



# **Pro Pet Sitters (Pets Onsite Service)**

## **Business Plan**

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## Mission Statement

“Pro Pet Sitters’ mission is to offer a platform for pet owners and sitters, continuously seeking to provide professional, reliable onsite service for pet owners when are not available at home.”

# Executive Summary

## Opportunity

### Problem

Keeping and raising pets, especially dogs or cats, has been part of modern life. It is a common phenomenon that people keep and raise pets at their home, not only for their house guards, but also pets serve people's emotional needs. For instance, in China, with people's income increasing and life attitude changing in recent years, raising pets has become a stylish and profitable lifestyle in urban areas. However, when people are not available at home, they cannot feed their pets timely. While they can put their pets at their friend's home or some pets' shop temporarily, pets may perform some situations like hunger strike, irascibility or inadaptation because of changing to new living environment. Moreover, it could always be hard to find a spare space or cages in pets' shop during festival vacation or peak season in China's urban areas, and it will cause your pet wouldn't get enough care from pets' shop. Your friend may not have spare time to take care of your pets. And from the culture effect, Chinese people doesn't want their friends feel inconvenient for their pets. We want to make benefits for these pets' owners and carry out new industry revolution for pet market.

### Solution

Our company, Pro Pet Sitters, continuously seeking to provide our professional, reliable onsite service at home for pet owners when they are not available. We offer this platform for pet owners to find their corresponding pet sitter, which depends on their previous service rank and service distance. Also, pet sitters can register themselves on this platform, we will check and investigate their background to guarantee the safety. Pet owners can book the service time via mobile application or official website three days in advance before leaving home. And they can send the key to service sitters or sitters will visit owners' home to take key. Professional sitters via our company will offer onsite service like feeding pets, clean up excreta and so on. If the pet is dog, we will also walk the dog as our service. Maybe the pet owners will consider the safety of their house, we will sign the electronic contract with two parties when pet owners place the order. Moreover, there are three options for pet owners to choose. The first option is that pet owners can request our staff to use live video call during the whole onsite service process. The second option is that our staff will take camera to record all the service they offered at home, then our staff will upload this video to our application. The third option is that pet owners have their own camera at their home, so they will supervise our company's service. For the payment of our service, the pet owners should settle it within two days after they come back. In addition, pet owners can share and leave their comments in our official website,

including rank our overall process.

## **Target Market**

It was researched that China's cat and dog owners are expected to spend over 5,000 yuan (\$740) per pet in 2018, an increase of 15 percent from last year (Zhou, 2018). Currently, our market mainly focuses on the pet owners in their 20s and 30s, especially those people who work and live in the urban areas. According to the White Paper on China's Pet Industry in 2018, Beijing is the top city of all the cities which ranks the keeping pet prosperity. In first-tier cities, dog owners spent money on their dogs is up to 2004.2 RMB (\$297) in average. Hence, we will start up our company from Beijing. The majority of the pet owners belong to the post-1980 or post-1990 generations, which means they have strong consumption capacity in pets' market. Culture and lifestyle make this industry more attractive in the pets' market. People have more emotional needs from their pets nowadays, and this shows they would more eager to buy good service for their pets. Our company wants to have to develop our business, which is developed with sequence as: other big cities (Shanghai, Guangzhou etc.) in China, northern Area, southern Area and then whole China will be our pets service.

## **Competition**

In the pets' market, our main competitor is the pets' shop. Pets' owner can put their pets in that shop temporarily, but it may encounter many problems. Firstly, as I mentioned before, pets may feel inadaptable in new living environment. Secondly, the pets' shop wouldn't have more spare space or cages for occupied during festival vacation or peak season. Thirdly, the pets' shop may not offer professional and enough care service for pets. Fourthly, the fee in pets' shop is more expensive than our company's service. Because the pets' owner will book our service online, we don't need to add our rent fee of offline shop in service as the pets' shop. In our company, we will offer our best and professional service for pets with reasonable price. The pets' owner would more prefer our company.

## **Why Us?**

This idea comes from our real experience and current situation in China. Professions and experiences make us more outstanding and trustworthy for the pets' owners. We have four departments in our company, and they are Decision Department, Training Department, Marketing Department and Consumer Service Department. Our Training Department will provide professional training for staffs to make our service better and reliable. Where can we get these staff with pets feeding skills and make sure that they are kind-hearted? Pet sitters can register themselves according to the city district they live in. Location based service will be

considered. Those who have pets at their home will give priority to be a pet sitter. After each onsite service finished, pets' owner is free to leave and share any comments in our website, including rank our service. Our Consumer Service Department will collect each comment and feedback for making progress next time. We also plan to expand our business to pets training, medical service and so on.

## **Expectations**

### **Forecast**

Company Pro Pet Sitters may not be profitable within the first year, because it takes time for market acceptance. In the first three years the projected revenue will be 1.8 million RMB, 2.0 million RMB and 2.2 million RMB respectively. We assume most of our expenses will come from marketing activities, training, and system development.

### **Financing Needed**

Company Pro Pet Sitters would use a total of ¥1,000,000(approximate \$150,000) to start up our business. ¥400,000 of the amount will toward the application development as we stated before. ¥200,000 towards the marketing promotion of the APP at the initial stage; the remaining fund will account for the the company registration, advertising, renting training location if necessary, technology follow-up development, and other operation supporting activities. Individually each of founders will invest ¥100,000, bring a total of ¥300,000; then we are going to borrow ¥200,000 from bank; the remaining amount we plan to obtain form investment institutions.

# Opportunity

## Company Background

Nowadays, Chinese people like to keep and raise pets at their home, especially those people who live in the urban areas. People keep the pets is not only for the house guard, they also want to meet their emotional needs from their pets. Pets have become like the family members for the pet owners. However, when people need to go on business trip or go to vacation temporarily, they cannot have time to raise their pets. Pro Pet Sitters will provide our professional and reliable service for pets when pet owners are not available at home. Pro Pet Sitters will open in Beijing, China in 2020. This company will be composed of experienced leaders and managers from pets' industry, executive staffs for company operations and service staffs for pets' onsite service. Our goal is to improve our reliability, increase brand recognition and provide perfect service for pet owners.

## Problem & Solution

### *Problem Worth Solving*

Keeping and raising pets, especially dogs or cats, has been part of modern life. It is a common phenomenon that people keep and raise pets at their home, not only for their house guards, but also pets serve people's emotional needs, the pets have become like part of the family. For instance, in China, with people's income increasing and life attitude changing in recent years, raising pets has become a stylish and cash-burning lifestyle in urban areas. According to the China Pet Industry 2018 White Paper, more than 91.49 million dogs and cats are being raised as pets in China's urban areas. Pet owners in China are set to spend 46.3 billion yuan (\$7 billion) on their pets by 2022, up from 17.5 billion yuan this year as the around annual 20 percent growth in the market. The U.S. is only growing around 2 percent a year (Li & Jourdan, 2017). The research data shows huge growth potential in the Chinese market.

However, when people need to go travel or leaving home for several days or months, they cannot feed their pets timely. While they can put their pets at their friend's home or some pets' shop temporarily. When pets stay in your friends' home or pets' shop, pets may perform some situations like hunger strike, irascibility or inadaptation because of changing to new living environment. Especially for dogs, they are not just secured in their landscape by familiar sights and sounds, but by familiar scents as well. The stress many dogs experience mainly because the lack of familiarity and lack of opportunity to connect with territorial landscape when change

their familiar kennels. Moreover, it could always be hard to find a spare space or cages in pets' shop during festival vacation or peak season in China's urban areas, like Beijing or Shanghai, and it will directly cause your pet wouldn't get enough care from pets' shop. Your friend may not have spare time to take care of your pets. And from the culture effect, Chinese people doesn't want their friends feel inconvenient for their pets. We want to make benefits for these pets' owners and carry out new industry revolution for pet market. Pet owners will feel assured for our service when they leave their pets to our company.

