

1. Project Title

Construction of the Whole Industry Chain of Traditional Chinese Medicine (TCM) Mugwort and Chinese Moxibustion Health Care Project

2. Information of Project Manager

Xu Jingwen, a female, native of Yunyang, Chongqing, is a member of the China Democratic National Construction Association (CDNCA), chairwoman of Hua Ai Zhenpin Technology (Chongqing) Co., Ltd., vice president of the National Rural Environmental Governance Science and Technology Innovation Alliance, member of the Sixth Chongqing CPPCC, and member of the Standing Committee of Yunyang County CPPCC. She has been awarded the honors of the National March 8th Red-Banner Pacesetter, the Advanced Individual of the Central Committee of the CDNCA in Poverty Alleviation, and the Model Female Contributor in Chongqing. In line with the aspiration of “popularizing TCM culture, sharing excellent mugwort, promoting high-quality services, and benefiting targeted people”, Xu Jingwen advances the development of the whole industry chain that integrates wild-imitated mugwort cultivation, intensive processing, product innovation, moxibustion services, cultural tourism, and health care. She is committed to bringing harmless mugwort products into everyone, every family, and every community, carrying forward TCM culture, and building a mugwort world powered by healthcare technology.

3. About the Project

(1) Relevance of the Project (Problems and Solutions)

Public health and wellness not only matter to human survival but also serve as important issues to promote economic development, social progress, and individual well-being. According to a global survey conducted by the World Health Organization (WHO), only 5% of the people meet the WHO’s standard of health, and 75% of the people are in a

sub-health state. With the acceleration of globalization and the advancements of economy and civilization, people are raising awareness of their health conditions and health care. How to improve the quality of life and realize a desired living experience has become a common concern of the global society. With a core business rooted in health, Hua Ai Group is centered on the prevention of diseases (treating, harmonizing, and nourishing) and health care, with products from over-the-counter drugs to functional nutrition. It is committed to benefiting the health of global customers, making health an equal human right, and allowing everyone to enjoy the ultimate experience of mugwort, filling life with love and the world with mugwort.

“Treating”: The value of treating future diseases advocates taking TCM as the fundamental, with the help of modern medical precision instruments. It mainly treats people in sub-health conditions with moxibustion, which therapeutic effects can be achieved through certain treatments.

“Regulating”: The value of regulating *qi* and blood shows that people’s bodies and minds are engendered through *qi* and blood. Regulating the generation and transfusion of *qi* and blood is the key to disease prevention. For sub-healthy people with insomnia, dreaminess, and cold hands and feet, TCM integrates plantar meridian massage physiotherapy with plantar moxibustion as the core method to regulate *qi* and blood, dredge meridians, and enhance immunity, getting the cold out with moxibustion.

“Nourishing”: The value of nourishing champions TCM’s “medicine and food homology”, which benefits the body. It can strengthen physical fitness, prevent diseases, and nurture life, thus prolonging life. Aiming at nine major constitutions of traditional Chinese medicine which can be categorized as Yang deficient, Yin deficient,

damp-heat, damp phlegm, *qi* stagnation, *qi* deficient, blood stasis, blood deficient, and well-balanced, Hua Ai Group developed herbal drinks to assist internal nourishment.

(2) Technical Description

Hua Ai Group is committed to building a whole industry chain of mugwort. The Group is a new generation of science and technology service-oriented enterprises integrating mugwort planting, technology promotion, product research and development, intensive processing, warehousing and logistics, trade and sales, community health care, and chain stores.

Product research and development: Through in-depth cooperation with prestigious institutes including Beijing University of Chinese Medicine, Chengdu University of Traditional Chinese Medicine, Integrative Science Center of Germplasm Creation, and Southwest University, more than 20 enterprise standards of mugwort have been established. The moxibustion holder has been patented, and the mugwort product processing and mixing device and eye moxibustion instrument have obtained the utility model patent. Two new varieties of “Xuai No.1” and “Xuai No.2” have been approved by the Chongqing Municipal government, and listed as “*daodi* (superior) medicinal materials”.

