



Scaling Rural Returns: A Tech-Driven Solution to Unlock SME Potential

Recommendations for Establishing a
Commercial Vehicle to Drive Social
Value for Rural SMEs in China

Business Plan

Global Leaders Programme 2025
Hong Kong & Chengdu

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Executive Summary (1/2)



The Challenge

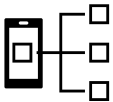
Rural revitalisation in China continues to face significant challenges despite extensive government initiatives. Persistent issues include an ageing rural population, acute labour shortages, fragmented market access, and low profitability throughout the agricultural value chain.

Sichuan Haihui's Current Role & Limitations

Haihui, as a leading NGO, possesses extensive experience supporting SMEs in poverty alleviation. However, its capacity is constrained by donor dependency and regulatory frameworks, limiting sustained, scalable SME development support.

The Solution: Huixiang Chuang (HXC) Enterprise

This proposal suggests establishing a **commercially viable entity, Huixiang Chuang (HXC)**, designed to drive social value for rural SMEs through delivering **three core services** to address the interconnected challenges and limitations:



1. Bulk Distribution

Facilitated by a proprietary digital platform enabling real-time auctions and efficient market connections.



2. Financial Access Services

Bridging critical funding gaps.



3. Tailored Training

Enhancing SME capabilities and sustainability. Dedicated advisor teams will provide face-to-face support, driving SME development and promoting integrated bulk distribution.

Executive Summary (2/2)

Strategic Partnership & Governance

- Haihui NGO will be a cornerstone shareholder, holding a **20% equity stake**. Dividends from HXC will directly fund Haihui's charitable programmes.
- Haihui will leverage its **extensive network** and **grassroots expertise** to:
 - Identify and recruit SMEs as HXC clients.
 - Organise smallholder farmers and early-stage SMEs for integration into HXC's value chain.
- Ownership will be extended to key **Village Collective Cooperatives (VCCs)**.
- Impact investors, government partners, and Village Collective Cooperatives (VCCs) will be invited to align ownership with HXC's social mission.

Revenue Model: Fees are based on a percentage of client profits generated through HXC's services.

Financial Projections (5-Year Outlook)

Capital Investment: RMB 8.025 million

IRR: 16.6%

Payback: 4.5 years

Avg. Net Profit: 3.5%

Breakeven: Year 3

Scaled Impact: 800+ SMEs empowered, with measurable increases in client profit margins.

Social Impact: Enhanced incomes for SMEs and farmers through improved productivity and market access.

Implementation Timeline

- Operations commence in 5 months.
- Digital bulk-collection platform launches in Year 2.





Introduction & Background

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The Global Leaders Programme



The Global Institute For Tomorrow (GIFT) is an independent pan-Asian think tank, committed to purposeful leadership learning and partnering with clients to help them unlearn conventional wisdom and unleash organisational potential to redesign society.

The Global Leaders Programme (GLP) is GIFT's flagship experiential programme designed for managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models that address the defining challenges of our times.

This year, 17 participants from across 10 countries convened in Hong Kong and Mainland China in May 2025 to undertake classroom discussions, stakeholder meetings, site visits, and business proposal development sessions.

The proposal highlights were presented at a Public Forum in Chengdu on 23rd May 2025, which was attended by 70+ stakeholders in-person (and 700+ viewers online) from the private sector, relevant industries, NGO practitioners, and academics.

Project Team

17 participants from 10 countries all over the world convened for this GLP in Hong Kong and Mainland China (Meishan & Chengdu, Sichuan) from the 12 – 23 May 2025.

The participants were identified as high-performing talents and leaders within their organisations. They come from businesses, the government, and civil society organisations. The cohort's professional profile is diverse, with roles including Executive Directors, Head of Departments, Regional Office Heads, and Senior Managers.



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Supporting Organisations & Sponsors

Successful completion of the project would not have been possible without the support we received from our supporting organisations in arranging expert sharing, site visits, and stakeholder interviews.

We also wish to thank our generous sponsor, who enabled deserving candidates from NPOs to take part in this unique leadership development opportunity. We would like to extend our heartfelt gratitude to all of these organisations and individuals who have supported the growth and development of our Global Leaders:

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Achievements

- ✓ Operation spans across **18** provinces
- ✓ Benefiting **151,585** farming households
- ✓ Over 220+ VCCs (Village Collective Cooperatives), 180+ SMEs, and 30+ family farms
- ✓ Over **246** rural development initiatives

Sichuan Haihui Poverty Alleviation Center



Background & History

Established in 2008 by Chen Taiyong, former Country Director of Heifer China, Sichuan Haihui is a Chengdu-based non-profit organisation (NPO) committed to advancing **rural revitalisation** through community-driven development.

With a mission to “*empower communities and rejuvenate rural livelihoods*”, Haihui has evolved into a key actor in fostering sustainable rural economies over the past 15 years. While its early work included poverty alleviation, the organisation has strategically pivoted since 2021 to focus on **strengthening rural enterprises and collective systems** as part of China’s broader rural revitalisation agenda.

By integrating international best practices with localised strategies and networks, Haihui supports small and medium agricultural enterprises (SMEs), including farmer cooperatives, family farms, village-level collectives, and agribusinesses, to build resilient, self-sustaining rural communities.

The Role of NGOs in China's Rural Revitalisation



The “Harmonious Society”, a concept introduced by the Chinese government since 2004.

1. Institutional Significance

- With approximately **880,000 entities** formally registered under government oversight, NGOs operate within a structured framework to advance national development priorities.

2. Core Focus Areas – NGOs actively engage in critical sectors aligned with societal needs:

- **Rural Development:** Driving agricultural modernisation, SME capacity-building, and livelihood diversification.
- **Environmental Remediation:** Combatting soil erosion, chemical overuse, and water scarcity through sustainable farming advocacy.
- **Education & Welfare:** Providing nutritional support, educational resources (e.g., textbooks, digital tools), and child development programmes.
- **Poverty Alleviation:** Implementing targeted initiatives to reduce regional inequalities.

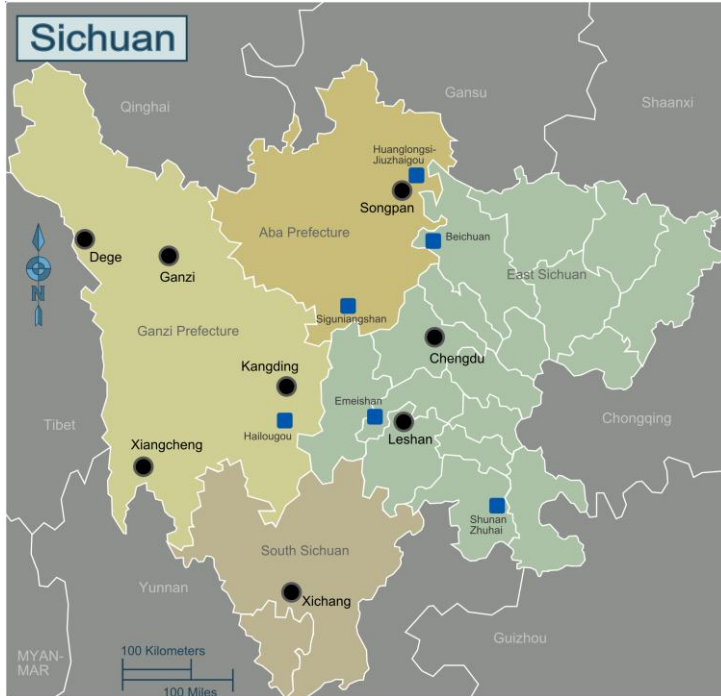
3. Alignment with National Policy

- Since its introduction in 2004, the **Harmonious Society** (和谐社会) doctrine has shaped NGO operations by directing efforts toward mitigating wealth disparities, environmental degradation, and social inequities stemming from rapid urbanisation.

4. Government-NGO Synergy – A collaborative dynamic defines state-NGO relations:

- **Policy-Led Action:** NGOs function within government-defined strategic parameters, prioritising initiatives that support national objectives (e.g., rural revitalisation).
- **Innovation Catalysts:** NGOs pilot scalable solutions at the grassroots level, demonstrating best practices in agricultural efficiency, environmental stewardship, and community governance for nationwide replication.
- **Trusted Intermediaries:** NGOs enhance local trust in institutional frameworks while delivering context-specific interventions.

Why Sichuan Province



Demographic & Economic Significance

Sichuan is a microcosm of China's rural transition challenges, with:

- 34% of its 83 million population resides in rural areas (exceeding the national average of 29%),
- Over 48% of the provincial workforce engaged in agriculture,
- Ranking among China's top 5 agricultural producers (grains, pork, tea).

Acute Manifestation of Systemic Challenges

Sichuan intensifies the national rural revitalisation barriers:

- **Severe Ageing Labour Force:** >40% of farmers are aged 55+, with youth outmigration rates rising 12% since 2020.
- **Hyper-Fragmented Landholdings:** 86% of farms are <0.5 hectares, limiting mechanisation.
- **Market Access Deficits:** 70% of SMEs sell raw produce locally, capturing <20% of end-consumer value.
- **Environmental Stress:** 30% of arable land faces erosion; chemical fertiliser use is 22% above the national average.

Haihui's Proven Groundwork & Strategic Fit

A decade of Haihui's operations in Sichuan provides:

- **Deep SME Networks:** Partnerships with 180+ SMEs and 220 Village Collective Cooperatives (VCCs) across 18 provinces.
- **Validated Intervention Model:** Demonstrated impact through 246 rural initiatives benefiting 151,585 farming households, focusing on sustainable agriculture and SME training.

Therefore, identifying two high-impact focus areas for HXC:

1. **SME Economic Empowerment**
Building capacity in financial literacy, value-added processing, and digital commerce.
2. **Value Chain Integration**
Creating direct market linkages to raise farmer income share and reduce intermediaries.

Project Scope

In Scope

This business proposal centres on establishing a new commercial entity, Huixiang Chuang (HXC), which delivers core services through the Fortune Panda digital platform. This platform facilitates **bulk distribution** by connecting small and medium-sized enterprises (SMEs) with buyers via an auction-based system. **Financial access** is enhanced through tailored loan and subsidy facilitation in partnership with local banks. Additionally, the initiative includes **capacity-building programmes** focused on quality control, export compliance, and digital commerce training.

Geographically, the project will commence with a pilot phase in Sichuan Province during Years 1-3, followed by a nationwide scale-up in Years 4-5. The primary beneficiaries include SMEs — particularly smallholder farmers and rural enterprises at various stages of maturity (Stages 1–5) — as well as Village Collective Cooperatives (VCCs) and farming households.

The financial model is built on outcome-based commissions, ranging from 15% to 17% of transaction value. Investors can expect a targeted internal rate of return (IRR) of 16.6% with a projected payback period of 4.5 years.

Social impact will be measured through key indicators, such as income growth, SME profitability, production yields, and gender equity. Furthermore, 10% to 15% of profits will be reinvested into Haihui's poverty alleviation programs.

Governance is structured to ensure inclusive oversight, with Haihui holding 20%, VCCs maintaining a 40% majority stake, private investors owning 30%, and the state retaining 10%. The *Fortune Panda* platform will leverage blockchain for traceability and AI for demand forecasting and operational efficiency.

Out of Scope

The project will not involve direct ownership of physical assets such as warehouses or farms, adhering instead to an asset-light leasing model. It will exclude urban SMEs and will not provide full financial subsidies — Haihui will only facilitate access through partners. Political advocacy is outside the project's remit; while it complies with existing policies, it does not engage in lobbying. The enterprise focuses on SME-level support and does not extend direct aid to individual households. International expansion is not planned within the five-year scope, which remains focused on domestic markets. Lastly, the project will not engage in proprietary production of agricultural inputs; these will be sourced through external partners.



Current Situation & Challenges

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State of China's Agriculture

China's Agricultural Background & Development

China currently has the largest economy by nominal GDP in Asia and the second-largest in the world. While on a PPP basis, China will remain the world's largest economy over the next few years.

Since China acceded to the World Trade Organisation in 2001, the country's trade volume in agricultural products has increased tremendously and reached around 318 billion U.S. dollars in 2024. Moreover, since 2020, the Chinese Government has been focused on agricultural revitalisation by introducing innovative technologies to achieve a sustainable and profitable sector.

However, China is the world's largest consumer of food and has developed into the largest importer of agricultural products in the world, while its exports remain on a considerably lower level.

According to this, agricultural areas have many challenges to focus on. One example is the low per capita arable land in China and the difficulties that this fact poses to creating a profitable agri-business on an individual basis. Cooperation between households is currently a must to achieve profitable goals.

On the other hand, global climate change is turning out to be a risk for farming. New technologies and new management methodologies are needed in order to reduce the impact of climate change and adapt the business to these new conditions.

Snapshot of China (2025)

- **Population:** 1.41 Billion
- **Urbanisation:** 69% Urban | 31% Rural
- **Nominal GDP:** ~US\$20.0 Trillion
- **GDP per Capita:** ~US\$14,150
- **Total Employment:** 735 Million
- **Employment (sector breakdown):**
 - Services: 50%
 - Industry: 28%
 - Agriculture: 22%



The Agri-food Paradigm in China

Agri-food Statistics of China (2025)



2025 population: ~1.41 billion

Projected per-capita consumption increase by 2030:
~10% increase

% of National Agricultural Production by SMEs:
60-70%

**% of China's agricultural entities being
smallholdings:** > 98%



China as the world's agriculture backbone

Producing over USD1Tn in agricultural value to feed over 1.4Bn people domestically. Projected to produce $\pm 25\%$ of the world's food in 2030



Agricultural goods among China's Top 10 Exports

+ 4.1% growth in agricultural exports from 2023 to ~USD103Bn in 2024



Agriculture SMEs are critical to China's food security

Nationwide, agriculture SMEs produce 60-70% across the value chain, with rural SMEs predominately involved in inputs to simple-processing



Rural Revitalisation from 2024 to 2027 to 2035

"Essentially achieved agriculture modernisation across all rural areas by 2035"

China's agriculture remains a critical driver of prosperity for the nation and the world

Policy Directions

Government initiatives on rural revitalisation in China:

Rural Comprehensive Revitalisation Plan

Infrastructure development and agricultural support revolve around "cultural heritage products"

Turning policy directives into a reality

Despite the large availability of Government agricultural support (~USD80Bn), only 20% to 30% is taken up by rural SMEs

Indispensable role of NGOs in achieving rural revitalisation

NGOs communicate the opportunities to **participate** in their village, town, province, and nation's development to otherwise geographically and socially marginalised groups

Social enterprises can present more opportunities for income growth and shared prosperity

Whilst NGOs focus on getting SMEs on their feet, social enterprises are responsible for **accelerating and sustaining income growth**



Key Challenges

Despite significant government initiatives, rural revitalisation in China faces persistent and interconnected challenges that impede sustainable development:

Demographic Decline

An ageing rural population, coupled with sustained youth outmigration, is depleting the agricultural workforce and hindering generational renewal of farming knowledge.

"Over 40% of the rural workforce in Sichuan is over 50"

Land Fragmentation & Inefficiency

Smallholder farms remain small and geographically scattered, preventing economies of scale, hindering mechanisation, and increasing per-unit production costs.

"Average farm size is significantly below economically viable thresholds"

Unfair Value Chain Dynamics

Power imbalances within value chains often see small-scale producers bearing disproportionate risk while capturing minimal value, with profits accruing primarily to processors, distributors, and retailers.

Market Fragmentation & Low Value Capture

Farmers predominantly sell raw commodities into fragmented local markets, often through multiple intermediaries. This structure limits price transparency, reduces farmers' profit margins, and restricts access to higher-value markets

Financial Exclusion

Rural SMEs and smallholders face significant barriers in accessing formal finance, including stringent collateral requirements, high interest rates, complex application processes, and insufficiently targeted government subsidy programmes with limited coverage.