### *Our Solution*

Pro Pet Sitters will provide professional, reliable onsite services for pet owners. We offer this platform for pet owners to find their corresponding pet sitter, which depends on their previous service rank and service distance. Also, pet sitters can register themselves on this platform, we will check and investigate their background. Pet owners can place their order in two ways, and they are mobile application and official website. Mobile application would be an easier way for pet owners to use, and they should book and order our service three days in advance before leaving home. Then our sitters will visit owners' home to take keys or pets' owner can send the key to the pet sitters. For recording owners' raising requirements, our staff will visit pets' owner home, pets' owner can also remark it in our website or application when they order the service. If they want to add more requirements, pets' owner can contact our online consumer service in the next day after booked. We will talk about this part in details in our Operations part. Professional pet sitters via our company will offer onsite service like feeding pets, clean up excreta and so on. If the pet is dog, we will also walk the dog as our service. And for current stage, our scope of service mainly focused on cats and dogs. We will extend this scope to aquatic animal, rabbit, hamster and other small pets, reptile and bird as our business develops gradually.

### *Safety Guarantee*

Maybe the pet owners will consider the safety of their house, we will totally guarantee the belongings safety of pet owners house. Before the service, pet owners and us will sign the contract by both parties, which including the belongings loss and pet's accidental situation and so on. Also, after signing the contract, pet owners will acquire some basic information of the onsite service staff to guarantee the safety. The pet sitters will also sign the contract with our company, we have strict regulations for them to obey, which have clear responsibility sharing. For one of the disadvantages of current market, lack of regulations and spirit of contract are critical aspects if there is a dispute between both parties. Pro Pet Sitters will make up this market defect better with providing satisfied and reliable service for pet owners.

Moreover, there are three options for pet owners to choose. The first option is that pet owners can request our staff to use live video call during the whole onsite service process. Pet owners can supervise the whole service process, even have interactions with their pets. The second option is that our staff will take camera to record all the service they offered at home, then our staff will upload this video to pet owners immediately after they leave the home. The third option is that pet owners have their own camera at their home, so they will supervise our company's service. For the payment of our service, the pet owners should settle it within two days after they come back. In addition, pet owners can share and leave their comments in our official website, including rank our overall process and reliability.

## Competition

### Current Alternatives

There are several alternatives in current pets' market. Pets' shop, friends help and family foster care. Our main competitor is the pets' shop. Pets' owner can put their pets in that shop temporarily, but it may encounter many problems. Firstly, as I mentioned before, pets may feel inadaptable in new living environment. Some researches already proved the importance of similar environment to pets. Secondly, the pets' shop wouldn't have more spare space or cages for occupied during festival vacation or peak season. Thirdly, the pets' shop may not offer professional and enough care service for pets. Fourthly, the fee in pets' shop is more expensive than our company's service. Because the pets' owner will book our service online, we don't need to add our rent fee of physical shop in service as the pets' shop. In our company, we will offer our best and professional service for pets with reasonable price. The pets' owner would more prefer our company.

For ask friends for help, your friend may not have spare time to visit your home timely for checking your pets. It is could be better if your friends also have a pet, so they have similar experience to take care of your pet. However, not everybody has that kind of friend. And from the culture effect, Chinese people doesn't want their friends feel inconvenient for their pets, they don't want their friends feel they are making troubles because of their pets. Consider those disadvantages from pets' shop and friends, pets' owner may choose family foster care as their alternative.

Family foster care, becoming popular recently in pets' market. It also called pet boarding, the owner finds another experienced owner to host the pet in his or her home and walk or even video stream videos of the pet to the owner as they required every day. However, they didn't concern the following disadvantages. Firstly, maybe family foster care won't have amounts of

pets to foster, but they always move unrestrained in the house, and this will increase the risk of diseases. Secondly, family foster doesn't have strict procedure or contract with pets' owner, it could be the trouble when pets' owner meets the dispute. This kind of business always is privately owned and managed, dispute settlement will be an intractable problem if there is no legal awareness on either side. While for our Pro Pet Sitters service, pet owners should provide official certificate proving that pet has recently been vaccinated, and they also need to provide health certificate from a veterinarian to attest the pets' health. Then we will sign the contract with pet owners to guarantee the accidental situation and our service terms.

### Our Advantages

Professions and experiences make us more outstanding and trustworthy for the pets' owners. Our Training Department will provide professional training for staffs to make our service better and reliable. Where can we get these staff with pets feeding skills and make sure that they are kind-hearted? Pet sitters can register themselves according to the city district they live in. Location based service will be considered. Those who have pets at their home will give priority to be a pet sitter. After each onsite service finished, pets' owner is free to leave and share any comments in our website, including rank our service. Our Consumer Service Department will collect each comment and feedback for making progress next time. We also plan to expand our business to pets training, medical service and so on in future business development.

### SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Fresh face on the market</li> <li>• Offer a higher quality service and product</li> <li>• Professional and trained staffs</li> <li>• Cost lower, onsite service</li> <li>• Online business, easy order</li> <li>• Client demographics, location base service</li> <li>• Working hours flexible</li> </ul>	<ul style="list-style-type: none"> <li>• New entrants to the market</li> <li>• Lack of reputation and loyal customers</li> <li>• Work time and peak service period</li> <li>• Team of staff members required</li> <li>• Safety of onsite service</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Niche market in urban areas</li> <li>• Potentials to franchise</li> <li>• Strong consumption potentials in target market</li> <li>• Affiliate relations with related vendors</li> </ul>	<ul style="list-style-type: none"> <li>• Competition of already loyal client base</li> <li>• Regulations and qualifications</li> <li>• Risk of pets sick, injuries during service</li> <li>• Increased cost on business</li> </ul>

**Strengths:**

Our company, Pro Pet Sitters is new face in the pet industry. We offer a higher quality service and product for pet owners. Registered pet sitters may have some similar pet raising experiences, but we will also provide professional training for them to make our service better. We don't have offline shops, so it will lower our cost and our price would be very reasonable. Pet owners can place their order via our mobile application or official website, easy access to everyone who wants to place the order. And we offer the service depends on pet owners' location, this will help us to arrange our sitters more efficient. Working hours is more flexible for sitters, they go owners' house as the appointment arranged.

**Weaknesses:**

We are new entrants to the pet market, we would not have large amounts of loyal customers and lack of reputation. Chinese customer prefers to purchase the stuffs which has a good reputation, and then consider its price. During the holiday time or peak period, we may need to arrange our staffs for different time to make sure every order can be dealt timely. Another aspect we need to consider is the safety of onsite service. And we already talked about it in safety guarantee part.

**Opportunities:**

Pet sitter is a niche market in urban areas, we find this opportunity to fill the gap in the pet market. We have potentials to make the franchise chain, and now we mainly focused in Beijing, but we may develop it with sequence as: other big cities (Shanghai, Guangzhou etc.) in China, northern Area, southern Area and then whole China will be our pets service. Chinese people in urban areas are more likely to spend money on their pets, which they have more emotional needs from their pets, consider their pets as the family member. Moreover, we would develop affiliate relations with related vendors, like pet food, and other products.

