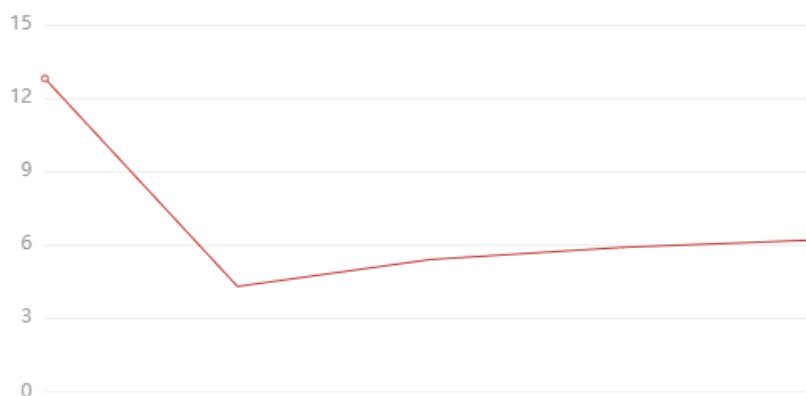


(2) Fixed asset turnover rate

当前固定资产周转率(次/年)
6.2次/年

近5年中位数
5.9次/年

零售-周期性行业中位数
2.71次/年



(3) Operating Profit Chart

Table 9-8 Income Statement Unit: million

Items	2023	2024	2025	2026	2027
I. Operating income	1326.20	2920.80	11486.00	35012.00	82628.00
Less: Operating costs	678.91	1793.31	7967.03	25554.11	64406.91
Operating taxes and surcharges	97.41	169.67	529.55	1423.25	2741.97
Development costs	100.00	100.00	100.00	100.00	100.00
Selling expenses	53.05	116.83	459.44	1400.48	3305.12
Management expenses	323.95	1302.31	6773.54	22525.88	58155.32
Finance costs	0.00	0.00	0.00	0.00	0.00
Impairment loss on assets	104.50	104.50	104.50	104.50	104.50
II. Operating profit	647.29	1127.49	3518.97	9457.89	18221.09
Add: Non-operating income	0.00	0.00	0.00	0.00	0.00
Less: Non-operating expenses	0.00	0.00	0.00	0.00	0.00
III. Total profit	647.29	1127.49	3518.97	9457.89	18221.09
Less: Income tax expense	161.82	281.87	879.74	2364.47	4555.27
IV. Net profit	485.47	845.62	2639.23	7093.42	13665.82

In summary, the project has good economic benefits and business growth.

(5) Net Profit Margin Chart

Table 9-9 Net Profit Statement Unit: million

Projects	2023	2024	2025	2026	2027
Operating income	1326.20	2920.80	11486.00	35012.00	82628.00
Less: Operating costs	678.91	1793.31	7967.03	25554.11	64406.91
Operating taxes and surcharges	97.41	169.67	529.55	1423.25	2741.97
Balance	549.88	957.82	2989.42	8034.64	15479.12

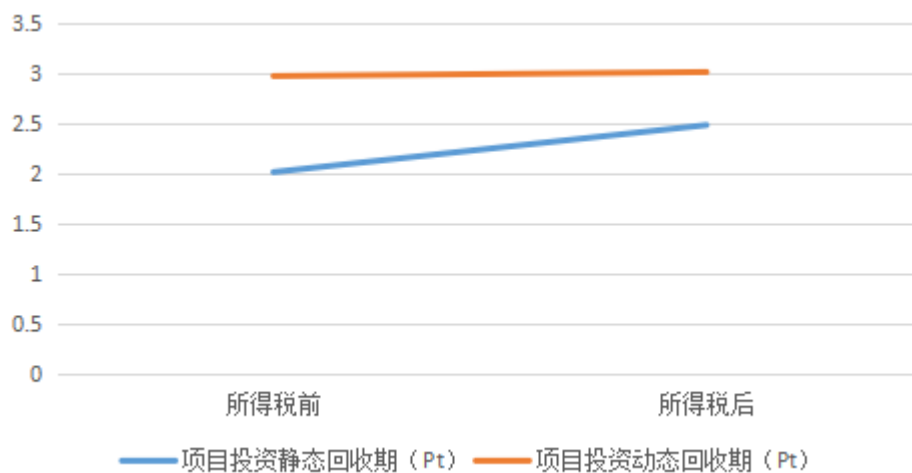
(6) Rate of return charts

time project	2023	2024	2025	2026	2027
Rate of return (%)	-12.69	45.49	162.03	284.71	291.88