Competitive Disadvantage: Scattered Traditional Farming

Small-scale agricultural operations struggle to compete effectively against large, integrated agribusinesses due to their inability to achieve comparable economies of scale, negotiate favourable input prices, or invest significantly in branding and market access.



The Solution: Huixiang Chuang (HXC)

A scalable business to drive social value

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Huixiang Chuang (HXC): Enterprise Framework

Mission

To empower rural SMEs across China through integrated services that boost productivity, unlock access to new markets and finances, and strengthen local economic resilience, driving self-sustaining enterprise growth in alignment with national revitalisation goals.

Vision

To become a **leading enterprise** for equitable rural development, **scaling proven SME capacity-building models** from Sichuan to nationwide, where thriving agri-businesses fuel sustainable community prosperity.

Core Values

- **Integrity:** Transparent, accountable operations that earn stakeholder trust.
- **Collaboration:** Partnering with communities, NGOs, and government to amplify impact.
- **Sustainability:** Balancing economic viability with environmental stewardship and social equity.
- **Empowerment:** Building local agency through skills transfer and inclusive value chains.



Social Impact Objectives

Driving Sustainable Change from SME Empowerment to Systemic Transformation

1. **SME Resilience & Poverty Eradication:** Empower SMEs to sustain poverty alleviation gains through business consolidation, skills transfer, and intergenerational wealth preservation for rural families.
2. **Community Capital Development:** Strengthen social cohesion through equitable profit-sharing models and cooperative structures that foster mutual respect, collective decision-making, and community-led investment.
3. **Local Economy & Livelihood Enhancement:** Channel resources into rural infrastructure, vocational training, and essential services (e.g., healthcare/education access) to elevate quality of life and stimulate circular economies.
4. **Sustainable Food Systems:** Enhance regional food security by promoting safe, traceable production and biodiversity conservation through certified organic farming partnerships.
5. **Financial Inclusion & Governance:** Increase accessibility to tailored financial products and government subsidies while instilling contractual accountability to build SME creditworthiness and market trust.
6. **Regenerative Environmental Practice:** Scale climate-resilient agriculture via soil health initiatives, chemical-reduction programmes, and biodiversity corridors managed by SME network





Business Model & Strategy

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Business Model & Strategy Summary

Huixiang Chuang (HXC) is strategically positioned to address persistent inefficiencies in rural SME development by identifying and responding to key market gaps. These include inconsistent production outputs, a lack of transparency across the supply chain, and limited strategic planning capabilities among rural enterprises. HXC's model is designed to offer integrated solutions that directly tackle these challenges.

A core element of the strategy is precision targeting through the **classification of SMEs across five distinct growth stages**. This segmentation enables the delivery of tailored interventions that are both scalable and synergistic with the efforts of NGO partners such as Haihui. By aligning support with each SME's maturity level, HXC ensures more effective resource allocation and impact.

Service differentiation is central to the model. For SMEs in Stages 1 to 3, the focus is on achieving scale and standardisation through bulk aggregation, access to basic financial services, and improved production consistency. For those in Stages 3 to 5, the emphasis shifts to value elevation—facilitating entry into premium markets, securing quality certifications, and supporting brand development.

The **revenue model** is aligned with client success, relying on outcome-based commissions calculated as a percentage of client profits. This is complemented by high-margin advisory services, which contribute to the long-term financial sustainability of the enterprise.

A **key differentiator** is the *Fortune Panda* platform, which integrates real-time AI-driven tracking, predictive analytics, and direct auction capabilities. This technology not only enhances operational efficiency but also unlocks new revenue streams, reinforcing HXC's competitive advantage in the rural revitalisation landscape.



Rationale for Business Model



Inconsistent production, **poor visibility** on suppliers' needs for quality or variety, and the **lack of direction** limit the growth potential of SMEs.



Expanding **SME production**, improving quality, and connecting them to larger markets fosters shared prosperity.



Our value-added is in bridging the **information and infrastructure gap** between rural farmers and large wholesalers.



To achieve this, our services focus on **improving the cash flow** of SMEs whilst ensuring consistent and high-quality products to the market.



Ultimately, Huixiang will encourage SMEs to actively join our **shared services** as they shape their growth and future.



Target Customers: Classification of SMEs

SME Growth Stages (from 0 – 10): Target Groups for Opportunity Sizing



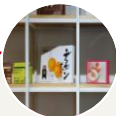
Stages 0 to 1

Remain stuck in ensuring self-sufficiency, and remains a large focus for poverty alleviation/ cash support from governments and NGOs



Stages 1 to 5

Lack of production standardisation/ consistency; Limited access to markets beyond local towns/ cities; Over-reliance on chemical fertilisers



Stages 5 – 10

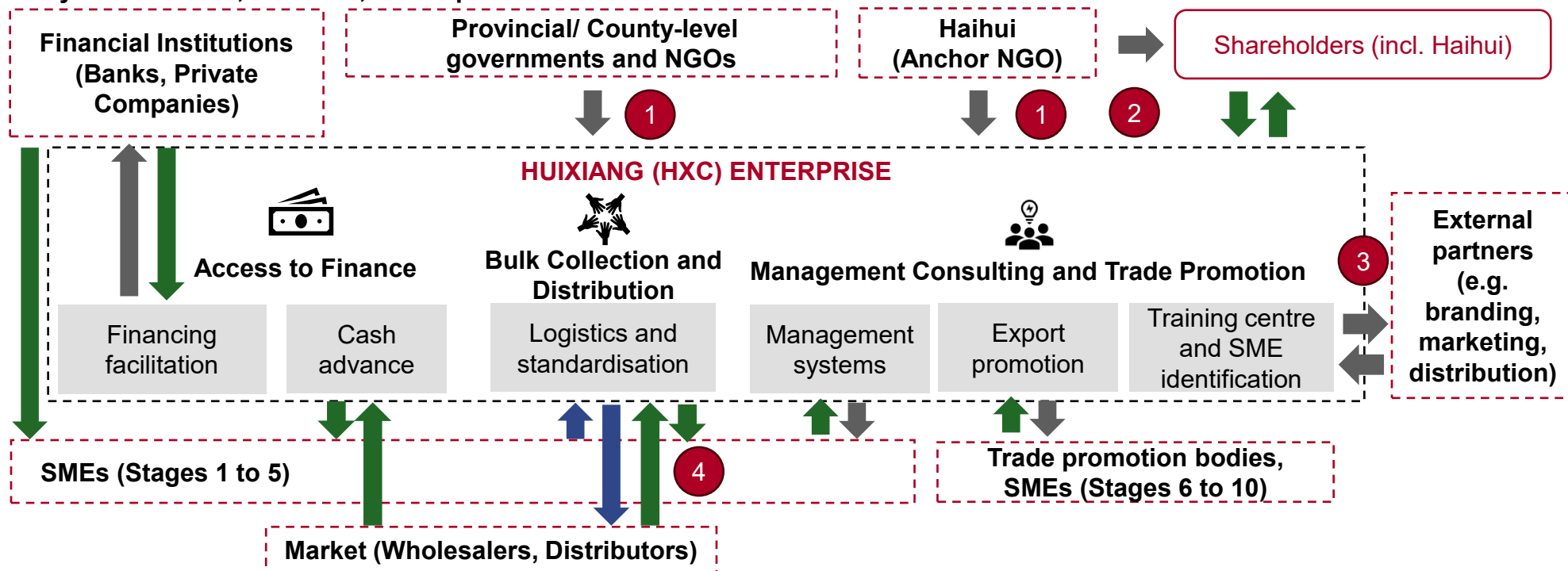
Rapidly commercialising; Partnering with service platforms and national/ international food processing/ distribution brands

- Whilst adhering to the SME Promotion Law and guided by the on-the-ground experience of Haihui, target support will **necessitate segmentation of SMEs into 10 growth stages.**
- **Strict revenue-based thresholds are unable to capture**
 - 1) Between-region, prefecture, county, and town variations in land size and productivity,
 - 2) The degree of fragmentation of agricultural land, or
 - 3) Profit margins, which are often very minimal despite high revenue levels.
- Within provinces in China, SMEs in cities like Meishan and Chengdu face **greater variations in their growth stage**, whilst others, like Garze, exhibit more homogeneous needs **like self-sufficiency and limited technology use.**
- Even at CNY 5,000,000 revenue levels, SMEs still face high-cost inefficiencies and further dilution of income for a large group of different families/ individuals.
- On average, our field experience indicates that most of the SMEs are concentrated (~80%-90%) between the Growth Stages 1 to 5, which captures the spectrum of Micro (<CNY 500,000) to Small (<CNY 5,000,000) enterprises.

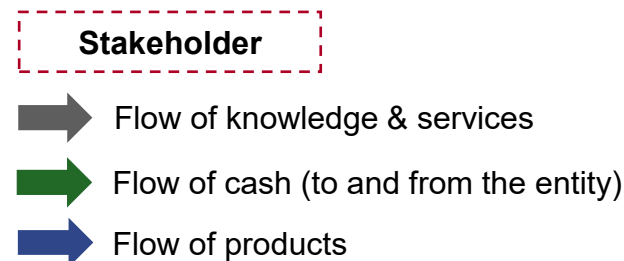
Major opportunities for Stages 1-5: Product aggregation, distribution, financing, and management consulting.

Business Model

Key stakeholders, activities, and dependencies



- 1 Provincial/ County-level governments and NGO to identify Stages 0 to 2 SMEs and provide direction on key sub-food sectors to develop.
- 2 Haihui to act as custodian of the social mission and represent views of VCCs.
- 3 Huixiang can collaborate with partners to provide specific training/ branding requirements from external partners.
- 4 Huixiang to get an outcome-based fee (%) of the net profit received by the farmers from facilitating the sale of their goods.



SME / Customer Segmentation

Definition and Rationale of Customer Scope

In continuation of Haihui's (and other NGOs) work in identifying SMEs which are focused only on self-subsistence with little to no profit margins, HXC Enterprise aims to:

1. Increase their production scale and ensure its sustainability
2. Elevate product quality to fit the standards of high-value food manufacturers/ supermarkets
3. Expand their access to larger domestic and foreign markets.

Stage 0	Focus of County-level Governments and NGOs			
Target SMEs	Revenue Level	Profit Margin	# of Families Served	# of Workers
	< CNY 500,000	0 - 10%	25 to 100	5 to 20
	CNY 500,000 – 5,000,000	10 - 20%	100 to 1000	20 to 100
Stages 6-10	Profitable SMEs to be provided services on a demand basis			

Customers are segmented into priority groups 1-5 (stages) using **weighted criteria of (1)**

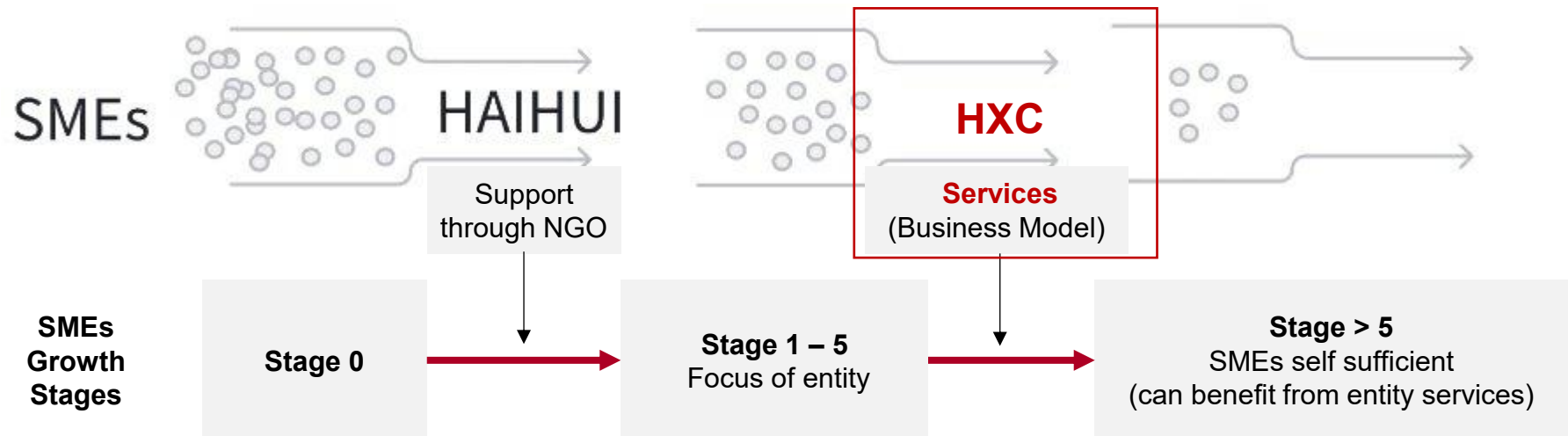
The weighted criteria account for SME's main challenges:

- Little to no profit margins
- Unsustainable production
- Access to markets, labour, and finances.

Relationship between Haihui and HXC

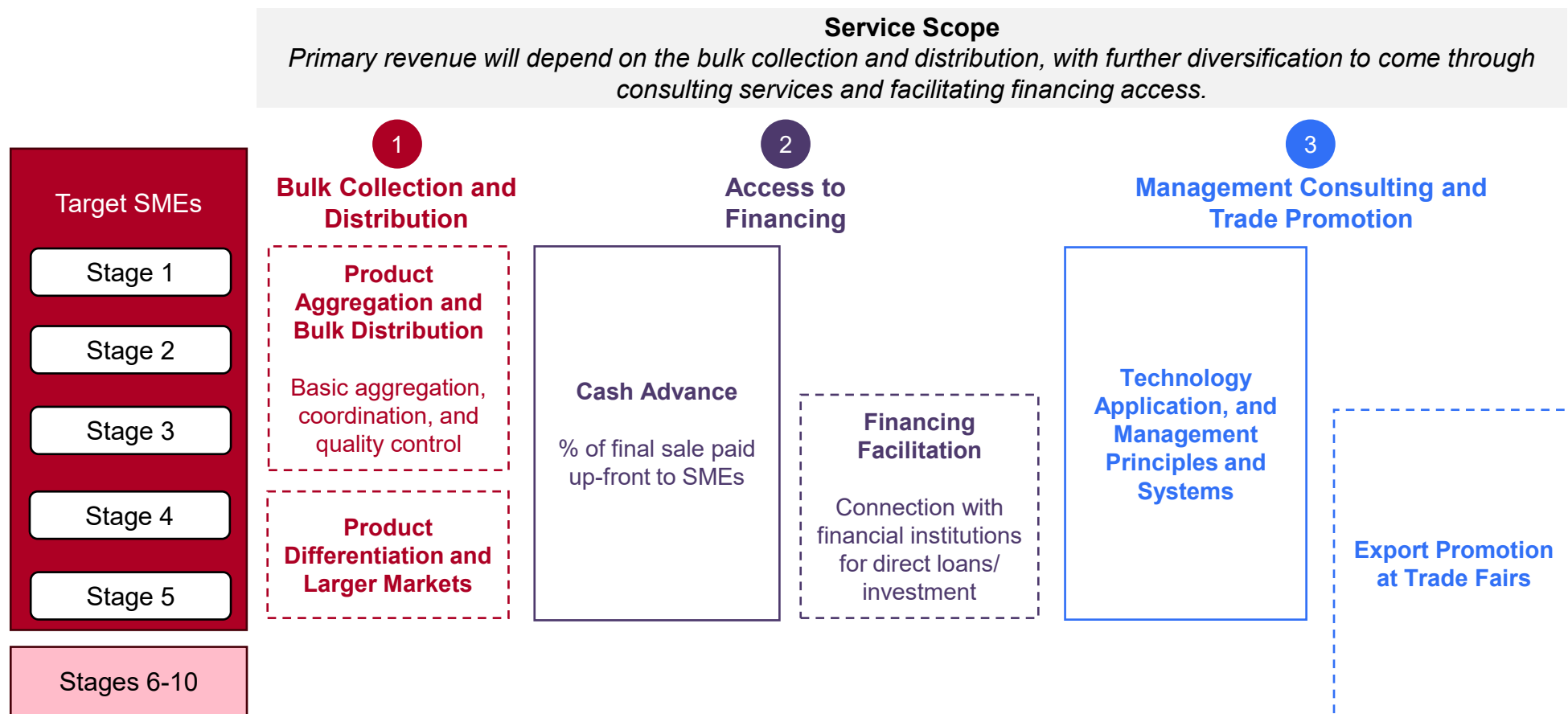
Target customers differentiation between Haihui (the NGO) & HXC (the new entity):

- Haihui, as an existing NGO with wide networks, will scout early-stage SMEs and support their development from stage 0 to stage 1.
- HXC, as a new entity that is independent from Haihui, will support SMEs to grow from Stages 1 to 5 with the offered services.
- SMEs that have capability beyond stage 5 and above should operate independently, but could still benefit and access HXC's services if needed.