**Threats:**

As our similar competitors in the market, they may already have a certain customer base. It could be hard for those customers to choose our service and products. As I mentioned before, some Chinese pet owners didn't feel satisfied with current pets' market because of lacking corresponding regulations, dispute would be hard to settle down if it emerged. Besides, during our service, it could happen some emergency situation, such as pet's disease, responsibility determination would be a critical aspect in the contract. With materials and other relevant stuffs cost increase, our price will be increase.

## Marketing strategy

### *Promotion strategy*

Pro Pet Sitters will use online marketing strategy and offline strategy. Online marketing strategy is our main way for promotions. Offline strategy would be a more direct way for customers to notice it. We will explain this two strategy in details.

For online marketing strategy, Firstly, Because of target market base, we will cooperate with other new industry which also have similar customer base. For instance, NetEase Cloud Music, a new emerging music application in China, which becomes more popular among 20s and 30s of Chinese people. When you open their application, there always would be an advertisement on the screen, wait for few seconds, then you will enter main page of the application. Promotion cooperation will let more people to know about our service and company. Secondly, we are going to use search engine optimization strategy, after potential customer search the key word on the internet, our official website will show up more prominently for top keywords. Thirdly, social media strategy will also be our important promotion way. Instagram, Weibo and WeChat will cover our advertisement. And those customers who place the order from our social media channel will get discount if they place the order.

As one of the traditional promotion strategies, offline strategy has always been chosen for company to advertise their products or company. We plan to put advertisement board in subway and railway station. People will notice our advertisement directly when they are walking or passing by. Moreover, pet's food bags will also printed by our advertisement. Pet owners will check our promotion advertisement on the bag. It is a good way for pet owners to get know our service. Also, in China now, there are some pet exhibitions hold in urban areas, we will also participate those kind of events to expand our publicity. For relevant business, we will also cooperate with them to advertise us. For example, veterinarian clinic will also have our advertisement, those will have implicit effects for pet owners when they take their pets to the clinic. Pet owners would be more sensitive about their pets when they meet veterinarian.

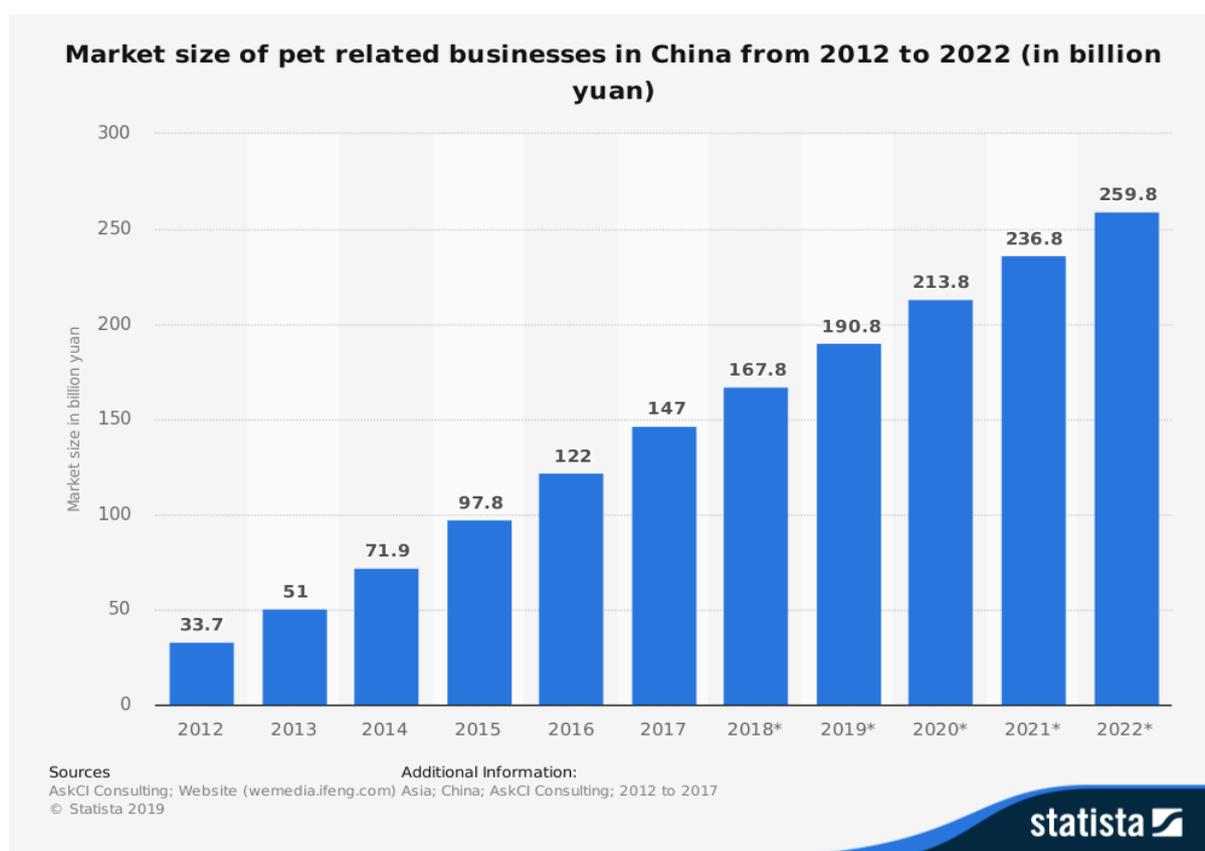
As a new entrants in the market, Pro Pet Sitters would explore more promotion strategy to develop our business. And marketing department in our company will ask other professional staffs to arrange this part.

# Execution

## Marketing & Sales

### *Industry Analysis & Target Market*

In China, pet ownership is an indication of financial independence for some people, but it has also become a form of companionship for others. More Chinese households are hosting pets with China being the 3<sup>rd</sup> largest pet owning country after America and Japan, with more than 100 million pets. As the bar chart shows below, the statistic shows the market size of pet related businesses in China from 2012 to 2017 with forecasts until 2022. The pet market retail value was estimated to amount to approximately 214 billion yuan by 2020, up from about 122 billion yuan in 2016.



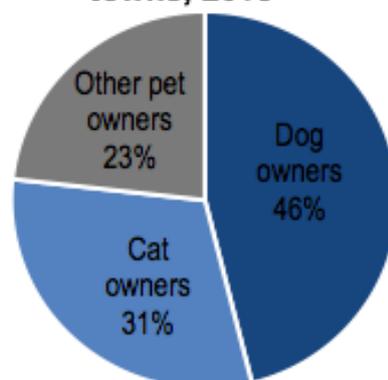
The high degree of urbanization and people's rising incomes are the main reasons why pet raising has become so popular. Beijing, Shanghai, Guangzhou, Tianjin and Chengdu are the top cities where pet raising is most popular. The fact that the residents of these first-and-second tier cities have comparatively high dispensable incomes has played a critical role in raising pets. Food and other daily requirements of pet and their medical treatment are the three major parts

of the pet consumption market. The sales of high-quality and expensive pet products have grown rapidly as people are willing to spend more money on pets (Wang, 2018). However, for current Chinese market, we still do not have onsite service for pets. Pro Pet Sitters makes up the blank of existing market.

### *Target market*

White-collar workers and students in urban areas are our target consumers, which they are in their 20s and 30s. It was researched that more than 85 percent of the dog and cat owners are women in China (Wang, 2018). The majority of the pet owners belong to the post-1980 or post-1990 generations, which means they have strong consumption capacity in pets' market. Culture and lifestyle make this industry more attractive in the pets' market. People have more emotional needs from their pets nowadays, and this shows they would more eager to buy good service for their pets. Our company wants to have franchise chain to develop our business, which is developed with sequence as: big cities (Beijing, Shanghai etc.) in China, northern Area, southern Area and then whole China will be our pets service.