Planting base: The Group boasts more than 8,000 mu of standardized core planting areas of high-quality mugwort in China’s Three Gorges Reservoir and other places, and provided 30,000 mu of mugwort planting for local farmers’ employment

Intensive processing: A wholly-owned mugwort intelligent processing center, ancient processing workshop, and Yunyang Shuikou mugwort intelligent factory were built in Chongqing. A new moxibustion tool processing center and Qichun moxibustion product production center were jointly built in Henan and Hubei, central provinces in China. The

Group also has over 60 full spectrum mugwort products covering mugwort essential oil, and moxibustion patch, which constitute 6 series of “moxibustion, bathing, and patch” products.

Physical stores: Chongqing Product Exhibition Experience Center has been built in Chongqing, which integrates product display, marketing, moxibustion promotion, food, culture and management; Yunyang Three Kingdoms Impressions Headquarters Operation Center, “Ai Zao Yuan” National Leisure Agriculture and Rural Tourism Demonstration Site, Tik Tok Town and Moxibustion Business School have been built, which integrate moxibustion product exhibition, health care experience, livestream shopping, moxibustion business school, brand operation and cultural communication.

(3) The significance of the project in the BRICS market

Conducive to cultural exchanges and mutual learning: According to *Chinese Pharmacopoeia*, mugwort is proven effective in warming the meridians and arresting bleeding, dissipating cold and pain, removing dampness, and relieving itching in topical application. The main chemical components of mugwort include volatile oil, flavonoids, eudesmane, and triterpenoids. Mugwort is an essential part of Chinese TCM culture, and its spread in the international market enhances communication and understanding among different civilizations and tightens people-to-people bonds. In recent years, Cyrus A. Baidoo, product manager of antimalarial drugs in sub-Saharan Africa of Fosun Pharma, has promoted a series of antimalarial drugs including artesunate for injection. Artemisinin drugs, inspired by TCM classics and demonstrating Chinese scientific research synergy, have made significant contributions to malaria prevention and control in many African countries and resulted in an immediate reduction of malaria incidence in numerous high-prevalence regions across Africa to a much lower level.

Conducive to the deepening of medical education cooperation:

The long history and unique theoretical system of TCM have been widely recognized by the international medical community. The World Health Organization (WHO) regards TCM as one of the crucial medical resources. It is favored by more and more countries for its gentle, individual-centered, and comprehensive treatment characteristics. 30 TCM overseas centers have been built in countries such as Russia. Therefore, hundreds of ready-for-use TCM have been listed as drugs in these countries. Traditional medicine cooperation documents with co-construction countries have been signed, and medical education cooperation among BRICS countries has been deepened.

(4) Competitive advantages of the project

1. High-quality mugwort resources

Carrying forward the culture of TCM is a national strategy in the new era of socialism with Chinese characteristics, and the rejuvenation of TCM is also the rejuvenation of the nation. Mugwort, as the embodiment of a 3,000-year healthcare culture, is known as the king of herbs. The planting base of Hua Ai Group is located in Qin-Ba Mountains, which is endowed with superb mugwort and the content of eucalyptol is 2 to 3 times that of the national industry standard. The outstanding mugwort resource enables Hua Ai Group to excel in the industry. The Group currently boasts 8,000 mu of high-quality mugwort core planting bases while providing 30,000 mu of planting bases for the local employment of farmers. It is estimated that the scale of mugwort planting will expand to 120,000 mu in 2028.

2. The construction of the whole industry chain

Hua Ai Group has built a whole industry chain of mugwort research and development, planting, processing, marketing, moxibustion, and field trips. It also has mugwort planting bases, production centers of mugwort

products, brand operation centers, and new retail platforms. The mode not only ensures the quality of mugwort products but also realizes significant operating costs cut and efficiency gains. A scientific and technological service-oriented enterprise with a complete standardization system, advanced organization and management, excellent brand image, and strong market competitiveness has been fully established.