Scope of Services

Business model: Service Offerings by Stage of SME



Stages 1–3: Scaling production and distribution. **Stages 3–5:** quality upgrades and access to larger, export-oriented markets.

Innovation Enabler: *Fortune Panda App*

Business Model: Acceleration of revenue channels through big data and e-platform engagement

- Uses big data (like blockchain-enabled barcodes) and real-time tracking to help producers get **fairer prices**, **better market access**, and **financial flexibility** – advantages usually only available to large companies.
- **Key features:** Live-auction system to **boost producer prices**, real-time tracking to **cut distribution costs** for HXC and buyers and **increase transparency for SMEs**, and early payment options (receivable discounting) so SMEs can **access revenue faster** without waiting for transactions to close.



Fortune Panda Value-added => Elevating existing services + Diversifying revenue streams



Bulk Collection and Distribution

Integrated auction system connects SMEs directly with buyers, increasing price transparency and boosting sale prices and profit margins

Real-time tracking ensures consistent production



Access to Financing

Receivable discounting (receiving a % of the final sale early before the goods are delivered) can help ease SMEs' cash-flow problems

Management fee as a % of the early payment to increase revenue flows



Management Consulting

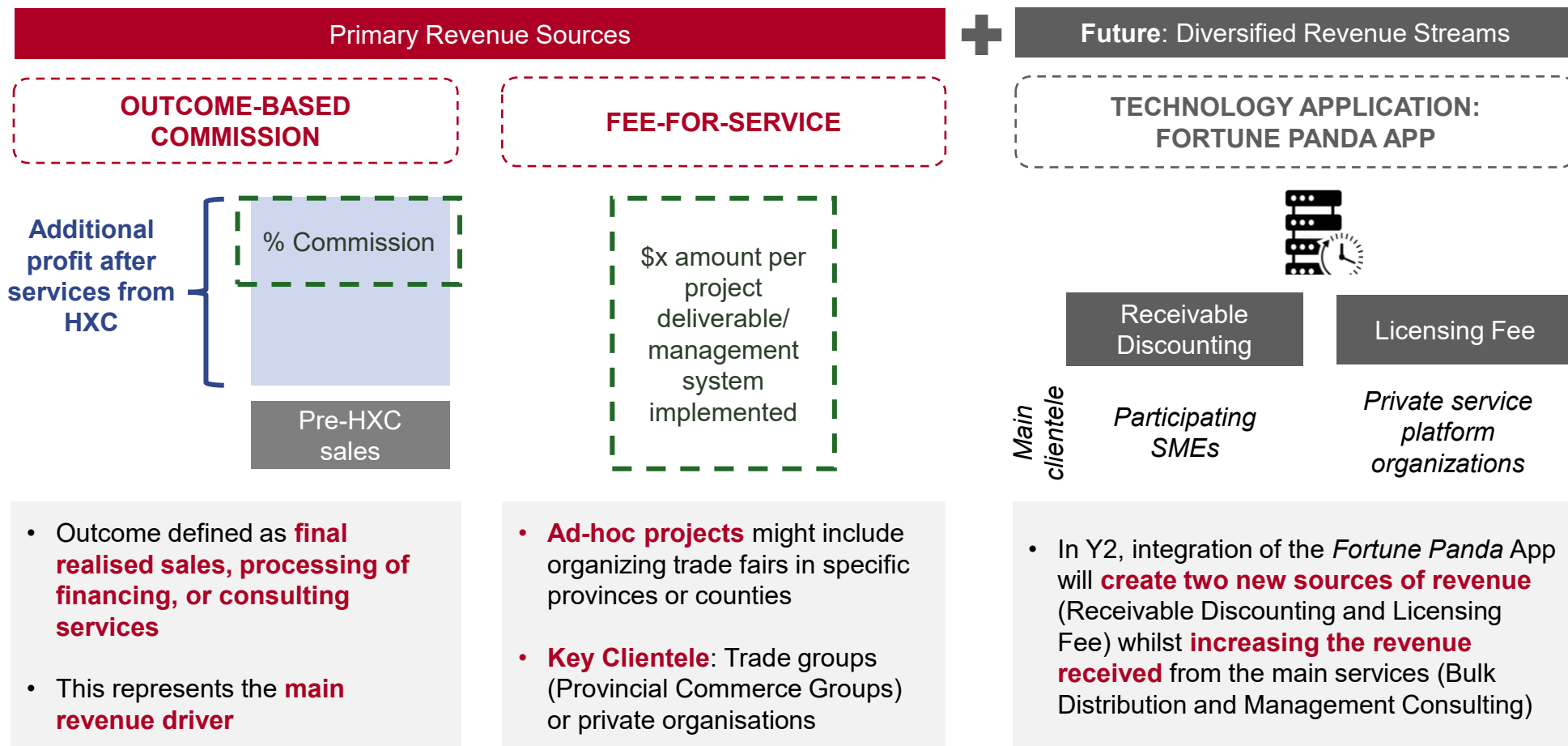
Enhanced production management through live demand information from buyers to guide crop choice and/or branding needs

Productivity Increase

Greater transparency builds trust and confidence, driving SME engagement with HXC services.

Revenue Model

Illustrative representation of revenue streams



Outcome-based commissions ensure real impact, while diverse revenue streams support HXC's long-term sustainability.



Organisation Structure & Governance

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Rationale for Governance Structure

Rationale: *Balancing Commercial Rigour with Social Mission*

- HXC's governance model is structured to embed **dual accountability**, ensuring long-term financial sustainability while steadfastly advancing its social mission.
- Robust oversight frameworks provide strategic clarity, operational discipline, and stakeholder alignment critical for rural impact at scale.

Core Governance Objectives

- **Stakeholder Symbiosis**
Cultivate sustainable partnerships with Haihui (charity anchor), government bodies, and impact investors, prioritising **farmer prosperity** as the ultimate metric of success.
- **Dual Obligation Fulfilment**
Meet all financial commitments to investors while safeguarding the interests of agricultural communities through inclusive decision-making.

Guiding Principles

- **Community Sovereignty**
Haihui + Village Cooperatives retain **51% + combined voting control** to ensure agricultural communities direct HXC's social trajectory, whilst equity distribution reflects capital contributions.
- **Regulatory Vigilance**
Full compliance with all national and provincial regulations governing agribusiness, social enterprises, and rural investment.
- **Transparent Power Balance**
Investor returns are capped; surplus profits are reinvested into community resilience programmes.



Shareholder Structure: Aligned Incentives Model

Equity Distribution: *Balancing Capital, Community, and Impact*

Shareholder Group	Equity	Contribution Type (Value Delivered)	Strategic Role
Village Collectives	40%	<i>In-kind</i> (land access/labour pool)	Production backbone & social anchor
Private Impact Investors	30%	<i>Capital</i> (growth capital/expertise)	Commercial scaling & governance rigour
Haihui NGO	20%	<i>Network access</i> (180+ SMEs/NGOs)	Mission guardian & field coordination
State Entities	10%	<i>Policy alignment</i> (regulatory/grants)	Regulatory bridge & stability assurance

Voting Rights Mechanism

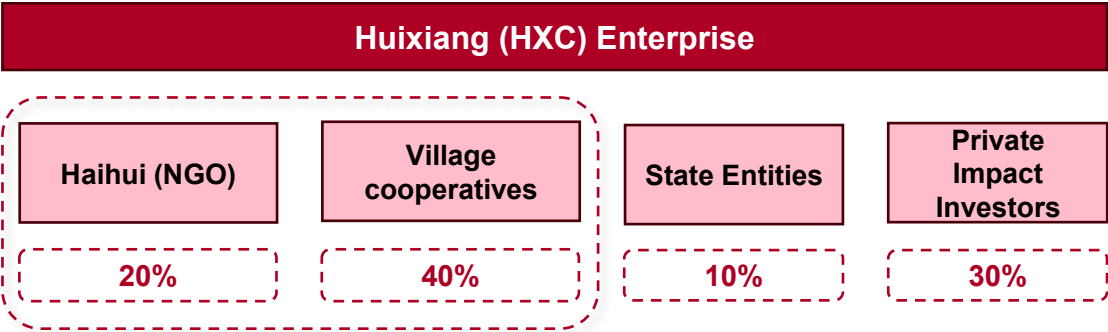
1. Proportional Base Voting

- Standard resolutions (e.g., budgets, expansion) follow shareholding percentages.

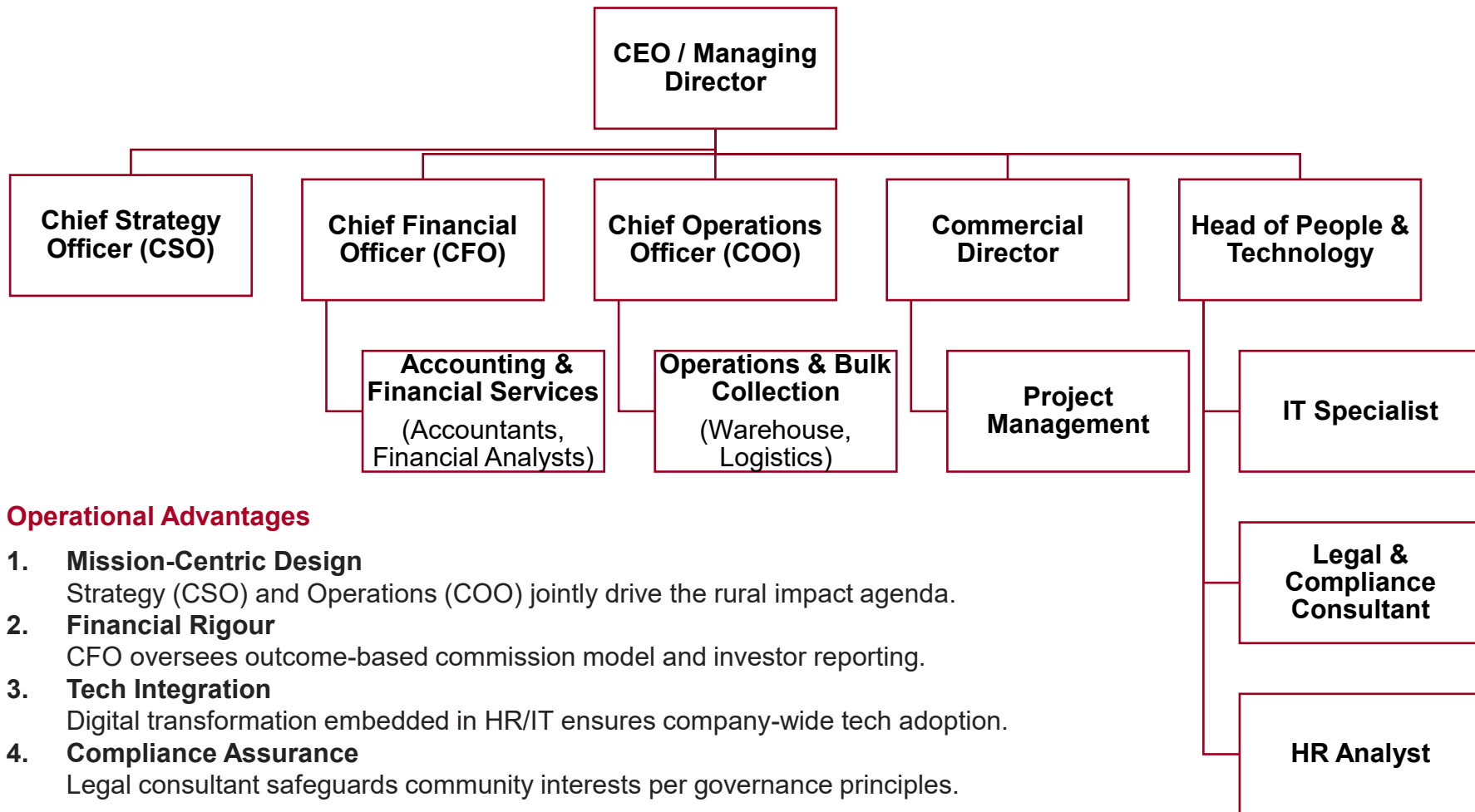
2. Mission Safeguard Provisions

- Social Veto:** Haihui + Collectives (combined 60%) hold supermajority rights on:
 - Dividend policy changes
 - Core service alterations
 - Social impact metric adoption
- Investor Protections:** Capital-related decisions require 65% approval (ensuring investor voice).

*A capital-efficient structure where **in-kind contributions** unlock equity, the **community** retains mission control, and **investors** gain healthy returns while driving social impact – all underpinned by **Haihui’s** social compass.*



Organisational Chart



Operational Advantages

- 1. Mission-Centric Design**
Strategy (CSO) and Operations (COO) jointly drive the rural impact agenda.
- 2. Financial Rigour**
CFO oversees outcome-based commission model and investor reporting.
- 3. Tech Integration**
Digital transformation embedded in HR/IT ensures company-wide tech adoption.
- 4. Compliance Assurance**
Legal consultant safeguards community interests per governance principles.

This structure aligns commercial discipline with social impact, while clearly delineating accountability for investors and partners.