**Pet owners in China's cities and towns, 2018**



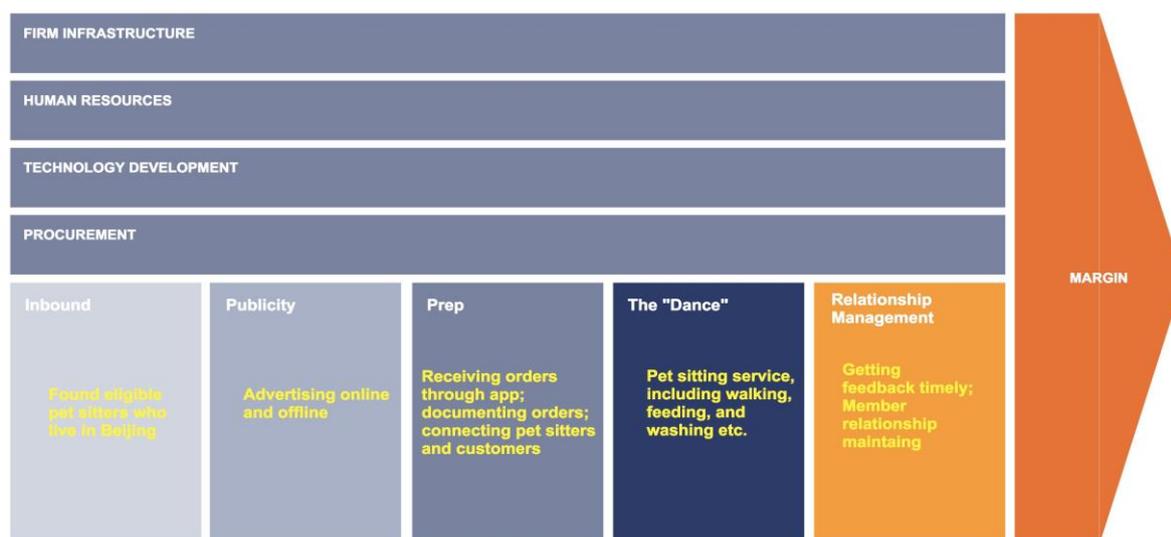
From the pie chart, it is obvious to find that cat owners and dog owners have the most percentage in 2018. And our current business also mainly focuses on the dogs on the cats. We will extend this scope to aquatic animal, rabbit, hamster and other small pets, reptile and bird as our business develops gradually.

# Operations

## Start-up Location

According to a white paper published on China's pet industry in Shanghai, the pet owners in their 30s who living in first- and second-tier cities consist the main consumer group of pet industry. Among those cities, Beijing and Shanghai accounts for a large number of populations, as well as the number of pet owners. In comparison, Beijing, as the capital, will have greater demand in the pet service market. At the same time, considering the background of the founders, we are more familiar with Beijing and have more talent resources over there. Hence, our company's first service market will be Beijing. As a start-up O2O (online to offline) business, we do not need a physical store for the time being, as the rental fee in Beijing is huge and is not necessary for our business, the large investment is better to be put on the application development.

## Operation process



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- **Inbound**

Before starting Pro Pet Sitters, we will first ensure that the most important part of the service is who will be our pet sitters. Because our app's first market is Beijing, our part-time pet sitters will be pets owners who are living in Beijing, on the other side, they are more familiar with the different locations of the city. In order to provide better service, those pet sitters must be eligible. First of all, these sitters must have a certain pet keeping experience, because customers usually tend to trust experienced pet owners; second, we require sitters to have a

relatively flexible schedule; third, before the service starts, we will train the pet sitters to ensure that the services provided for pets are meticulous.

- **Order**

Before receiving pet sitting service, customers need to place an order three days in advance. Customers can download our app for free, choose the pet category, pet's breed, service time, house location, service price of pet sitters with different experiences, and type of service. Pet sitters have the other login system, they will see and receive the orders, choose the ideal orders to accept plus considering on the time and service location. Mobile application is essential for our O2O business, we definitely will invest a lot on application development.

In addition, before payment, we will also ask the customer to sign an electronic contract, which will clarify the respective responsibilities and obligations of both parties to ensure the effectiveness of the service and the safety of the customer's property

- **Delivery & Onsite service**

After receiving the order, both the customer's and sitter's information will be stored in our system. We will match the locations of pet sitters and pet owners in order to manage the keys of owner's home. Customers could deliver the key through express or sitters will come to home to take keys, and pet sitters will come to the appointed location to start the service and send the keys back after that. Pro Pet Sitters will make sure the process is safe and efficient.

- **After-sales service**

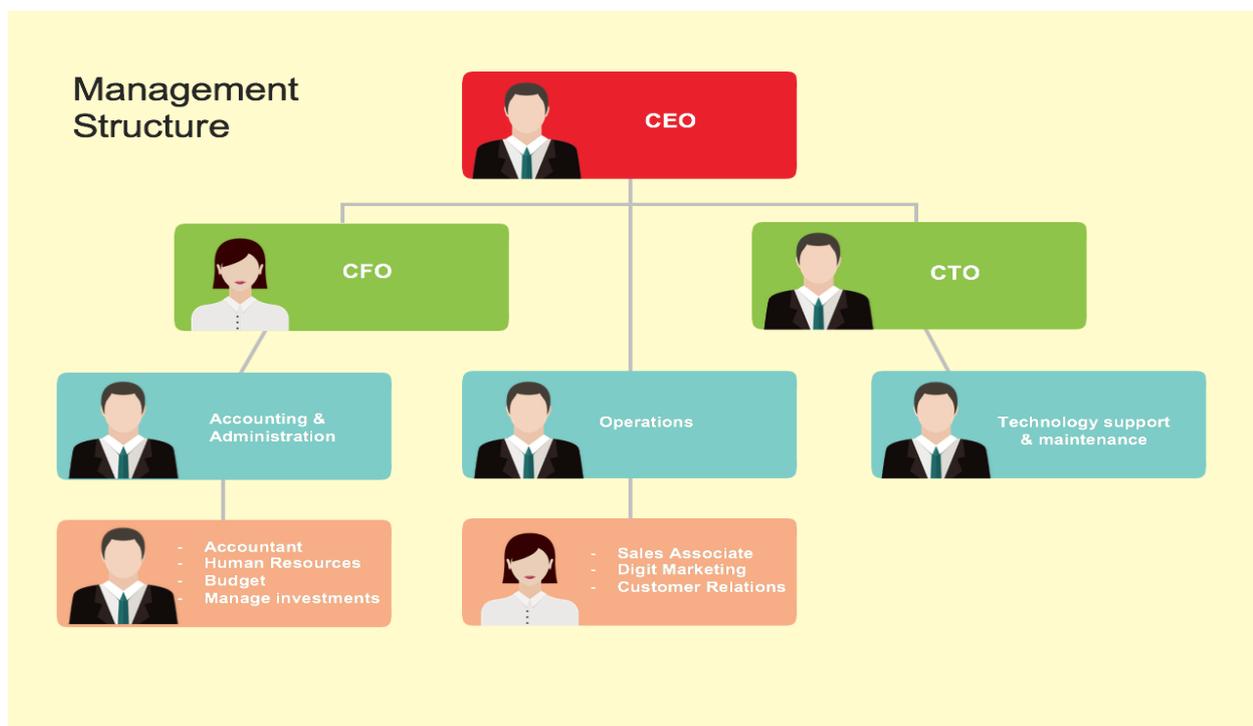
Pro Pet Sitters provide our customers systematic and perfect after-sales service in order to build long-term relationship with our customers. First, we have evaluation system, which helps customers to evaluate sitters; if there is any complaint, we will find the corresponding sitter and strictly investigate the situation. When the situation is severe, we will make punishment to the relevant sitters and compensate the customer.