3. Innovation with modernized technology

Hua Ai Group attaches great significance to technological innovation and has jointly developed the most advanced production line of mugwort products in China with equipment manufacturers, doubling its production capacity. Doing so, not only improves the quality of products but also increases the production efficiency and the competitiveness of products. At present, scientific and technological platforms such as the center of mugwort germplasm creation, and expert workstations have been built, and varieties such as “Xuai No.1” and “Xuai No.2” have been bred. Meanwhile, the title of “*daodi* (superior) medicinal materials” has been approved. More than 20 mugwort product standards have been established, and more than 60 kinds of products such as intelligent moxibustion have been developed and launched.

4. Brand Strategy

Hua Ai Group listed the brand “Puai Caotang” as the “vanguard” in its front-end market, and other business segments as assisting “soldiers”. It poured all the superior resources into the construction and promotion of the “Puai Caotang”. At the same time, with the effective promotion of government authorities, trade associations, non-governmental organizations, celebrity endorsements, and media, it quickly garnered the highest value in Hua Ai Group and ranked as the leading brand in the big health industry. The Group will place “Yunyang Xuai” as the leading geographical brand of China’s mugwort industry and a highly distinctive

brand of Chongqing's health industry. It will continue to advance the whole industry chain of mugwort research, production, processing, and sales, and contribute to the big health industry. It will accelerate the expansion plan of moxibustion chain stores to realize a layout of "10,000 stores in 100 cities", to establish a development pattern of "setting base and R&D in Chongqing, offering nationwide services, being well-known home and abroad".

5. International development strategy

As an active participator in international exchanges, Hua Ai Group spreads the moxibustion culture to the world. Therefore, it contributes to the realization of the national strategic goal of preventing future diseases and reducing medical insurance refunds. The international development strategy not only enhances the global clout of the Group but also ushers in more development opportunities.

(5) Market and economic conditions of the project

"Yunyang Xuai" is a brand founded by Hua Ai Zhenpin Technology (Chongqing) Co., Ltd. The company focuses on the research, development, production, and sales of the whole industry chain of mugwort. Taking Yunyang wild mugwort as raw material, the brand combines ancient mugwort processing techniques and wild-imitated mugwort planting and embarked on an integrated development of agriculture, cultural tourism, and health care. The company's products mainly include mugwort products, moxibustion services, and health care services. It aims to inherit and promote the TCM culture and drive the high-quality development of TCM.

In terms of market. "Yunyang Xuai" delivers its products both at home and abroad, achieving a wide market coverage. Through mugwort planting bases, processing centers, and sales networks, the company has realized a whole chain business model from the field to the market.

Through cooperation with scientific research institutes, it develops new products, innovates rehabilitation technology and equipment, and launches a series of products including high-quality moxibustion products, essential oils, and daily necessities to meet people's emerging needs for health care.

Economically. By building the ecosystem of the whole industry chain, Hua Ai Group has effectively increased the added value of its products and driven the employment and income of local farmers. Its growth has also leveraged rural revitalization. Through benefit distribution mechanisms such as contract farming, shareholding dividends, and profit returns, a win-win result for the company and farmers has been achieved. The current annual output of Hua Ai Group reaches RMB60 million.