Departmental Objectives

Accounting & Financial Services

1. Ensure accurate service invoicing and revenue recognition
2. Guarantee compliant tax filings and statutory payments
3. Implement rigorous financial controls for investor reporting

Marketing & Sales

1. Drive customer acquisition through digital channels (website/application)
2. Achieve business plan revenue targets through value-based pricing
3. Cultivate strategic buyer relationships to maximise customer retention
4. Negotiate premium prices for certified sustainable products

Operations & Bulk Collection

1. Manage end-to-end logistics from SME collection points to consumer markets
2. Ensure all logistics partners comply with governmental and safety standards
3. Optimise aggregation efficiency through Fortune Panda platform integration

Human Resources

1. Recruit and retain talent aligned with growth targets (1 staff/cooperative in Years 1-2)
2. Develop performance frameworks to maintain organisational discipline
3. Ensure 100% compliance with local and international labour regulations

Software Consultant

1. Develop and maintain the *Fortune Panda* bulk trading platform
2. Enable real-time auction capabilities and SME performance analytics

Key Stakeholders: Engagement Framework

Communication Strategies with Stakeholders

- Quarterly stakeholder advisory forums
- Digital dashboard for real-time impact metrics
- Independent mediation for contract disputes

Strategic Partnerships for Sustainable Impact



Stakeholder Group	Primary Focus Areas	Relationship with HXC
Shareholders	ROI, risk mitigation, market expansion, business model sustainability	Governance partners: Provide capital & strategic oversight; HXC delivers transparent financial reporting & growth
Village Collective Cooperatives	Fair income, guaranteed sales, profit-sharing, technical support, land rights	Core operational partners: HXC provides market access & training; Cooperatives supply produce & local knowledge
Consumers	Product quality, price competitiveness, brand trust, traceability	End-market anchors: HXC ensures quality control; Consumers drive demand for premium rural products
Social Organisations (inc. Haihui)	Farmer welfare, sustainable development, poverty alleviation	Mission guardians: HXC funds Haihui's charity via dividends; Haihui facilitates SME onboarding & impact monitoring
Government	Policy compliance, food security, rural employment, tax revenue	Regulatory partners: HXC aligns with revitalisation policies; Government provides subsidies & infrastructure support



Operations

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Operations Summary

HXC delivers **end-to-end value chain services** across **four operational phases**:

Phase:



Key Activities:



Example Partners:



Example Success Metrics:



Operation Framework

Service-Driven Agri-tech Enablement: *Leveraging Networks, Technology, and Flexible Infrastructure*

HXC operates as a **dual-platform entity**:

1. **Service Orchestrator**: Delivering finance, bulk distribution, and advisory services
2. **Agri-tech Provider**: Digital solutions for supply chain efficiency (i.e. *Fortune Panda*)

Core Assets

- **Expert Network**: 200+ specialists across agronomy, finance, and digital commerce
- **Fortune Panda Platform**: Real-time auction, logistics optimisation, and payment processing
- **Asset-Light Infrastructure**: On-demand warehousing/transport (reducing fixed costs by 40%)
- **Haihui's Network**: 180+ pre-vetted SMEs and 220 cooperatives for rapid scaling



Cross-Functional Operational Pillars

Supply Chain Optimisation

- Collective procurement reduces input costs by 20-35%
- Regional distribution hubs are cutting logistics expenses by 40%
- IoT-enabled tracking minimises product loss

Quality Assurance

- Standardised production protocols
- Quarterly independent audits
- Subsidised certification pathways for SMEs

Human Capital Development

- Specialist agritech recruitment (minimum 10 years' experience)
- SME training programmes covering: (i) Digital commerce, e.g. Taobao store management, and (ii) Export documentation, e.g. Incoterms, letters of credit

Operational Workflow

A 3-step approach to HXC's operational workflow:



Step 1: SME Identification & Onboarding

- Haihui identifies Stage 1-5 SMEs → HXC deploys advisors for needs assessment



Step 2: Service Activation

Needs Identified	Solution	Delivery Mechanism
Finance gap	Loans/subsidies	<i>Fortune Panda</i> app + banking APIs
Market access	Bulk auctions	Partner distributors + Ant Group logistics
Skills deficit	Training	University e-modules + county govt. field agents



Step 3: Performance Monitoring

- Real-time dashboards track
 - Loan repayment rates
 - Produce quality metrics
 - Training completion %



Ongoing: Haihui's Catalytic Role

- **SME Sourcing:** Pre-qualified pipeline from 246 existing initiatives
- **Partner Bridging:** Introductions to government/academic networks
- **Impact Assurance:** Social KPI monitoring

Asset-Light Execution Model

Rationale: Maximising agility while minimising risk

“HXC own the network, not the bricks.”



Asset	Deployment Strategy	Cost Efficiency
Warehousing	Short-term leases near cooperative clusters	60% lower vs. owned facilities
Transport	Uber-like model with verified 3PL partners (third-party logistics)	Pay-per-use; 35% fuel savings via AI-routing
Tech Infrastructure	Cloud-based SaaS (<i>Fortune Panda</i> Application)	Zero hardware CAPEX; automated updates

Service Delivery Partners

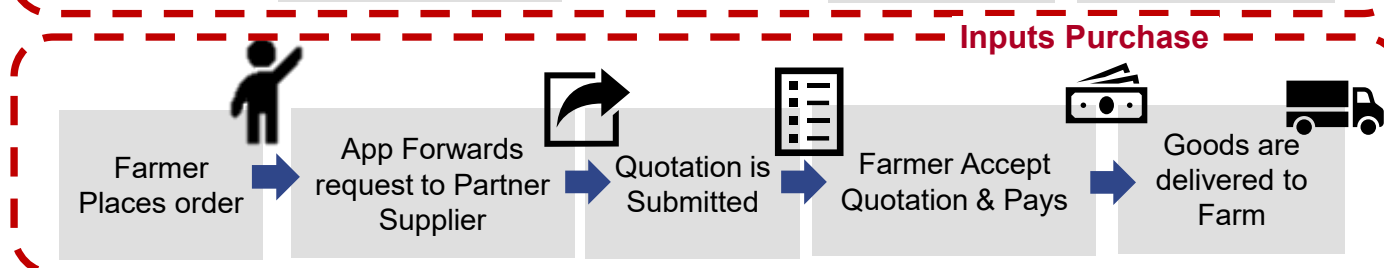
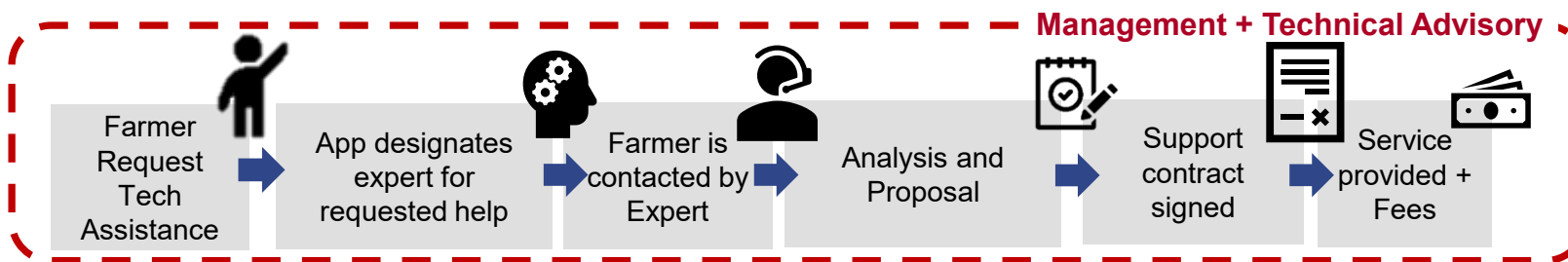
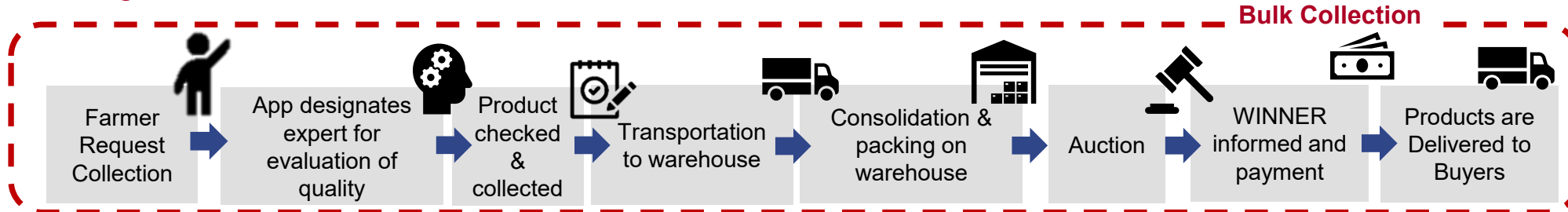
Strategic alliances enabling end-to-end service execution

Service Pillar	Existing Partners	New Prospects	Operational Integration
Access to Finance	Chongho Bridge 中和农信; HSBC (rural banks/ESG funds)	Sichuan rural banks; Impact investors; Govt. credit lines	→ Embedded loan processing via Fortune Panda → Automated subsidy eligibility checks
Bulk Collection & Distribution	Pedigree Group (feed); Haihui-affiliated retailers & agri-buyers	Ant Group (Antohain / Freshippo); Logistics / warehouse firms	→ AI-route optimisation → Dynamic auction matching → Quality control IoT sensors
Technical & Trade Services	China Agri-Smart Cultivation Technology (CASC); Sichuan Ag University; Meishan E-commerce Hub; Animal Science Academy	County governments (extension programmes)	→ Virtual training academies → Certification pipelines → Export compliance hubs



Operations Enabled by Digital Technology

Flow of goods, income, and information



Workflow enabled by digital technology



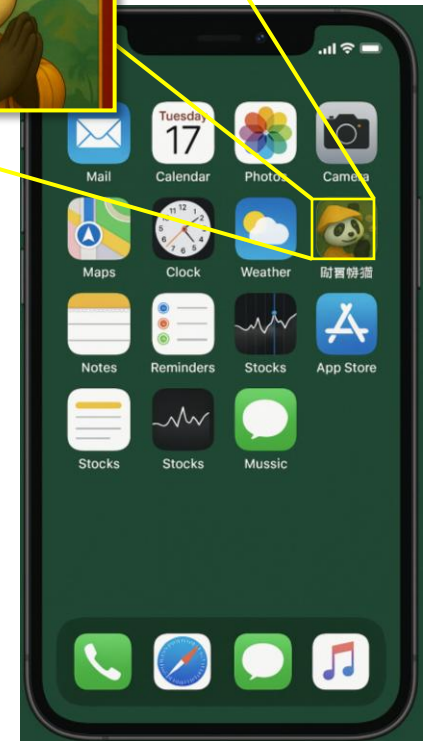
Fortune Panda: The Digital Backbone

An Integrated Digital Platform Servicing the Bulk Distribution Channel of Huixiang (HXC) Enterprise

Core Value Proposition

Fortune Panda is HXC's proprietary **agri-tech digital platform** designed to:

- Enable real-time auctions and efficient market connections.
- Democratise market access for SMEs
- Optimise resource allocation across the value chain
- Embed social responsibility into commercial transactions



Strategic Differentiators

Traditional Models

- Opaque pricing
- Fragmented services
- High intermediary costs
- Static transactions

VS

Fortune Panda Competitive Advantage

- ✓ Transparent real-time auctions
- ✓ All-in-one technical/financial support
- ✓ Direct producer-buyer links (costs reduced by 40%)
- ✓ Pre-season planning tools

Functionality of *Fortune Panda*

Designed for both buyers and sellers, providing an end-to-end service for China's Agricultural Value Chain

Sales done by the **Electronic Auction System**:

- Fair relationship between producers and buyers
- Exiting and transparent real-time bidding information
- Rediscount option for advanced payment

Sellers/SMEs

- Make your product offers visible to several buyers.
- Direct sale of other products such as seeds & sprouts, fertilisers & pesticides, and equipment.

Market Distributors/Retailers

- Advanced information about products & pre-evaluation of product quality by the FP team



Advertisement Functionality

For SMEs:

- Preseason buyer activation feature!
- Processing service, used equipment offers, seeds and sprouts.

For other agricultural products & services providers:

- Advertisement of products such as fertilisers and pesticides.
- Services like packaging, machinery rental, and expert consultation.

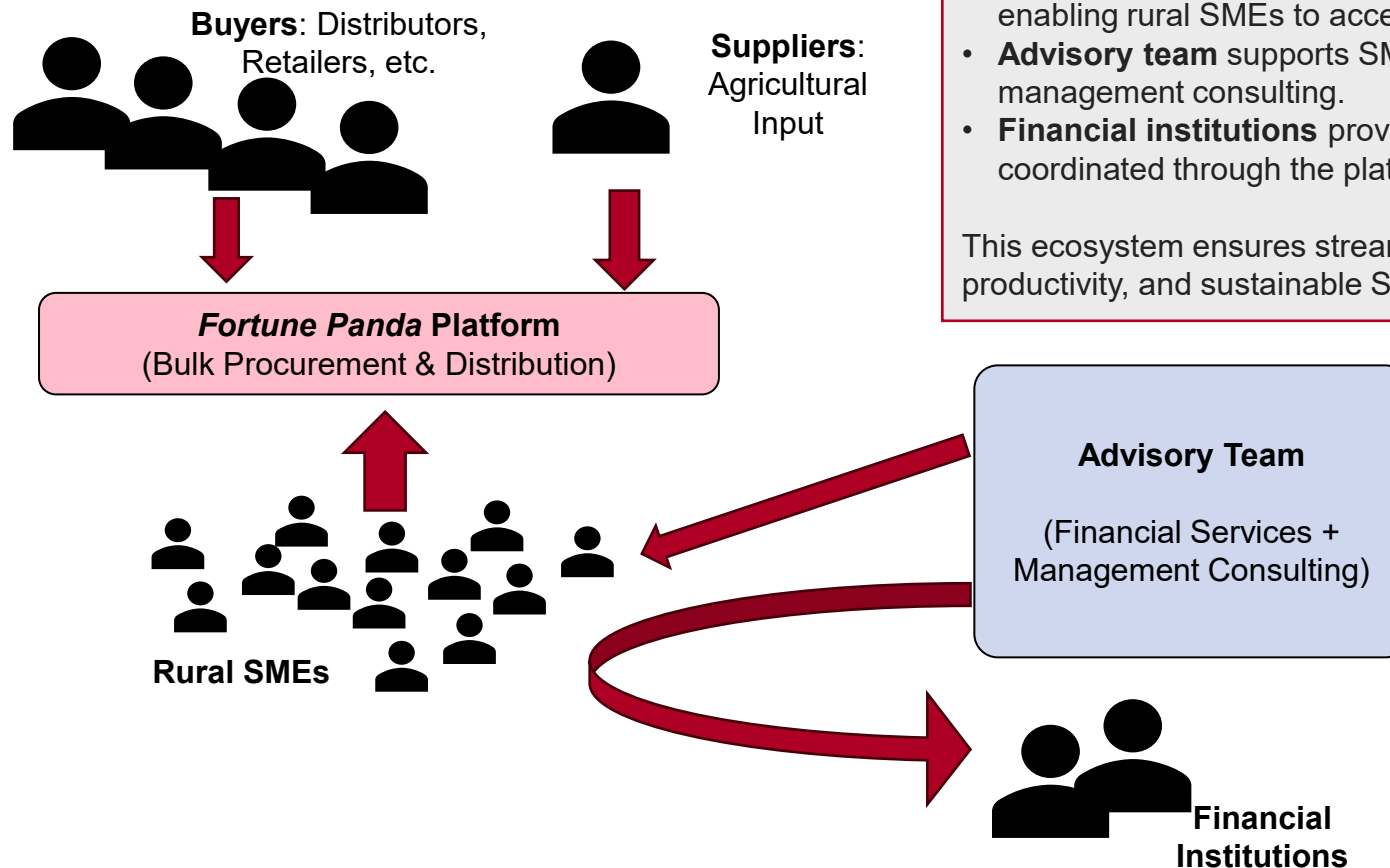
Technical Support

Operation Flow of the *Fortune Panda* Platform

This diagram outlines the integrated operations of the *Fortune Panda* Platform:

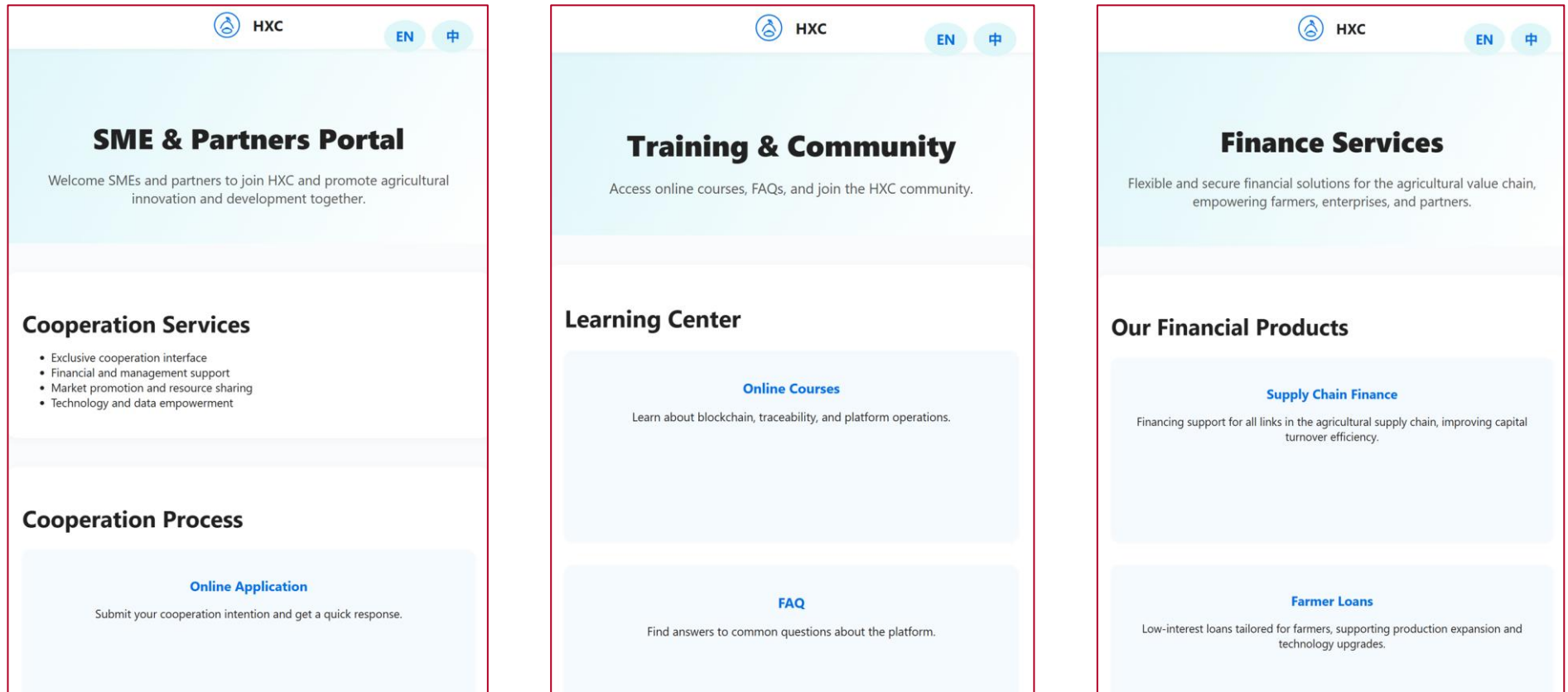
- Connects **agricultural input suppliers with buyers** through *Fortune Panda*, the bulk procurement and distribution system, enabling rural SMEs to access larger markets more efficiently.
- **Advisory team** supports SMEs with financial services and management consulting.
- **Financial institutions** provide the necessary capital, coordinated through the platform's advisory function.

This ecosystem ensures streamlined transactions, improved productivity, and sustainable SME growth.



Example interface of *Fortune Panda*

A platform for all stakeholders to access to end-to-end services for China's Agricultural Value Chain

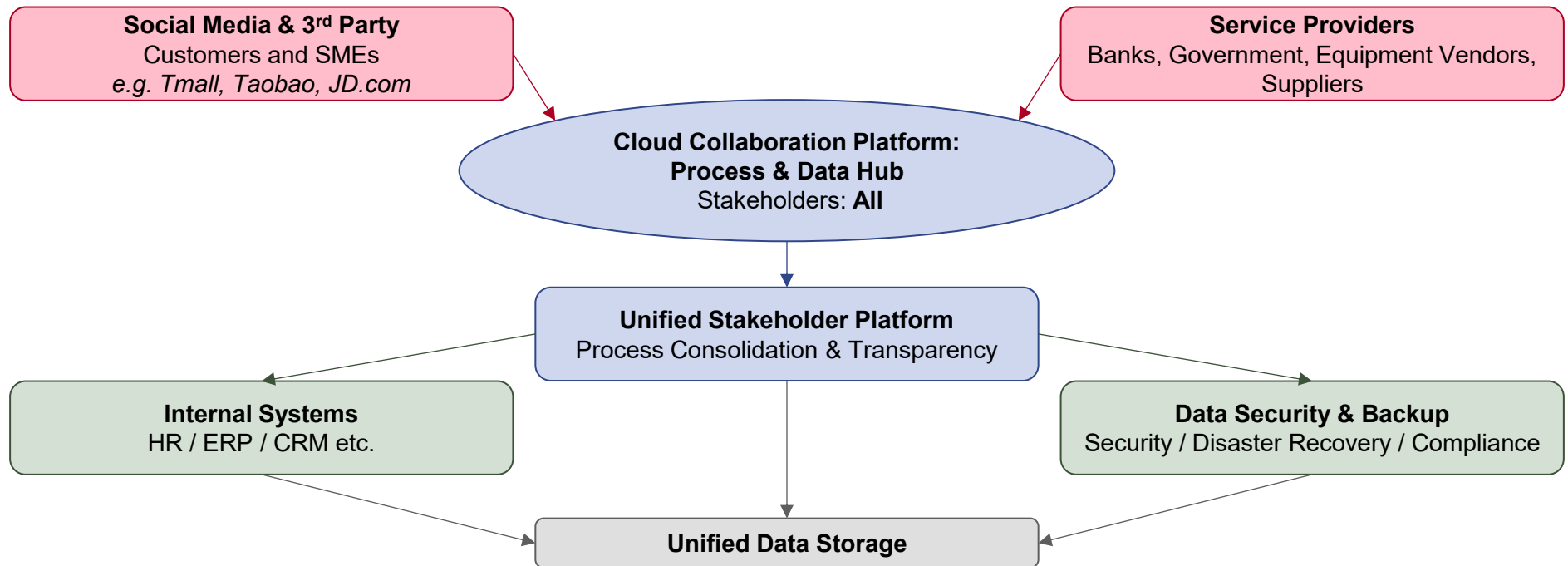


A unified digital platform offering end-to-end services, financial tools, and training to empower SMEs and partners.

Fortune Panda Platform Architecture

This diagram illustrates the integrated architecture of the **Fortune Panda platform**, which serves as a **central hub for data and process coordination** across all stakeholders:

- At its core is the **Cloud Collaboration Platform**, connecting external partners such as e-commerce platforms (e.g. Tmall, JD.com), service providers (banks, government, vendors), and internal systems (ERP, CRM, HR).
- A **Unified Stakeholder Platform** ensures transparency and streamlined operations for SMEs, service providers, and internal teams, all supported by a **Unified Data Storage** layer.
- Robust **Data Security & Backup** systems ensure compliance, disaster recovery, and data integrity across the ecosystem.





Financial Analysis

**All figures based on verified assumptions from 5-year business modelling*

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Finance Summary

Capital Structure & Cash Flow

- Total Equity Requirement:** ¥8,025,000
- Critical Injection Timing:** Year 3 (scaling phase)
- Cash Flow Safeguard:** Capital buffer prevents a shortfall during expansion despite negative profitability in the early years

- Revenue:** Steady growth aligned with SME client expansion
- Net Income Trajectory:** Progressive improvement post-break-event (in Year 3)

Profitability Metrics		Investor Returns	
Indicator	Result	Metric	Result
Average Gross Margin	6.2%	Net Present Value (NPV)	¥3,391,837.5
Average Net Profit	3.5%	Internal Rate of Return (IRR)	16.6%*
Break-Even Point	Year 3	Payback Period	4.5 years

* Despite higher-risk weighting (10% WACC), HXC delivers robust 16.6% IRR, exceeding impact investor benchmarks.

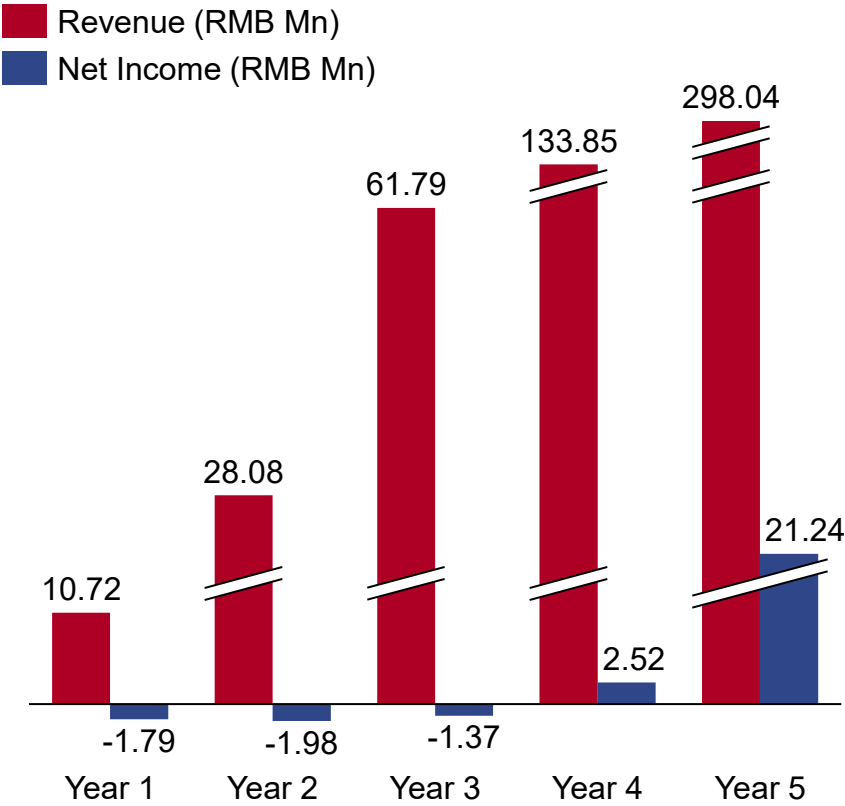
Key Financial Assumptions

Parameter	Assumptions	Rationale
SME Client Growth	Year 1: 47.5 → Year 5: 760 (Annual doubling)	Addressable market: ~100,000 SMEs in Sichuan
Bulk Distribution Revenue	15% (Y1) → 17% (Y5) of transaction value	Aligns with industry benchmarks for platform fees
Operating Costs	15% revenue (distribution/warehousing) +1% revenue (quality control/insurance)	Based on asset-light operational model
Weighted Avg. Cost of Capital (WACC)	10%	Conservative premium vs. China's 6.5% average*
Salary Inflation	8% p.a.	Buffer above 2025 forecast (5%) for robustness

Financial Analysis Overview

Assessment Year: 5

Investors	Metrics	Value in RMB
	Total Investment	¥8,025,000.0
	Net Present Value	¥3,391,837.5
Business Stakeholders	Internal Rate of Return	16.6%
	Payback Period	4.5 Years
	Avg Gross Margin (%)	6.2%
	Avg Net Profit (%)	3.5%



With a positive margin and asset-light model, HXC targets a 16.6% IRR, signalling strong financial performance.

Income Statement Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	10,721,297	28,079,649	61,789,669	133,849,876	298,041,877
Less: Cost of Goods Sold	(11,781,953)	(29,133,563)	(61,408,450)	(128,357,301)	(268,953,631)
Gross Profit	(1,060,656)	(1,053,914)	381,219	5,492,575	29,088,246
Gross Margin	-9.9%	-3.8%	0.6%	4.1%	9.8%
Less: Indirect Costs					
Sales & Marketing	-	-	-	-	-
General and Administrative	(80,000)	(259,200)	(466,560)	(705,439)	(1,088,391)
Profit before Interest and Tax	(1,785,656)	(1,982,114)	(1,370,181)	2,966,309	24,990,415
Less: Interest	-	-	-	-	-
Less: Tax				(444,946)	(3,748,562)
Net Income	(1,785,656)	(1,982,114)	(1,370,181)	2,521,362	21,241,853
Net Margin	-16.7%	-7.1%	-2.2%	Break Even 1.9%	7.1%
Average Gross Margin (%)	6.2%				
Average Net Margin (%)	3.5%				

Strong growth trajectory with break-even achieved in Year 4 and accelerating profitability thereafter.

Balance Sheet Projection

ASSETS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Current Assets						
Cash	7,500,000	5,924,344	4,152,230	2,992,049	5,723,411	27,175,264
Trade and other receivables		1,786,883	4,679,941	10,298,278	22,308,313	49,673,646
Non-current Assets						
Software Activation	0	525,000	420,000	315,000	210,000	105,000
Total Assets	7,500,000	8,236,227	9,252,171	13,605,327	28,241,724	76,953,911
LIABILITIES and SHAREHOLDER'S EQUITY						
Current Liabilities						
Trade and other payables		1,900,700	4,889,185	10,413,964	21,869,324	45,925,580
Total Shareholder's Funds	7,500,000	6,335,527	4,362,987	3,191,363	6,372,400	31,028,330
Total Liabilities and Shareholder's Funds	7,500,000	8,236,227	9,252,171	13,605,327	28,241,724	76,953,911

Strengthening financial position with accelerating asset growth and improved equity by Year 5.

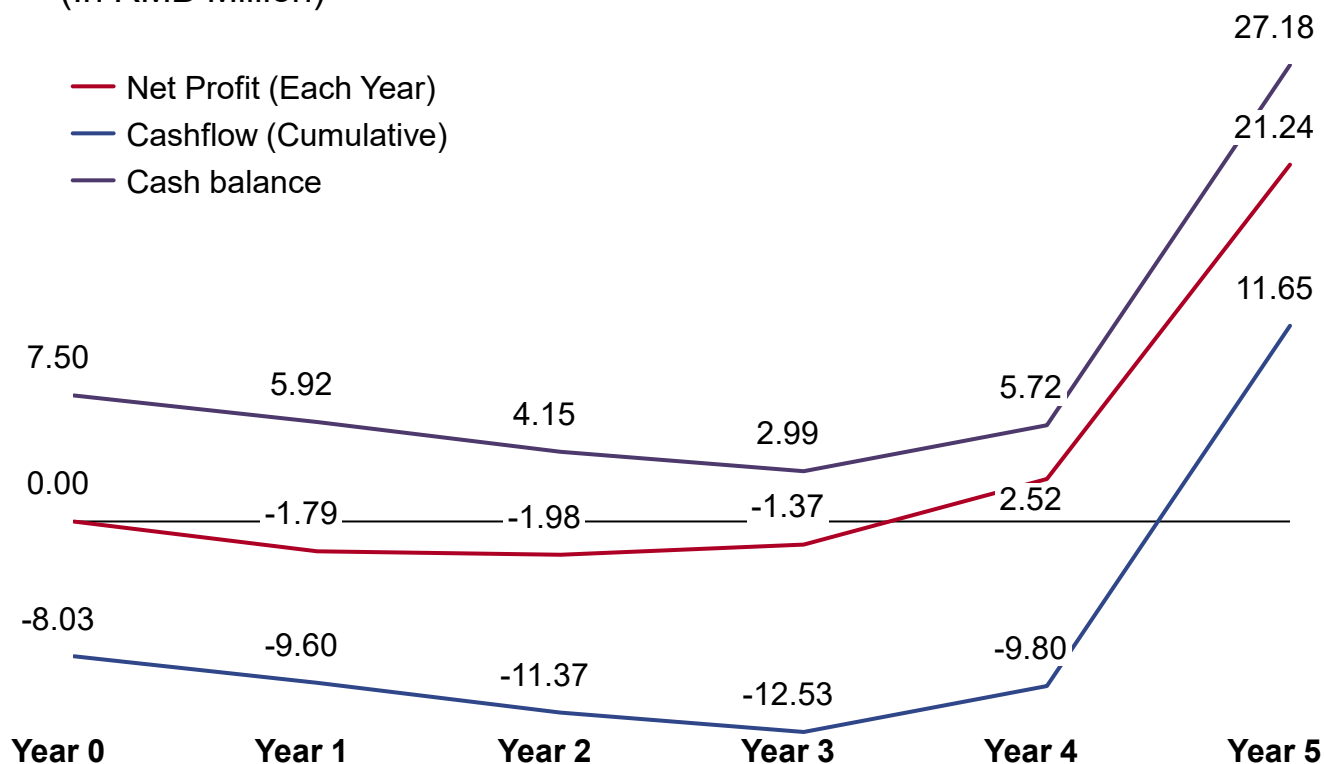
Cash Flow Projection

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Received from Customer		10,721,297	28,079,649	61,789,669	133,849,876	298,041,877
Plus D&A		105,000	105,000	105,000	105,000	105,000
Less Cash Paid for:						
- Direct Cost		(11,781,953)	(29,133,563)	(61,408,450)	(128,357,301)	(268,953,631)
- General and Administrative		(80,000)	(259,200)	(466,560)	(705,439)	(1,088,391)
- Management		(300,000)	(324,000)	(699,840)	(755,827)	(1,224,440)
- Rent		(240,000)	(240,000)	(480,000)	(960,000)	(1,680,000)
- Tax					(444,946)	(3,748,562)
Cash Flow from Operation:	0	(1,575,656)	(1,772,114)	(1,160,181)	2,731,362	21,451,853
Distribution APP	0	(525,000)	0	0	0	0
Cash Flow from Investing:	0	(525,000)	0	0	0	0
Equity issued	7,500,000	525,000	0	0	0	0
Cash Flow from Financing:	7,500,000	525,000	0	0	0	0
Beginning Cash	0	7,500,000	5,924,344	4,152,230	2,992,049	5,723,411
Change in cash	7,500,000	(1,575,656)	(1,772,114)	(1,160,181)	2,731,362	21,451,853
Ending Cash	7,500,000	5,924,344	4,152,230	2,992,049	5,723,411	27,175,264

Positive operational cash flow from Year 4 signals a turning point toward strong liquidity and financial independence

Breakeven Analysis

Net Profit & Cashflow Breakeven Trajectory (In RMB Million)



Analysis of the Key Drivers

- Fast growth in revenue from bulk distribution
- Sufficient initial investment
- Attraction for more and more SMEs as clients
- Economies of scale, with most expenses being relatively fixed

Breakeven to be achieved from Year 4 onwards, with the cumulative cash flow turning positive within 4.5 years.