# Company

## Overview

Pro Pet Sitters will be operating under a Limited Liability Company (LLC). LLC It is funded by less than fifty shareholders, each of which bears limited liability to the company with the amount of capital contribution, the company legal person bears full responsibility for the company's debts with all its assets. We decide to register this type company because LLC provides for separation between personal assets and company assets, and this allows for some legal protection. Another benefit of the LLC structure for us is that once we have set it up, it's easy to add new partners or sell interest in the entity to someone else. Considering about the policy and our stage, we all agree that LLC has low operating costs, few institutional settings, and simple structure, which is suitable for the initial development stage of Pro Pet Sitters. Moreover, currently in China, mature investment institutions are almost all based on LLC structure to design investment plans, which will make introducing capital more smoothly in the future. After a period of expansion and growth, we plan to convert LLCs to S-Corp or C-Corp, which are more benefits for subsequent developing and financing.

## Team



*Management Structure*

Everyone in our team has or had a pet, thus, we do have passionate and wealth of experience on pet care. The existing members of the team will support the accounting and operation work. In addition, we will recruit 2-3 people to support application subsequent development, website development, and support marketing and operations activities. Because the APP's initial development and promotion will cost huge, we choose to outsource the activity and find experts to help us cope with it.

### *Sales & Marketing*

The marketing and sales team will be responsible for the company's promotion, planning and launching online and offline advertising campaigns, and regularly organizing pet owners' meetings. At the same time, we will also develop business cooperation, such as cooperation with pet shops and pet clinics.

### *Operations & CRM*

Operation department takes over to ensure a solid customer fulfillment experience. The entire department needs to have a complete and rigorous information system to ensure that customer orders are recorded in a timely and accurate manner, check the pet sitter's work at any time, process orders in time, and ensure that the entire online platform is operating well. In addition, the department also needs to maintain a customer relationship management, timely feedback to customers, getting existing customers to close into repeat sales, and improve service following the useful advice.

### *Accounting & Administration*

This department charge of all financial, accounting, budgeting, cash management and reporting decisions for the company, including not only managing internal controllers, treasurers and bookkeepers, but managing relationships with any outside CPA's or bankers. This department also needs to undertake administrative work to support developing sales and operating activities smoothly.

## **Equity Split**

We want the founders to have control over Pro Pet Sitters and have the decision-making power on daily events. Therefore, the founder's total equity is 51%. Since we are at the initial stage, marketing will account for a large part, and these will be considered one of our founders is responsible, so we decided to allocate the most equity to him. Next, we decided to

allocate 20% of the equity to the venture capital provider, which will not be diluted in the company's follow-up financing. Finally, 29% as the option pool, which can be divided among employees. We hope to provide the best service for our customers, so we plan to allocate some equity to our full-time pet sitters. Additionally, in the future we will definitely need professional trainers to be responsible for the training of the pet sitters, as well as the professionals on technique development, so we must set aside equity for the existing employees and future new team members. In the following years, it's probable that founders will share our equity with pet sitters under the premise of retaining control. In Pro Pet Sitters subsequent financing activities, we will preferentially dilute the founder's equity.

<b>100% Equity</b>	<b>51%</b>	Founder 1 Mu Huiyan	25%
		Founder 2 Yang Mingyang	13%
		Founder 3 Lu Binyang	13%
	<b>49%</b>	Investment institution	20%
		Option pool	29%

*Equity Split chart*

## Exit Strategy

We have not considered entering the public capital market, so our preferred exit strategy is mergers and acquisitions (M&A). With the gradual increase in revenue, we hope to rely on the leading pet industry companies to integrate resources and become a well-known subsidiary in one of its fields. Currently in China, there already a few listed pet companies exist, but most of them provide pet foods and pet supplies, few expand their business into pet service. Hence, Pro Pet Sitters would likely to become an immediate need of those listed companies, or even multiple buyers may bid against Pro Pet Sitters, increasing the value of our business. Another reason we choose this strategy is M&A usually has a lower complexity and take less time, so that under M&A, the liquidation of the investment will hopefully include the initial amount invested plus some return in a shorter term than under IPO.

# Financial Plan

## Use of Funds

We will use a total of ¥1,000,000 (approximate \$150,000) to start up our business. ¥400,000 of the amount will be toward the application development as we stated before. As the online platform is the core of Pro Pet Sitters, we need to guarantee what we could provide is full-scale and on-site pet care service done by eligible and experienced pet sitters. ¥200,000 towards the marketing promotion of the APP at the initial stage; the remaining fund will account for the company registration, advertising, renting training location if necessary, technology follow-up development, and other operation supporting activities.

## Sources of Funds

Pro Pet Sitters would like to finance a total of ¥1,000,000. Individually each of founders will invest ¥100,000, bring a total of ¥300,000; then we are going to borrow ¥200,000 from bank bearing 5% annual interest rate for 5 years; the remaining amount we plan to obtain from investment institutions.

## Start-up Costs

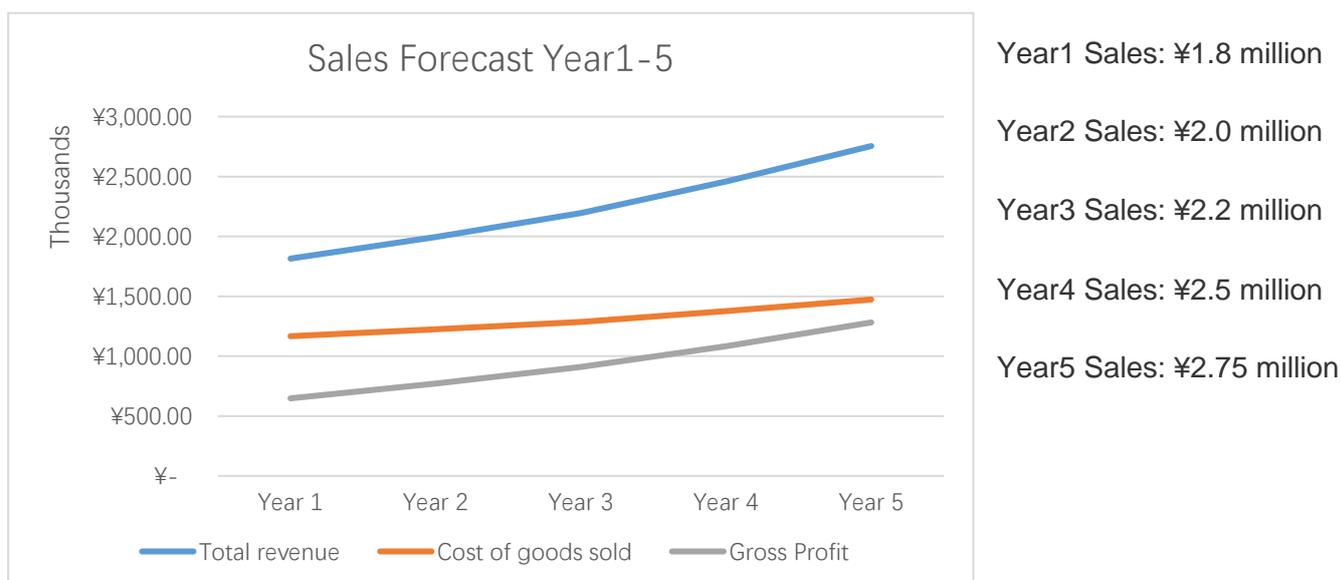
In setting up Pro Pet Sitters, we projected our start-up costs based on industry research. The materials and equipment that will be used are nearly the same cost every city, and any difference in prices would be minimal and can be overlooked.