(6) Target market, its development trend and market size

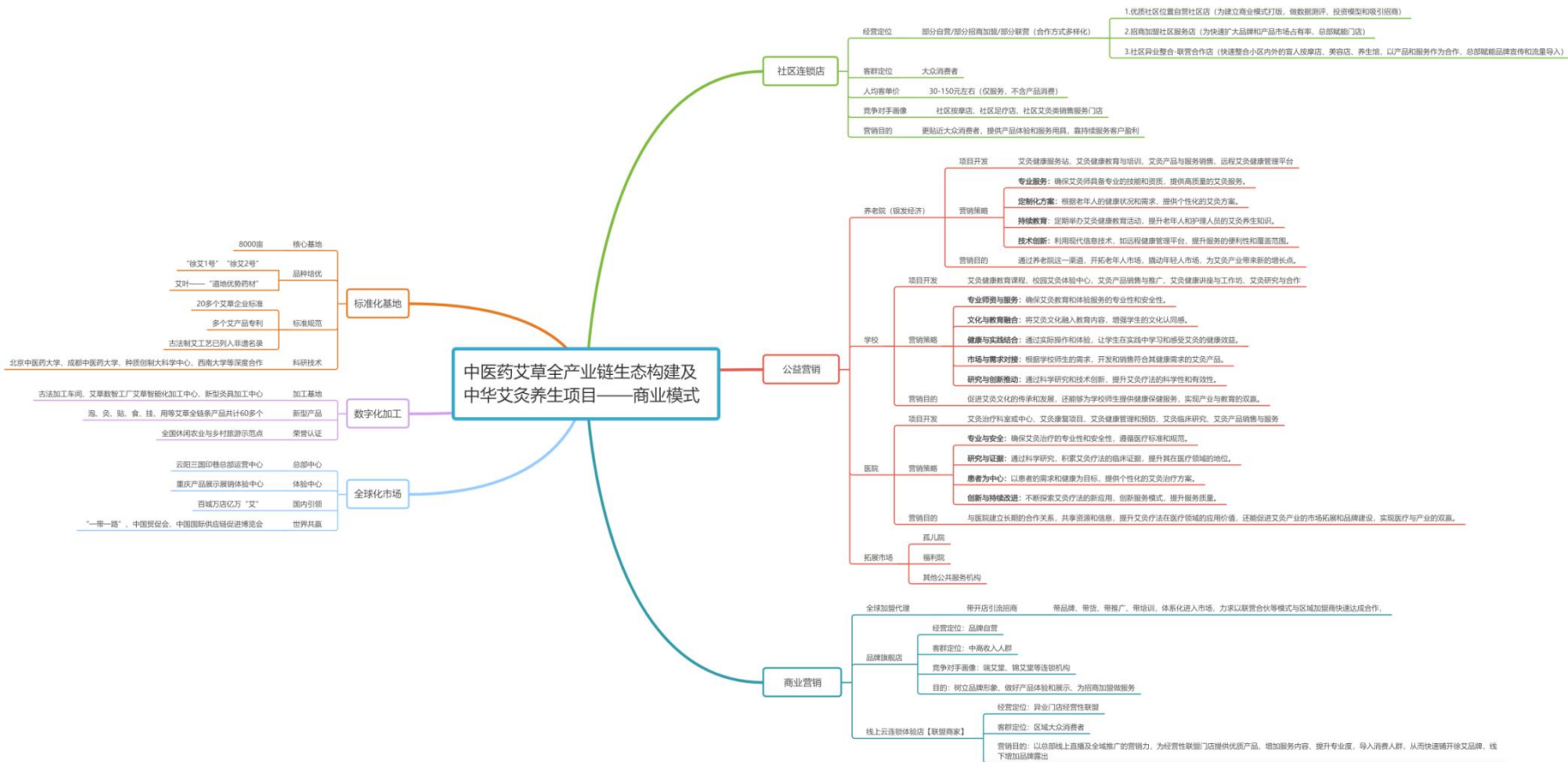
Based in Chongqing, the company continues to dig deep into Chongqing. By continuously expanding the scale of mugwort planting bases in the Three Gorges Reservoir and the number of Puai community stores, it first set foot in the Chongqing market, then expanded its reach to the market in southwest China. Therefore, a market development pattern of setting a base and R&D in Chongqing, offering nationwide services, and being well-known at home and abroad is established.

With the advancement of specialized planting technology, product quality control, brand building, and market standardization, a market with more orderly and healthy competition will be established. By integrating the industry chain, Hua Ai Group improves the overall competitiveness of the industry and promotes mugwort products to the international market through cultural exchanges and trade, further expanding the space for development.