(7) Return on investment schedule

Projects	Before income tax	After income tax
Static payback period of project investment (Pt)	2.02 years	2.49years
Dynamic payback period of project investment (Pt)	2.98years	3.02years

(8) Return on Investment (ROI) Table



(9) Net present value and internal revenue statement

Year	2023	2024	2025	2026	2027
Sales Margin	-3.43%	9.50%	5.38%	5.93%	7.32%
Net Asset Recovery Ratio	-22.60%	19.05%	16.13%	15.05%	13.91%

(10) Break-even point

Current Ratio = Current Assets/Current Liabilities = 98.42%

Quick Ratio = (Current Assets - Inventory) / Current Liabilities = 94.30%

Solvency analysis: The company's current ratio is 0.984 and quick ratio are 0.943, which are at a high level in the industry and also greater than the cautionary line of 0.8, so the company will not have liquidity problems in the short term, providing favourable conditions for bank borrowing in the third year; in addition, the company has better short-term solvency, faster asset turnover and good corporate operating capacity.

Appendices

1. Feasibility Analysis

The above analysis shows that the project is advantageous in terms of company profitability, growth and development, and that the project is acceptable from a financial evaluation point of view.

2. Questionnaire

1. Your gender

A. Female B. Male

2. Your age group

A. Under 15 years old B. 15-20 years old C. 21-30 years old D. 31-45 years old E. 45 years old and above

3. Your current income

A. No income B. Below 2000 C. 2000-5000 D. 5000-10000 E. Above 10000

4. Do you have any experience of owning a pet?

A Yes B. No

5. What kind of pets do you have or want to have?

A. Cat B. Dog C. Bird D. Reptile (e.g. turtle) E. Rabbit F. Fish G. Other

6. Would you like to have a pet if you had the chance in the future?

A. Yes B. No

7. What is the reason for you to have a pet?

A. To relieve the stress of life B. To use the pet as my playmate or to keep myself company C. It is popular now D. I like it and it adds colour to my life

8. How long have you had a pet?

A. Less than three months B. Less than six months C. Long-term D. Indefinitely

9. How often do you get pet food and supplies?

A. Homemade B. Online C. Shop bought D. Supermarket bought E. Other

10. What brand of food does your pet currently eat?

A. Royal Canin B. Kuan Neng C. Kantor D. Pao Lu E. Other

11. What do you like to buy most for your pet?

A. Pets B. Food C. Pet toys D. Pet supplies E. Pet clothes

12. Do you take your pet to the pet shop regularly for content care? What is the frequency?

A. No B. Once a week C. Once a month D. Once in March E. Once every six months
F. Once a year G. On special holidays

13. Do you vaccinate your pet?

A. Yes B. No

14. Do you buy toys or clothes for your pet?

A. Yes, clothes B. Yes, toys C. No, neither D. Other

15. Is there a pet shop or hospital near your home?

A. Yes B. No

16. How much can you afford to spend on your pet per month?

A.50-100 B.100-300 C.300-500 D.500 or more

17. About how much non-homemade food your pet can eat in a month

A. Less than 1KG B. 1-2KG C. 2-3KG D. More than 4KG

18. What kind of services would you like the pet shop to provide for your pet?

A. Purchase of pet supplies (food, toys, toiletries, clothing, medical supplies)

B. Pet boarding (including day care and full care) Pet grooming (including bathing, nail cutting, hair care and colouring)

C. Pet medical care, pet photography, recreational areas for pet owners (lounges, cafes, dedicated interaction areas with pets)

19. If there was a new shop that offered both pet supplies, hospital and boarding, what do you think would be more attractive to you?

A. Lower prices B. Diversification of products C. Good quality of products D. Good service E. Home delivery F. New products and services G. Affordable prices H. Other

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