Start-up Costs	Amount
Pet Sitters International membership	¥600
Business Licenses	2,000
Name Registration	1000
Attorney Fees:	
Business Name Consultation and Registration	5300
Legal Structure Costs (LLC agreement, incorporation, etc.)	3000
Accountant Fees	4,000
Pet-Sitter Liability Insurance	20,000
Additional coverage that may be needed:	
Workers Compensation, if needed	40,000
Pet-Sitting Service Contract	1,000
Bank Charges for Business Account	100
Business Supplies (computer access, file cabinets, basic office supplies, etc.)	10,000
Application initial development	400,000
Advertising Expenses:	

Website Design & Hosting	3,000
Application promotion	200,000
Paid advertising in newspapers, magazine, on radio, etc., if desired	50,000
APP maintains and subsequent development	200,000
Miscellaneous	60,000
<b>Total</b>	<b>¥1,000,000</b>

### Sales Forecast

Because there would always be household pet owners who would need sitters to care of their pets, and this group of Beijing is being larger and larger, we are quite optimistic that we will meet our sales target. We have examined the related pet industry, and analyzed some critical information, so we are able to make the following sales forecast. The sales forecast is based on some gathered information and reasonable assumptions. Below is our first-year sales forecast and the total first three year's.



**N.B:** The above predictions are based on the information obtained from the same industry and based on the assumption that there won't be any major economic meltdown and won't be any competitor offering same service in the same location. The first two years growth rate is 10%; the remaining years growth rate is 12%. Please note that the above projection might be lower and at the same time it might be higher.

## Pricing Strategy

According to our research, in pet sitting service industry, most business offer both per hour billing and per visit charge. As a result of this, Pro Pet Sitters will charge our clients per visit except for few occasions where the client needs hourly service.

The market price for dog and cat sitting are 150-200 per visit and 100-130 per visit, and since our business strategy is provide better on-site pet service and make us unique in the industry, we have to set the price little bit higher than the market average price. Our sales are the difference between how much customers pay and how much the pet sitters earn, the below chart shows our margin. For example, for one time dog sitting service, we charge 40% service fee. In the hot season, such as in some holidays, we will increase our price in a small percent; similarly, in the cold season, we will offer some coupons and discounts.

Service Lines	Price per visit	Cost of sales	Margin	
Dog Sitting	220	132	88	40%
Cat Sitting	150	90	60	40%
Pet Grooming	180	126	54	30%
Dog Walking	140	98	42	30%

# Financial Statements

## 5 Years Profit and Loss

INCOME					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue</b>					
Dog Sitting	660,000	726,000	798,600	894,432	1,001,764
Cat Sitting	375,000	412,500	453,750	508,200	569,184
Pet Grooming	360,000	396,000	435,600	487,872	546,417
Dog Walking	420,000	462,000	508,200	569,184	637,486
<b>Total revenue</b>	<b>1,815,000</b>	<b>1,996,500</b>	<b>2,196,150</b>	<b>2,459,688</b>	<b>2,754,851</b>
<b>Cost of Sales</b>					
Dog Sitting	396,000	415,800	436,590	467,151	499,852
Cat Sitting	225,000	236,250	248,063	265,427	284,007
Pet Grooming	252,000	264,600	277,830	297,278	318,088
Dog Walking	294,000	308,700	324,135	346,824	371,102
<b>Cost of goods sold</b>	<b>1,167,000</b>	<b>1,225,350</b>	<b>1,286,618</b>	<b>1,376,681</b>	<b>1,473,048</b>
<b>Gross Profit</b>	<b>648,000</b>	<b>771,150</b>	<b>909,533</b>	<b>1,083,007</b>	<b>1,281,802</b>
<b>TOTAL INCOME</b>	<b>648,000</b>	<b>771,150</b>	<b>909,533</b>	<b>1,083,007</b>	<b>1,281,802</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
Sales and marketing	200,000	200,000	300,000	300,000	300,000
Depreciation	3,000	3,000	3,000	3,000	3,000
Insurance	50,000	52,500	55,125	58,984	63,113
Payroll and Payroll Tax	21,000	22,050	23,153	24,773	26,507
Property taxes	2,500	2,625	2,756	2,949	3,156
Maintenance, repair, and overhaul	-	1,050	2,100	2,140	5,350
Utilities	2,000	2,100	2,205	2,359	2,525
Administrative fees	2,000	2,100	2,205	2,359	2,525
Interest expense on long-term de	8,974	7,164	5,264	3,269	1,174
Application research & developm	400,000	50,000	52,500	56,175	60,107
<b>Total operating expenses</b>	<b>689,474</b>	<b>342,589</b>	<b>448,308</b>	<b>456,009</b>	<b>467,456</b>
<b>Non-Recurring Expenses</b>					
Unexpected Expenses	10,000	30,000	-	-	-
<b>Total Non-Recurring Expenses</b>	<b>10,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>699,474</b>	<b>372,589</b>	<b>448,308</b>	<b>456,009</b>	<b>467,456</b>
<b>TAXES</b>					
Income Tax	(10,295)	79,712	92,245	125,400	162,869
<b>TOTAL TAXES</b>	<b>(10,295)</b>	<b>79,712</b>	<b>92,245</b>	<b>125,400</b>	<b>162,869</b>
<b>NET PROFIT</b>	<b>(41,179)</b>	<b>318,849</b>	<b>368,980</b>	<b>501,599</b>	<b>651,477</b>

## 5 Years Balance Sheet

ASSETS						
Current Assets	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	¥1,000,000.00	¥1,295,346.81	¥1,259,601.45	¥1,168,868.53	¥1,178,955.72	¥1,335,089.52
Accounts receivable	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Other current assets	400,000	400,000	500,000	800,000	1,000,000	1,000,000
<b>Total current assets</b>	<b>1,400,000</b>	<b>1,695,347</b>	<b>1,759,601</b>	<b>1,968,869</b>	<b>2,178,956</b>	<b>2,335,090</b>
Property and Equipment	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Machinery and equipment	-	10,000	20,000	50,000	50,000	50,000
Less Accumulated depreciation expense	-	3,000	6,000	9,000	12,000	15,000
<b>Total Property and Equipment</b>	<b>-</b>	<b>7,000</b>	<b>14,000</b>	<b>41,000</b>	<b>38,000</b>	<b>35,000</b>
<b>TOTAL ASSETS</b>	<b>1,400,000</b>	<b>1,702,347</b>	<b>1,773,601</b>	<b>2,009,869</b>	<b>2,216,956</b>	<b>2,925,780</b>
LIABILITIES						
Current Liabilities	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Accounts payable	100,000	80,000	60,000	40,000	40,000	40,000
Accrued expenses	300,000	245,971	13,361	-	-	-
Sales tax payable	-	453,750	499,125	549,038	614,922	688,713
Other current liabilities	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>400,000</b>	<b>779,721</b>	<b>572,486</b>	<b>589,038</b>	<b>654,922</b>	<b>728,713</b>
Debt	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan	200,000	163,805	125,800	85,895	43,995	-
<b>TOTAL LIABILITIES</b>	<b>600,000</b>	<b>943,526</b>	<b>698,286</b>	<b>674,933</b>	<b>698,917</b>	<b>728,713</b>
EQUITY						
	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	300,000	300,000	300,000	300,000	300,000	300,000
Paid-in capital	500,000	500,000	500,000	500,000	500,000	500,000
Retained earnings	-	(41,179)	277,669	646,649	1,145,680	1,797,157
<b>TOTAL EQUITY</b>	<b>800,000</b>	<b>758,821</b>	<b>1,077,669</b>	<b>1,446,649</b>	<b>1,945,680</b>	<b>2,597,157</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,400,000</b>	<b>1,702,347</b>	<b>1,773,601</b>	<b>2,009,869</b>	<b>2,216,956</b>	<b>2,925,780</b>