The mugwort industry has shown a rapid development trend in

China and even the whole world, and the market scale is expanding year by year. It is expected that the rapid growth will continue in the next few years. The size of China's moxibustion market is expected to reach about RMB88.7 billion in 2024, showing strong growth momentum. The market size of Hua Ai Group is also increasing, with broad market prospects and the expectedly growing market size.

(7) Business model chart



(8) Uniqueness of business model and potential for expansion in BRICS countries

First, there is a huge consumer group. Hua Ai Group has been committed to benefiting people's livelihood with its cost-effective products. However, with a huge population base and a surging middle class, people in BRICS countries have a growing demand for high-quality and healthy lifestyles, providing a huge consumer market for the promotion of mugwort products; Second, official policy support. Nowadays, many BRICS governments are encouraging the development of traditional medicine and health products. Therefore, Chinese moxibustion products can access the BRICS market. By sharing the profound cultural background of TCM and taking advantage of people's increasing demand for spiritual civilization, it will garner huge attention. The third is to maintain the stability of social governance. The business model of "Hua Ai Group" takes the community as the pointcut fulfills area coverage with stores in each community, and creates a sound development pattern of "equal access to mugwort products". Due to its immense benefit to the people, it is conducive to advancing livelihood projects and ensuring regional social stability.

(9) Experience in cooperation with BRICS countries

Through years of cultivation in TCM, the company has invented thousands of products with single mugwort, built scientific and technological innovation platforms such as the center of mugwort germplasm creation and expert workstation, bred varieties such as "Xuai No.1" and "Xuai No.2", which were approved the title of "*daodi* (superior) medicinal materials". Meanwhile, it also established more than 20 mugwort product standards and launched more than 60 products such as intelligent moxibustion, which provides a replicable experience for building the whole industry chain of mugwort industry. Meanwhile, the

company participated in the Chongqing International Friendship Cities Cooperation Conference 2024 and the Second Belt and Road International Skills Competition. At international conferences, it shared the experience of building the whole industry chain of mugwort and won recognition and cooperation opportunities from various countries. Products sell well at home and abroad.

(10) Social contribution of the project

The project insists on building a self-sufficient whole industrial chain of mugwort, which integrates mugwort planting, technology promotion, product research and development, intensive processing, warehousing and logistics, trade, and sales, community health care, and chain stores, which contributes to the society for promoting economic development, creating jobs, improving public health, carrying forward TCM culture and promoting scientific and technological innovation. First, the construction of the whole industry chain of moxibustion can effectively drive local economic growth, increase the output of the primary, secondary, and tertiary industries, and promote the high-quality development of moxibustion services and tourism; Second, such construction will create substantial jobs in all processes from planting, harvesting, processing, sales to moxibustion experience, which in turn offers jobs to over 50,000 people; Third, the industry chain witnesses a significant growth. The implementation of the “10,000 stores in 100 cities” strategy will be conducive to passing on the traditional moxibustion culture, promoting the medical application of mugwort, and improving the public health level; Fourth, the construction of the whole industry chain of moxibustion demands substantial scientific research and innovation. Through massive scientific and technological innovation (STI) and the commercialization of scientific research achievements, the STI level of the whole industry chain of mugwort both at home and abroad

will be boosted.

(11) Financial indicators

Fully tapping the advantages of the whole industry chain of mugwort, Hua Ai Group independently finished mugwort planting, product research and development, team cultivation, and model replication. Seizing the market through low-margin products and services, the Group was able to gain a firm foothold in the big health industry, establish a scale effect, and reduce the costs of products and services, thus, enabling everyone to access mugwort products and services with the ultimate cost performance. According to the Corporate Strategy, it is proposed to achieve leap-forward development by 2028 when Hua Ai Group will be successfully listed, the number of “Puai Caotang” community moxibustion service centers will grow to 5,000, serving 50 million person-times per year, and the scale of mugwort planting will be expanded to 120,000 mu. Meanwhile, it aims at achieving more than 50 annual results through R&D, cultivating a team with 50,000 professionals, and generating an annual revenue of RMB10 billion.

4. Contact information

Project contact: Guo Qiandong

Tel: 15310908833