Scenario Analysis (1/2)

Worst Case Scenario: Revenue down by 10%

(In RMB Million)

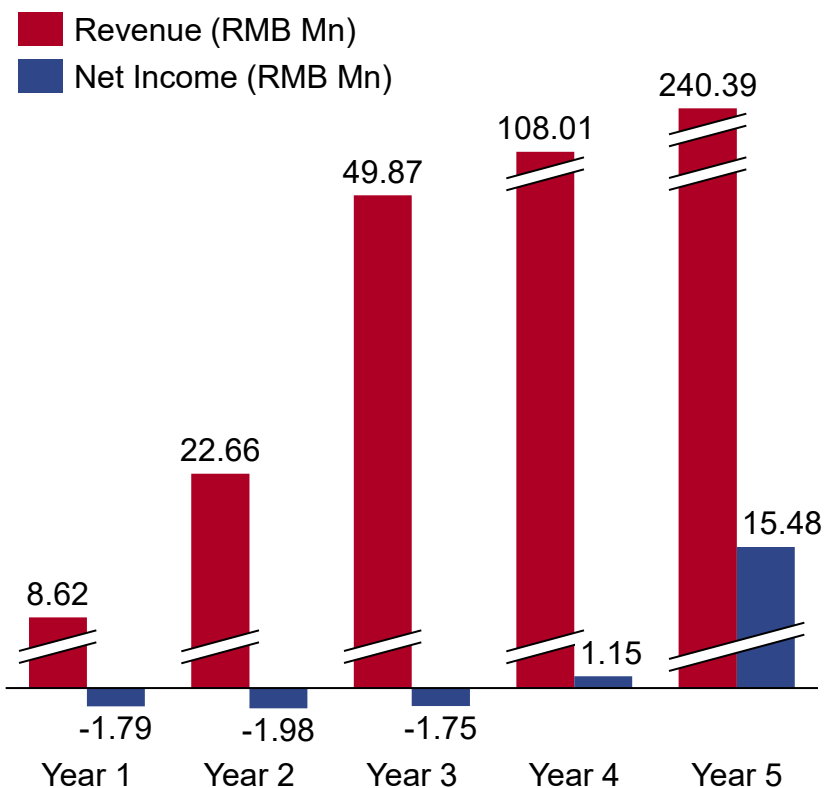
Assessment Year:

5

Metrics

Results

Investors	Total Investment	¥8,025,000.0
	Net Present Value	¥ 988,659.8
	Internal Rate of Return	12.1%
	Payback Period	4.6 Years
Business Stakeholders	Avg Gross Margin (%)	5.9%
	Avg Net Profit (%)	3.1%



Even with a 10% revenue decline, HXC maintains a positive NPV and delivers a 12.1% IRR.

Scenario Analysis (2/2)

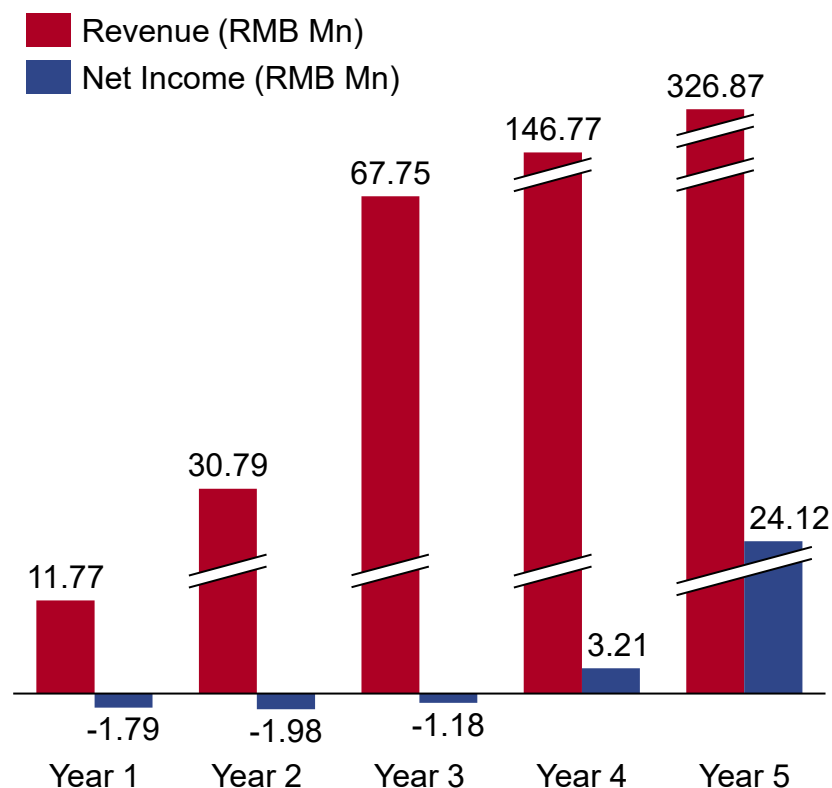
Best Case Scenario: Revenue up by 10%

(In RMB Million)

Assessment Year:

5

Metrics		Results
Investors	Total Investment	¥8,025,000.0
	Net Present Value	¥5,795,015.2
	Internal Rate of Return	20.7%
	Payback Period	4.4 Years
Business Stakeholders	Avg Gross Margin (%)	6.4%
	Avg Net Profit (%)	3.8%



In a 10% revenue uplift scenario, IRR rises to 20.7% with profitability accelerating from Year 4 onward.

Source and Use of Funds

Categories	Initial Capital Requirement	Additional Requirements				
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Distribution APP	¥0	¥525,000	¥0	¥0	¥0	¥0
Office Equipment	¥0	¥0	¥0	¥0	¥0	¥0
Office Equipment (Variable)	¥0	¥0	¥0	¥0	¥0	¥0
Promotional Branding & Marketing	¥0	¥0	¥0	¥0	¥0	¥0
Working Capital Requirements	¥7,500,000	¥0	¥0	¥0	¥0	¥0
Total (Required Investment)	¥7,500,000	¥525,000	¥0	¥0	¥0	¥0

Source of Capital Requirement	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Equity	¥7,500,000	¥525,000				
Loan	¥0	¥0				
Retained Earnings	¥0					
Total (Required Investment)	¥7,500,000	¥525,000	¥0	¥0	¥0	¥0

Initial capital injection of RMB 7.5M is needed, with a modest Year 1 investment in platform development.



Risk Analysis & Mitigation

GIFT

Risk Analysis & Mitigation Measures

	Key Risks	Potential Impact	Mitigation Measures
Financial & Funding	Unpredictable cash flow; Limited access to credit	Inability to pre-finance SME purchases; delayed payment to farmers	<ul style="list-style-type: none"> ▪ Maintain 6-month operating reserve ▪ Establish credit lines with partner banks ▪ Rolling 13-week cash-flow forecast
Market & Price	Competition from other aggregators; Commodity price volatility; economic downturn	Margin squeeze, loss of business, slowdown economic activity and consumer spending	<ul style="list-style-type: none"> ▪ Forward contracts and hedging – manage price & yield risk ▪ Diversify crop mix and off-take channels ▪ Value-added services to lock-in customers
Regulatory	Sudden changes in agricultural or non - government organisations' (NGO's) regulation; Data-privacy requirements	Fines; License suspension	<ul style="list-style-type: none"> ▪ Policy monitoring task-force ▪ Memorandum of Understanding (MOU) with county governments ▪ Data-protection protocols & Legal reviews ▪ Regular Audit
Operational	Natural disasters, crop disease, and logistics breakdown	Supply disruption; Reputational loss	<ul style="list-style-type: none"> ▪ Climate-smart farming ▪ Crop insurance ▪ Diversification across crops & regions to spread risk ▪ Inventory & Contracts – buffer stocks to stabilize supply ▪ Multi-hub logistics network & backup carriers ▪ Partnership w/ Research & Development (R&D) institutions for ongoing R&D and pest controls ▪ Emergency response Standard Operating Procedure (SOP)
Technology & Cybersecurity	Application or block chain downtime; cyber-attack	Transaction delays; Data breach	<ul style="list-style-type: none"> ▪ 24/7 cloud monitoring & DR site ▪ Regular penetration tests ▪ Staff cyber-hygiene training
Human Capital & Governance	Key staff turnover; mission drift	Strategy execution stalls	<ul style="list-style-type: none"> ▪ Rural talent programme & Employee Stock Ownership Plan (ESOP) ▪ Succession plans ▪ Board Risk Committee Oversight

Risk Mapping – Operational & Technology

1 **Risk: Natural Disasters**

Droughts, floods, or pests could devastate crop yields, reducing farmers' output and the company's tradable inventory.

2 **Risk: Crop Diseases**

Outbreaks (e.g., fungal infections) may require emergency interventions, diverting resources and delaying deliveries.

3 **Risk: Logistics Breakdown**

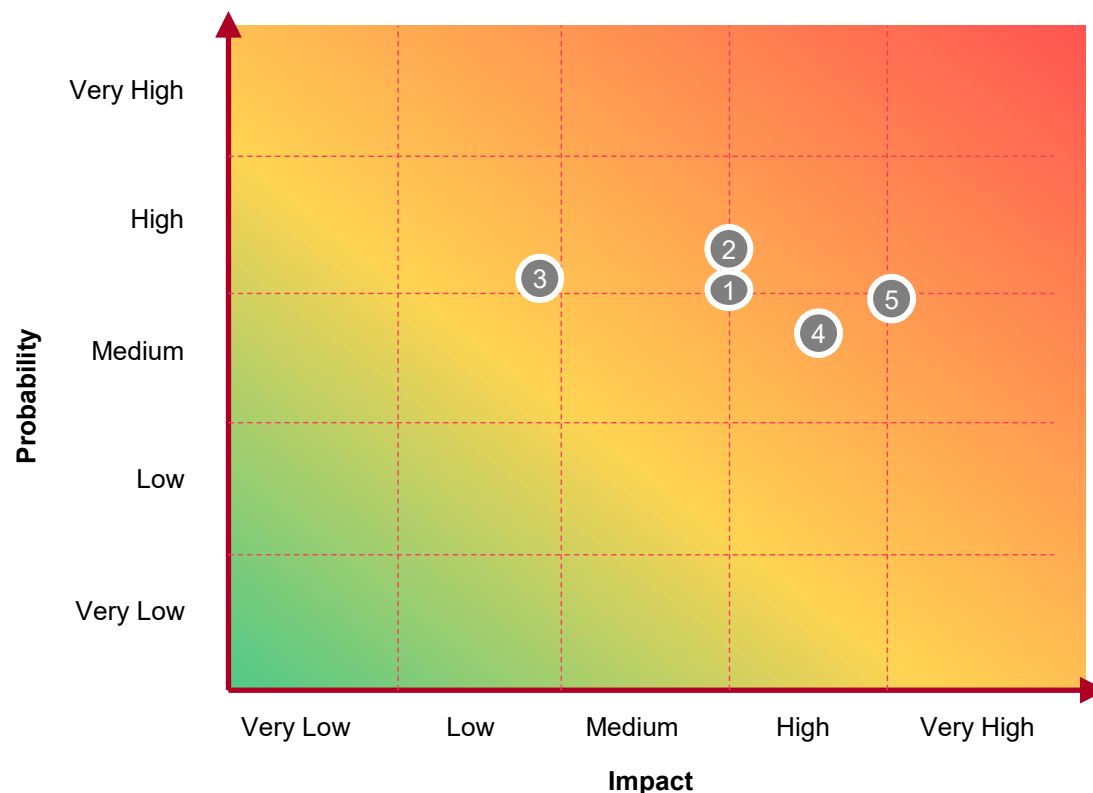
Transportation delays, fuel shortages, or port closures could disrupt supply chains, leading to contractual penalties or buyer dissatisfaction.

4 **Risk: Application or Blockchain Downtime**

Technical failures in the trading platform or blockchain systems (used for transparent transactions) could halt operations, delay payments, or damage credibility.

5 **Risk: Cyber-Attack**

Hacking, ransomware, or data breaches could compromise sensitive financial data, farmer records, or buyer information, leading to financial losses and reputational harm.



Risk Mapping – Market & Funding

1

Risk: Competition from other Aggregators

Existing or new market players may offer lower fees, better technology, or stronger buyer networks, eroding the company's market share and bargaining power.

2

Risk: Commodity Price Volatility

Sudden price drops (e.g., due to oversupply or global market shifts) could reduce profit margins for both farmers and the company.

3

Risk: Economic Downturn

Reduced consumer spending or buyer insolvency during recessions may lead to cancelled orders, delayed payments, or lower transaction volumes.