## 5 Years Cash Flow

<b>Operating activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Net income	¥ -41,179.20	¥ 318,848.60	¥ 368,979.79	¥ 499,030.96	¥ 651,477.30
Depreciation	3,000	3,000	3,000	3,000	3,000
Accounts receivable	-	-	-	-	-
Accounts payable	20,000	20,000	20,000	-	-
Other operating activity	(86,474)	(89,589)	(92,808)	(100,044)	(104,348)
<b>Total operating activities</b>	<b>(104,653)</b>	<b>252,259</b>	<b>299,172</b>	<b>401,987</b>	<b>550,129</b>
<b>Investing activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital expenditures	(600,000)	(250,000)	(350,000)	(350,000)	(350,000)
<b>Total investing activities</b>	<b>(600,000)</b>	<b>(250,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>
<b>Financing activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/financing	1,000,000	(38,005)	(39,905)	(41,900)	(43,995)
Total cash dividends paid	-	-	-	-	-
<b>Total financing activities</b>	<b>1,000,000</b>	<b>(38,005)</b>	<b>(39,905)</b>	<b>(41,900)</b>	<b>(43,995)</b>
<b>Cumulative cash flow</b>	295,347	(35,745)	(90,733)	10,087	156,134
<b>Beginning cash balance</b>	1,000,000	1,295,347	1,259,601	1,168,869	1,178,956
<b>Ending cash balance</b>	1,295,347	1,259,601	1,168,869	1,178,956	1,335,090

# Appendix

## Year 1 Sales Forecast (monthly detail)

Product Lines	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annual Totals	Category Breakdown / Total	Category / Total
<b>Dog Sitting</b>															
3000 Sold	200	180	220	250	300	320	300	300	250	280	200	200	¥ 3,000.00		27.3%
Total Sales	44,000	39,600	48,400	55,000	66,000	70,400	66,000	66,000	55,000	61,600	44,000	44,000	¥ 660,000.00	100.0%	34.8%
Total COGS	26,400	23,760	29,040	33,000	39,600	42,240	39,600	39,600	33,000	36,960	26,400	26,400	¥ 396,000.00	60.0%	32.6%
Total Margin	17,600	15,840	19,360	22,000	26,400	28,160	26,400	26,400	22,000	24,640	17,600	17,600	¥ 264,000.00	40.0%	38.7%
<b>Cat Sitting</b>															
2500 Sold	200	200	240	210	190	260	260	240	300	400	300	320	¥ 3,000.00		27.3%
Total Sales	30,000	30,000	36,000	31,500	28,500	39,000	39,000	36,000	45,000	60,000	45,000	48,000	¥ 468,000.00	100.0%	24.7%
Total COGS	18,000	18,000	21,600	18,900	17,100	23,400	23,400	21,600	27,000	36,000	27,000	28,800	¥ 280,800.00	60.0%	23.1%
Margin	12,000	12,000	14,400	12,600	11,400	15,600	15,600	14,400	18,000	24,000	18,000	19,200	¥ 187,200.00	40.0%	27.5%
<b>Pet Grooming</b>															
2000 Sold	130	130	150	110	100	100	120	150	180	250	250	240	¥ 2,000.00		18.2%
Total Sales	23,400	23,400	27,000	19,800	18,000	18,000	21,600	27,000	32,400	45,000	45,000	43,200	¥ 343,800.00	100.0%	18.1%
Total COGS	16,380	16,380	18,900	13,860	12,600	12,600	15,120	18,900	22,680	31,500	31,500	30,240	¥ 240,660.00	70.0%	19.8%
Margin	7,020	7,020	8,100	5,940	5,400	5,400	6,480	8,100	9,720	13,500	13,500	12,960	¥ 103,140.00	30.0%	15.1%
<b>Dog Walking</b>															
3000 Sold	200	180	200	200	350	320	300	280	300	350	200	150	¥ 3,000.00		27.3%
Total Sales	28,000	25,200	28,000	28,000	49,000	44,800	42,000	39,200	42,000	49,000	28,000	21,000	¥ 424,200.00	100.0%	22.4%
Total COGS	19,600	17,640	19,600	19,600	34,300	31,360	29,400	27,440	29,400	34,300	19,600	14,700	¥ 296,940.00	70.0%	24.5%
Margin	8,400	7,560	8,400	8,400	14,700	13,440	12,600	11,760	12,600	14,700	8,400	6,300	¥ 127,260.00	30.0%	18.7%
<b>Total Units Sold</b>	<b>730</b>	<b>690</b>	<b>810</b>	<b>770</b>	<b>940</b>	<b>1,000</b>	<b>980</b>	<b>970</b>	<b>1,030</b>	<b>1,280</b>	<b>950</b>	<b>910</b>	<b>11,000</b>		
<b>Total Sales</b>	<b>¥ 125,400.00</b>	<b>¥ 118,200.00</b>	<b>¥ 139,400.00</b>	<b>¥ 134,300.00</b>	<b>¥ 161,500.00</b>	<b>¥ 172,200.00</b>	<b>¥ 168,600.00</b>	<b>¥ 168,200.00</b>	<b>¥ 174,400.00</b>	<b>¥ 215,600.00</b>	<b>¥ 162,000.00</b>	<b>¥ 156,200.00</b>	<b>¥ 1,896,000.00</b>		
<b>Total Cost of Goods Sold</b>	<b>¥ 80,380.00</b>	<b>¥ 75,780.00</b>	<b>¥ 89,140.00</b>	<b>¥ 85,360.00</b>	<b>¥ 103,600.00</b>	<b>¥ 109,600.00</b>	<b>¥ 107,520.00</b>	<b>¥ 107,540.00</b>	<b>¥ 112,080.00</b>	<b>¥ 138,760.00</b>	<b>¥ 104,500.00</b>	<b>¥ 100,140.00</b>	<b>¥ 1,214,400.00</b>		
<b>Total Margin</b>	<b>¥ 45,020.00</b>	<b>¥ 42,420.00</b>	<b>¥ 50,260.00</b>	<b>¥ 48,940.00</b>	<b>¥ 57,900.00</b>	<b>¥ 62,600.00</b>	<b>¥ 61,080.00</b>	<b>¥ 60,660.00</b>	<b>¥ 62,320.00</b>	<b>¥ 76,840.00</b>	<b>¥ 57,500.00</b>	<b>¥ 56,060.00</b>	<b>¥ 681,600.00</b>		

## Some assumptions

FORECASTED REVENUE			
	Service Provided annually	Average price per unit	Annual revenue per product
Dog Sitting	3000	220	660,000.00
Cat Sitting	2500	150	375,000.00
Pet Grooming	2000	180	360,000.00
Dog Walking	3000	140	420,000.00
TOTAL OF FORECASTED REVENUE			1,815,000.00
COST OF GOODS SOLD			
	Expected gross margin		Annual cost of goods sold
Dog Sitting	60%		396,000.00
Cat Sitting	60%		225,000.00
Pet Grooming	70%		252,000.00
Dog Walking	70%		294,000.00
TOTAL COST OF GOODS SOLD			1,167,000.00
ANNUAL MAINTENANCE, REPAIR AND OVERHAUL			
Factor (%) on capital equipment		10%	
ASSET DEPRECIATION			
Number of Years		5	
TAX			
Annual Tax Rate		20%	
INFLATION			
Annual Inflation Rate		2%	
PRODUCT PRICE INCREASE			
Annual Price Increase		2%	
FUNDING			
Loan Amount		200,000.00	
Annual interest rate		5.00%	
Term of loan (months)		60	
Monthly rate		0.41%	
Payment		3,764.08	
Total Amount Payable		225,844.78	

## 5 Years Cash Flow

<b>Operating activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Net income	¥ -41,179.20	¥ 318,848.60	¥ 368,979.79	¥ 499,030.96	¥ 651,477.30
Depreciation	3,000	3,000	3,000	3,000	3,000
Accounts receivable	-	-	-	-	-
Accounts payable	20,000	20,000	20,000	-	-
Other operating activity	(86,474)	(89,589)	(92,808)	(100,044)	(104,348)
<b>Total operating activities</b>	<b>(104,653)</b>	<b>252,259</b>	<b>299,172</b>	<b>401,987</b>	<b>550,129</b>

<b>Investing activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Capital expenditures	(600,000)	(250,000)	(350,000)	(350,000)	(350,000)
<b>Total investing activities</b>	<b>(600,000)</b>	<b>(250,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>

<b>Financing activities</b>	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/financing	1,000,000	(38,005)	(39,905)	(41,900)	(43,995)
Total cash dividends paid	-	-	-	-	-
<b>Total financing activities</b>	<b>1,000,000</b>	<b>(38,005)</b>	<b>(39,905)</b>	<b>(41,900)</b>	<b>(43,995)</b>

<b>Cumulative cash flow</b>	295,347	(35,745)	(90,733)	10,087	156,134
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<b>Beginning cash balance</b>	1,000,000	1,295,347	1,259,601	1,168,869	1,178,956
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<b>Ending cash balance</b>	1,295,347	1,259,601	1,168,869	1,178,956	1,335,090
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## 5 Years Balance Sheet

ASSETS						
Current Assets	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Cash and short-term investments	¥1,000,000.00	¥1,295,346.81	¥1,259,601.45	¥1,168,868.53	¥1,178,955.72	¥1,335,089.52
Accounts receivable	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Other current assets	400,000	400,000	500,000	800,000	1,000,000	1,000,000
<b>Total current assets</b>	<b>1,400,000</b>	<b>1,695,347</b>	<b>1,759,601</b>	<b>1,968,869</b>	<b>2,178,956</b>	<b>2,335,090</b>
Property and Equipment	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Machinery and equipment	-	10,000	20,000	50,000	50,000	50,000
Less Accumulated depreciation expense	-	3,000	6,000	9,000	12,000	15,000
<b>Total Property and Equipment</b>	<b>-</b>	<b>7,000</b>	<b>14,000</b>	<b>41,000</b>	<b>38,000</b>	<b>35,000</b>
<b>TOTAL ASSETS</b>	<b>1,400,000</b>	<b>1,702,347</b>	<b>1,773,601</b>	<b>2,009,869</b>	<b>2,216,956</b>	<b>2,925,780</b>
LIABILITIES						
Current Liabilities	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Accounts payable	100,000	80,000	60,000	40,000	40,000	40,000
Accrued expenses	300,000	245,971	13,361	-	-	-
Sales tax payable	-	453,750	499,125	549,038	614,922	688,713
Other current liabilities	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>400,000</b>	<b>779,721</b>	<b>572,486</b>	<b>589,038</b>	<b>654,922</b>	<b>728,713</b>
Debt	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Long-term debt/loan	200,000	163,805	125,800	85,895	43,995	-
<b>TOTAL LIABILITIES</b>	<b>600,000</b>	<b>943,526</b>	<b>698,286</b>	<b>674,933</b>	<b>698,917</b>	<b>728,713</b>
EQUITY						
	Initial balance	Year 1	Year 2	Year 3	Year 4	Year 5
Owner's equity (common)	300,000	300,000	300,000	300,000	300,000	300,000
Paid-in capital	500,000	500,000	500,000	500,000	500,000	500,000
Retained earnings	-	(41,179)	277,669	646,649	1,145,680	1,797,157
<b>TOTAL EQUITY</b>	<b>800,000</b>	<b>758,821</b>	<b>1,077,669</b>	<b>1,446,649</b>	<b>1,945,680</b>	<b>2,597,157</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,400,000</b>	<b>1,702,347</b>	<b>1,773,601</b>	<b>2,009,869</b>	<b>2,216,956</b>	<b>2,925,780</b>

## 5 Years Income statement

INCOME					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue</b>					
Dog Sitting	660,000	726,000	798,600	894,432	1,001,764
Cat Sitting	375,000	412,500	453,750	508,200	569,184
Pet Grooming	360,000	396,000	435,600	487,872	546,417
Dog Walking	420,000	462,000	508,200	569,184	637,486
<b>Total revenue</b>	<b>1,815,000</b>	<b>1,996,500</b>	<b>2,196,150</b>	<b>2,459,688</b>	<b>2,754,851</b>
<b>Cost of Sales</b>					
Dog Sitting	396,000	415,800	436,590	467,151	499,852
Cat Sitting	225,000	236,250	248,063	265,427	284,007
Pet Grooming	252,000	264,600	277,830	297,278	318,088
Dog Walking	294,000	308,700	324,135	346,824	371,102
<b>Cost of goods sold</b>	<b>1,167,000</b>	<b>1,225,350</b>	<b>1,286,618</b>	<b>1,376,681</b>	<b>1,473,048</b>
<b>Gross Profit</b>	<b>648,000</b>	<b>771,150</b>	<b>909,533</b>	<b>1,083,007</b>	<b>1,281,802</b>
<b>TOTAL INCOME</b>	<b>648,000</b>	<b>771,150</b>	<b>909,533</b>	<b>1,083,007</b>	<b>1,281,802</b>
<b>EXPENSES</b>					
<b>Operating expenses</b>					
Sales and marketing	200,000	200,000	300,000	300,000	300,000
Depreciation	3,000	3,000	3,000	3,000	3,000
Insurance	50,000	52,500	55,125	58,984	63,113
Payroll and Payroll Tax	21,000	22,050	23,153	24,773	26,507
Property taxes	2,500	2,625	2,756	2,949	3,156
Maintenance, repair, and overhaul	-	1,050	2,100	2,140	5,350
Utilities	2,000	2,100	2,205	2,359	2,525
Administrative fees	2,000	2,100	2,205	2,359	2,525
Interest expense on long-term de	8,974	7,164	5,264	3,269	1,174
Application research & developm	400,000	50,000	52,500	56,175	60,107
<b>Total operating expenses</b>	<b>689,474</b>	<b>342,589</b>	<b>448,308</b>	<b>456,009</b>	<b>467,456</b>
<b>Non-Recurring Expenses</b>					
Unexpected Expenses	10,000	30,000	-	-	-
<b>Total Non-Recurring Expenses</b>	<b>10,000</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>699,474</b>	<b>372,589</b>	<b>448,308</b>	<b>456,009</b>	<b>467,456</b>
<b>TAXES</b>					
Income Tax	(10,295)	79,712	92,245	125,400	162,869
<b>TOTAL TAXES</b>	<b>(10,295)</b>	<b>79,712</b>	<b>92,245</b>	<b>125,400</b>	<b>162,869</b>
<b>NET PROFIT</b>	<b>(41,179)</b>	<b>318,849</b>	<b>368,980</b>	<b>501,599</b>	<b>651,477</b>

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