4

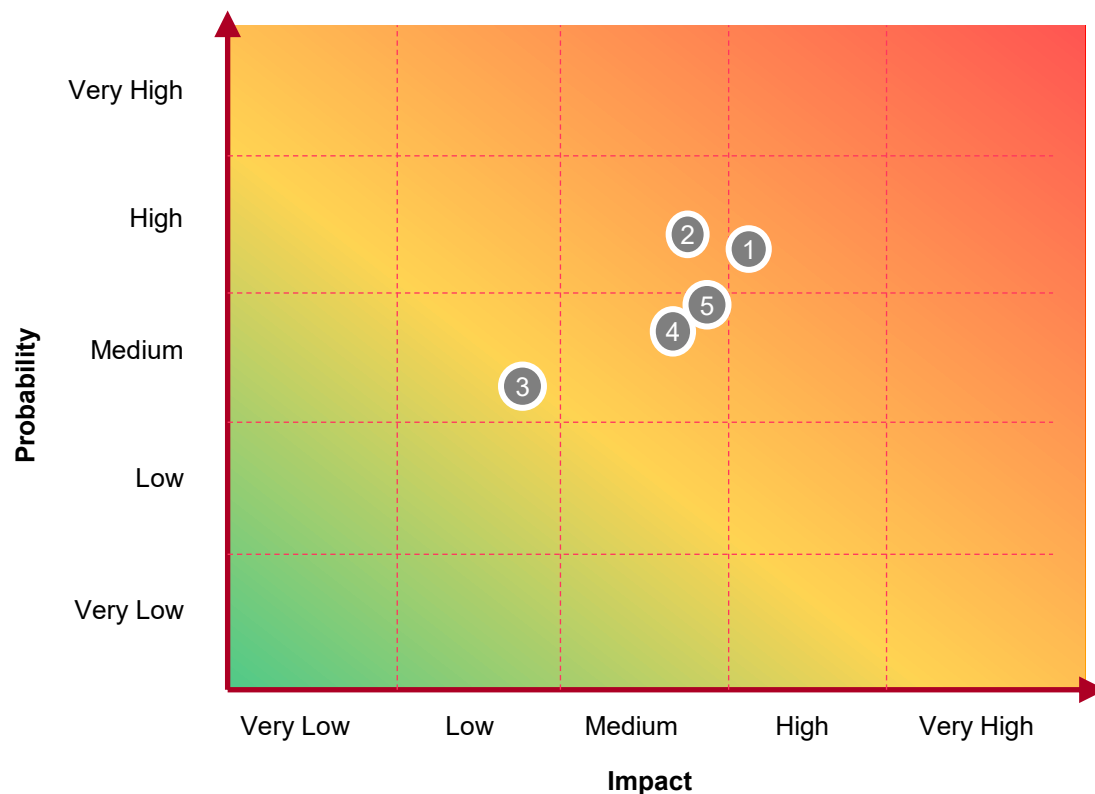
Risk: Unpredictable Cash Flow

Cash flow volatility may arise due to seasonal agricultural cycles, delayed payments from buyers, or fluctuating demand for specific crops.

5

Risk: Limited Access to Credit

The company may struggle to secure loans or lines of credit due to perceived high risks in the agricultural sector, collateral shortages, or restrictive lending policies. This could hinder the ability to scale operations or support farmers during emergencies.



Risk Mapping – Regulatory & Governance

1

Risk: Sudden Changes in Agricultural or NGOs regulations

Governments may impose new export/import restrictions, subsidy cuts, or compliance requirements (e.g., sustainability certifications), increasing operational costs or disrupting trade flows. NGOs' shifting priorities could also affect funding or partnerships.

2

Risk: Data Privacy Requirements

Strict regulations mandate secure handling of farmer/buyer information. Non-compliance could result in fines, legal action, or loss of trust.

3

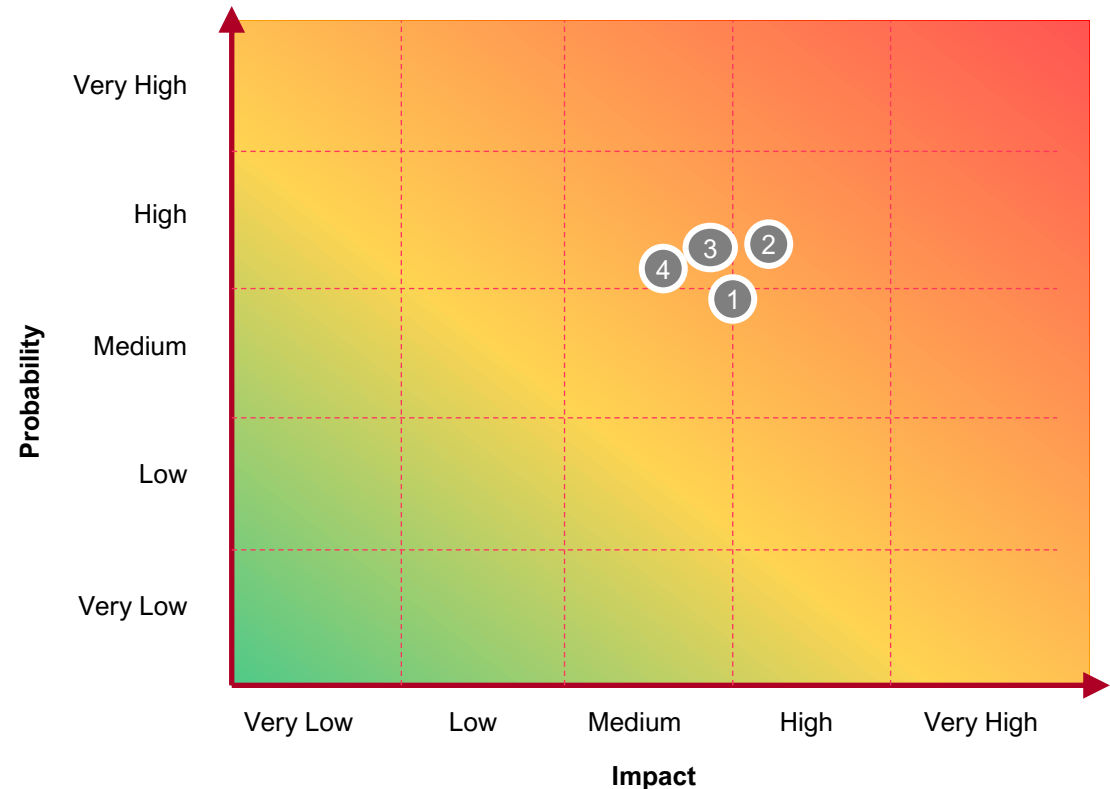
Risk: Important Staff Turnover

Loss of experienced personnel (e.g., consultants, experts) could disrupt service quality, delay decision-making, and strain farmer relationships.

4

Risk: Mission Drift

Difficulties in balancing profitability and social impact, which possibly could alienate stakeholders with different intentions.



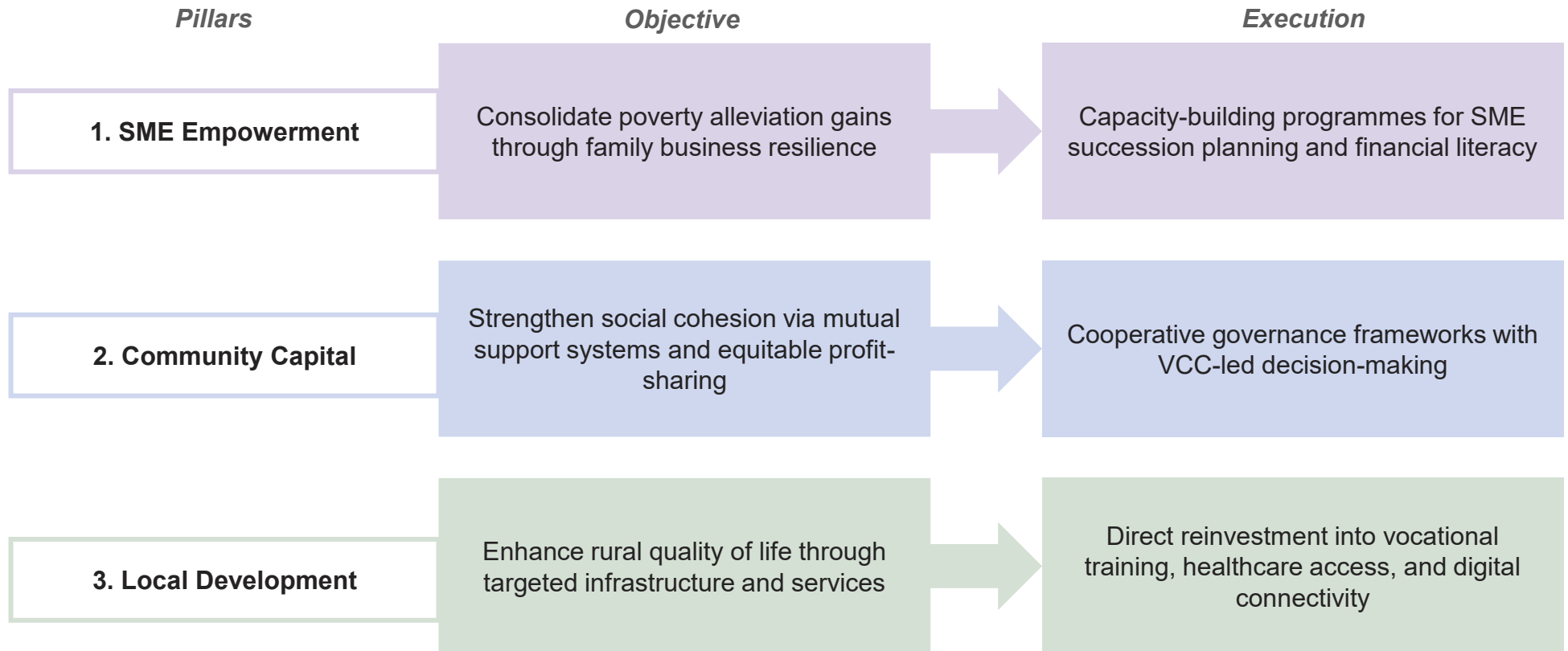


Social Impact Analysis

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Core Impact Objectives

HXC's social mission focuses on **3 pillars of sustainable development**:



Quantitative Social Impact Metrics

Rigorous tracking of outcomes across HXC’s intervention zones

Impact Dimension	Metric	Measurement Frequency
Enterprise Vitality	<ul style="list-style-type: none">• Number of SMEs served & empowered• Increase in SME net profit margins (%)	Biannual survey + financial audits
Household Prosperity	Average annual income per capita (covered rural population)	Annual census sampling
Agricultural Output	% increase in annual agricultural production	Harvest season reporting
Gender Equity	% women-led SMEs accessing premium markets	Quarterly platform analytics

Impact Verification Framework

Methodology

- **Field Validation:** Haihui conduct household interviews (10% sample rotation)
- **Data Triangulation:**
 - Financial records (profit margins)
 - Government yield reports (production)
 - Platform transactions (market access)

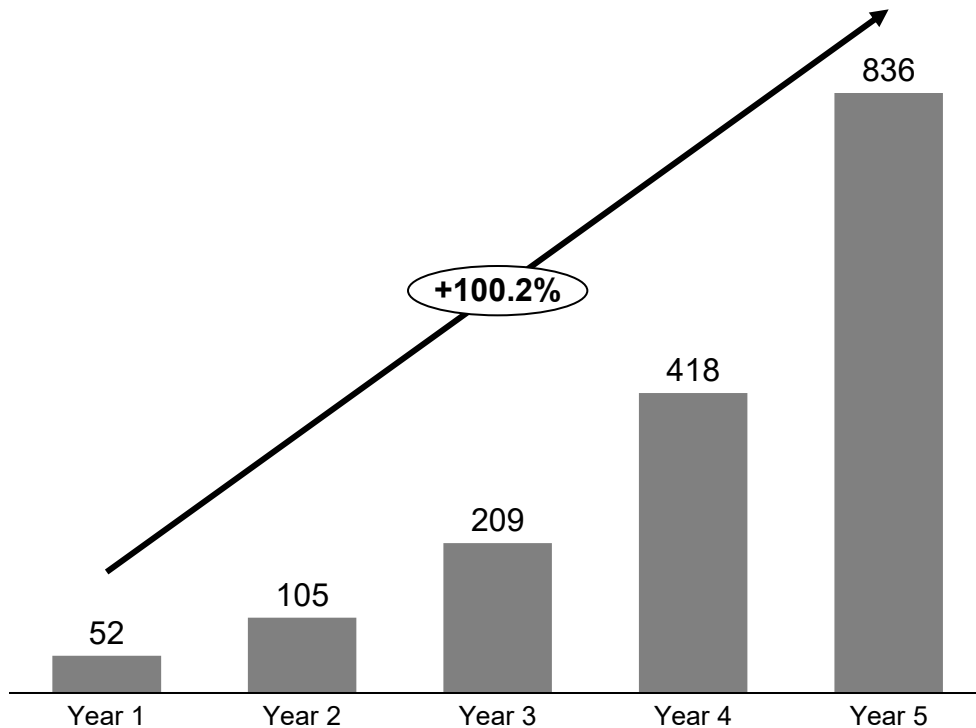
Reporting Transparency

- Public impact dashboard integrated into *Fortune Panda*
- Annual third-party audit

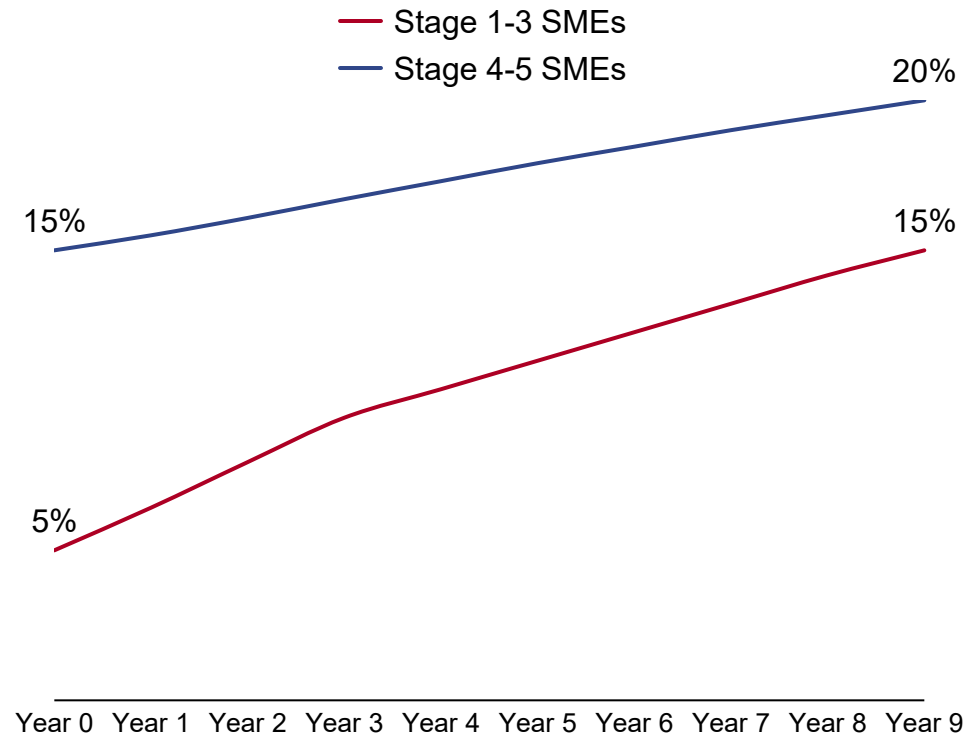
Robust, data-driven impact tracking ensures transparency and accountability across all social outcome dimensions.

Measuring Social Impact (1/2)

of SMEs Served



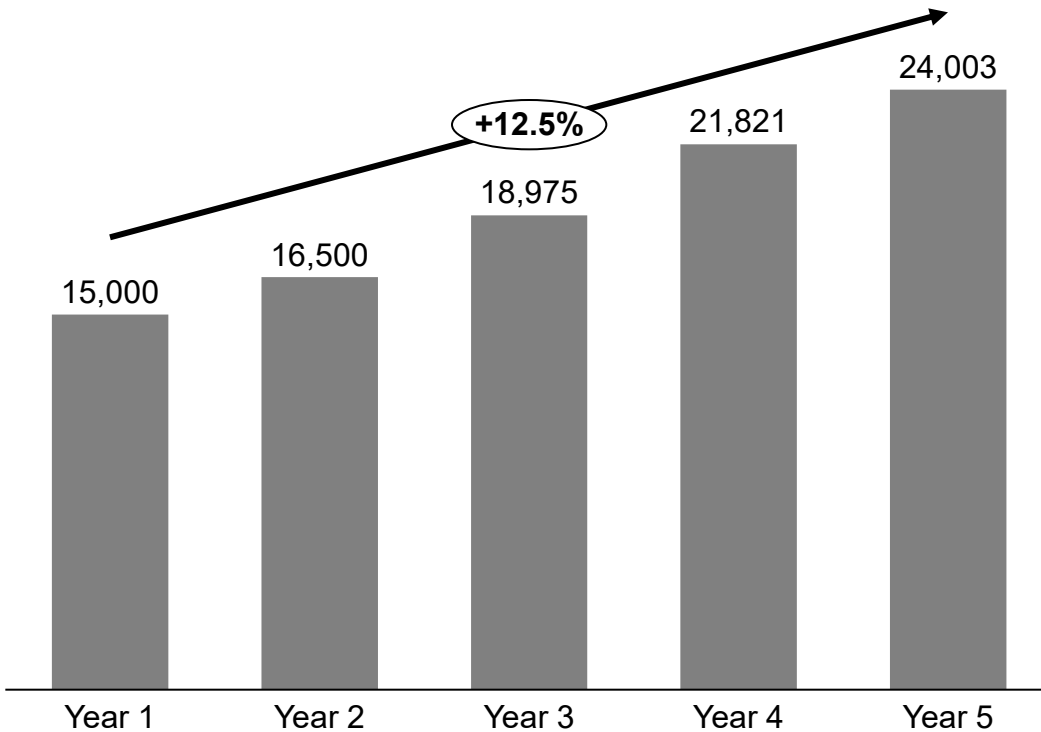
Increase in Net Profit Margin of SMEs



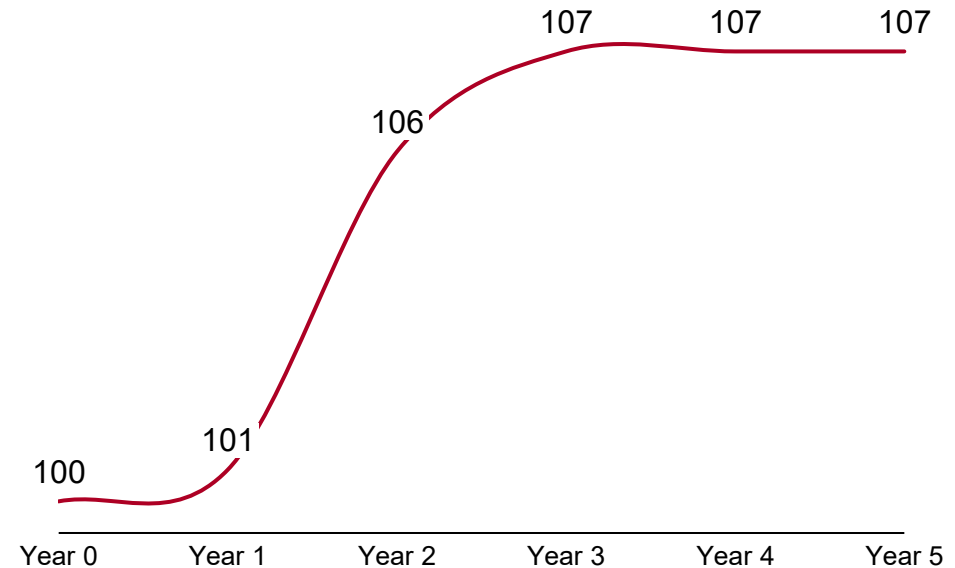
Over 800 SMEs empowered by Year 5, with sustained profit margin growth across all development stages

Measuring Social Impact (2/2)

Average Annual Income per Capita for Rural Population Covered (In RMB)



% Increase in Annual Production of Agri-Products (Indexed, Year0=100)



12.5% average annual increase in income from Year 1-5, with agricultural output stabilising at a 7% gain from baseline.

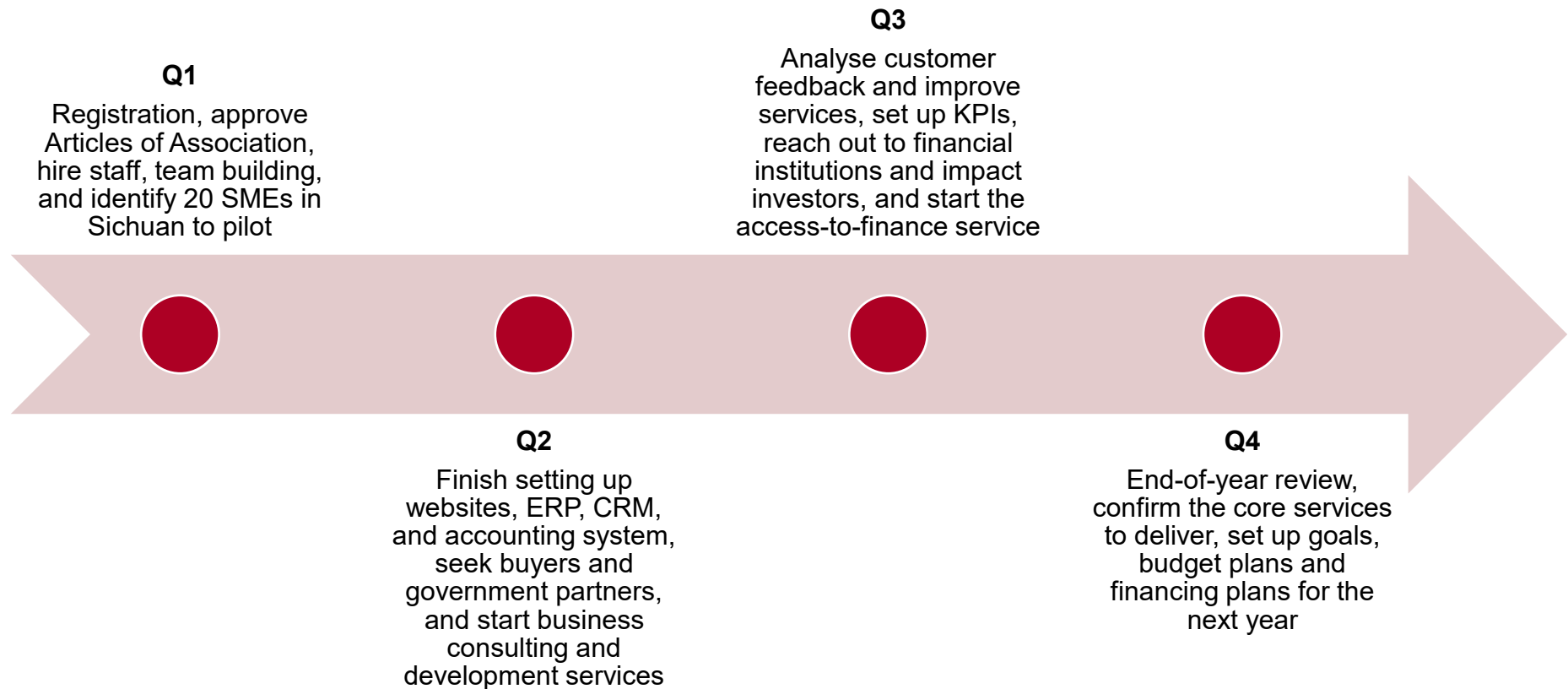


Implementation & Next Steps

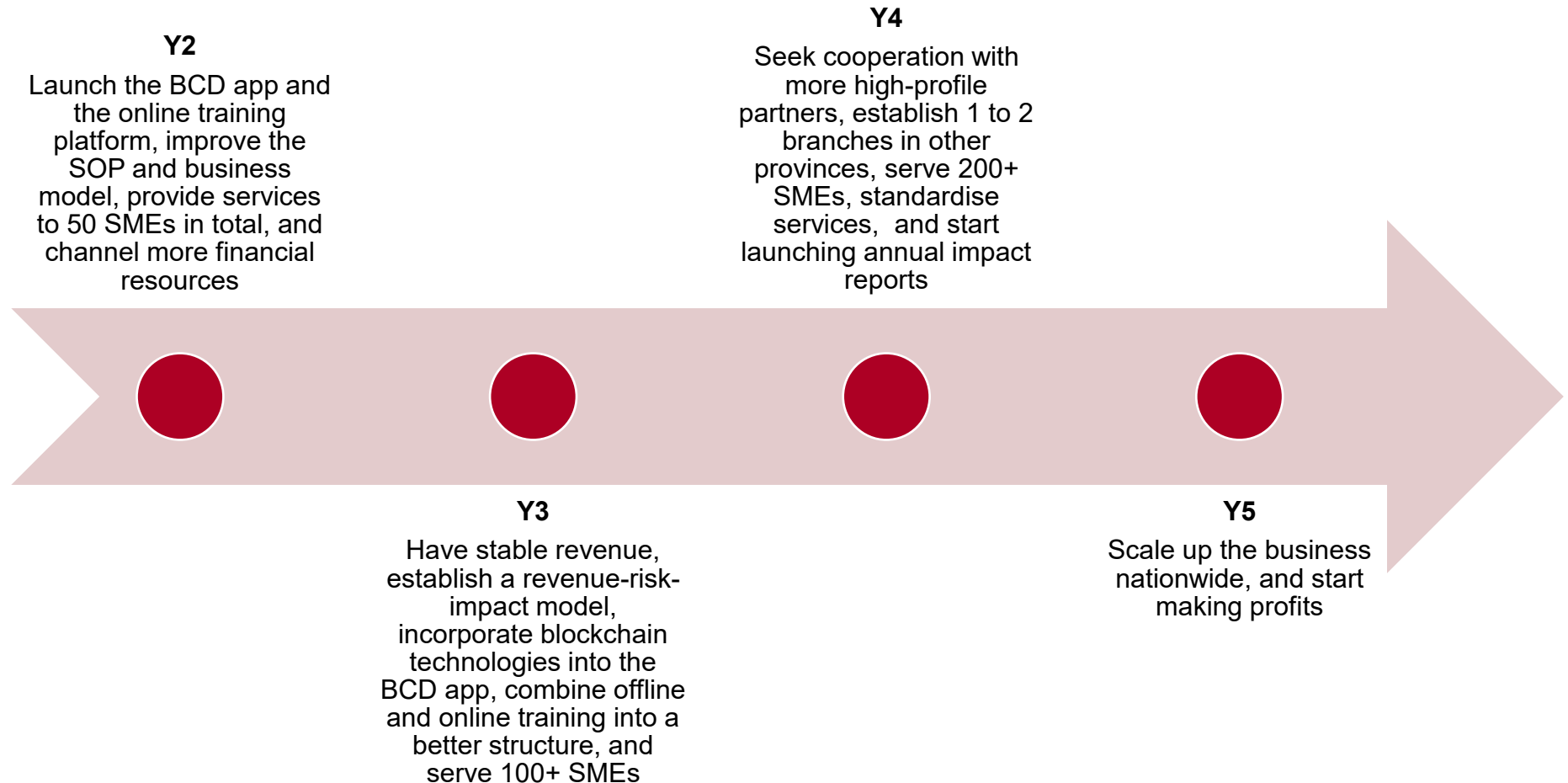
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Implementation Timeline: Year 1

Focus on validating the business model, identifying the niche, building a network of clients and partners, and setting up the SOP.



Implementation Timeline: Year 2-5



只建设好，
之后接续

Annex

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Acronyms

Acronym	Full name	Description
MSMEs	Micro, Small and Medium-sized Enterprises	These are businesses that are generally defined by a combination of factors, including the number of employees, annual revenue, and total assets, and are further classified into micro, small, and medium categories. The definition varies by industry, with different thresholds for each.
VCC	Village Corporate Collective	In China, "village corporate collective" (村集体经济, cūn jí tǐ jīng jì) refers to a system where a village entity, often a village committee, manages and controls collective assets, like land and infrastructure, for the benefit of the villagers. Key features include collective ownership, economic function, villagers involvement, modernisation and development.
GIFT	Global Institute For Tomorrow	The Global Institute For Tomorrow is an independent pan-Asian think tank , committed to purposeful leadership learning and partnering with our clients to help them unlearn conventional wisdom and unleash organisational potential to redesign society.
Haihui	Sichuan Haihui Poverty Alleviation Center	The Sichuan Haihui Poverty Alleviation Service Center is a Chengdu-based nonprofit organisation dedicated to rural revitalisation, poverty alleviation, and the sustainable development of rural communities.
HXC	Huixiang Chuang	HXC is a commercially viable entity proposed in this business plan, designed to drive social value for rural SMEs and address China's rural revitalisation challenges. Partnering with Haihui NGO and Village Collective Cooperatives (VCCs), HXC delivers three core services: Bulk Distribution (via the Fortune Panda digital auction platform), Tailored Finance Access , and Business Capacity Training .
SOP	Standard Operating Procedure	A set of step-by-step instructions to ensure consistency and quality in operations.
ERP	Enterprise Resource Planning	A software system that integrates core business processes such as finance, HR, supply chain, and procurement.
CRM	Customer Relationship Management	A system for managing a company's interactions with current and potential customers, often used to improve sales and service.

Detailed Financial Assumptions

All figures based on verified assumptions from 5-year business modelling

• SME Growth

- The key financial assumption is the growth of the SME targeted to use the bulk distribution app:
- Start in the first year just slightly below 50
- Double every year until year 5 to 760 SME in Y5. (Reasonable assumption: SME Sichuan approx. 100.000)

	Y1	Y2	Y3	Y4	Y5
Bulk Collection + Distribution (BCD)					
#SME's using bulk collection + distribution	47,5	95	190	380	760

• Revenue and Cost of the bulk distribution app

- From year 1 to year 5, the revenue is assumed to increase from 15% to 17%
- Distribution/warehouse services are assumed to be stable at 15% of revenue
- Additionally, 1% are included as an additional cost factor for quality control, insurances, etc, besides the direct operation cost

• Profitability and Business Model

- The activities from Financing fees and management consulting are not the main activities of the company – they serve as a funnel for the distribution app, but are still profitable though.

• Key Financial Indicators

- For the NPV, the assumption of 10% weighted average cost of capital (WACC) was used. This is significantly more than the usual WACC of Chinese companies of 6,5%, but seems reasonable due to the higher risk involved*
- Economics for salary increases are assumed to be steady YoY at 8%. This is slightly higher than the current expectation for 2025 of 5%, but was used for robustness

• Shareholders' equity and cash flow

- The recommended capital injection of ~8 Mio. CNY is needed to not falling short in cash. Especially in year 3, it is expected to scale up, but still with a negative profitability, the equity is expected to shrink to around 3 Mio CNY.
- This avoids a shortfall if the market increases, delays and increases robustness. Since the current IRR is at 16,6% and the company is a social enterprise, the internal return rate is still at a very high level.

Human Resources Estimations

Staffing to start with 9 employees, increasing to 70 employees in Year 5

Role	Y1	Y2	Y3	Y4	Y5
#Staff for BCD: CTO + COO (+ Backoffice Staff)	3	5	6	10	15
#Advisors	3	5	10	19	38
#CEO (Managing Director)	1	1	2	2	3
#Backoffice Staff	1	3	5	7	10
#Finance Expert (inc. CFO)	1	1	1	2	4
Total #Staff	9	15	24	40	70

Financial Assumption Breakdown (1/2)

Bulk Collection + Distribution (BCD)					
Market assumptions					
#SME's using bulk collection + distribution	47.5	95	190	380	760
Annual productivity increase		0.05	0.015		
Annual economics		0.05	0.05	0.05	0.05
Revenue per SME	3455000	3800500	4047532.5	4249909.125	4462404.581
Share of traded goods	0.3125	0.5	0.5	0.5	0.5
Spending					
App Development	525000		200000		
Admin Expenses	63000	84000	84000	84000	84000
<i>#Staff for BCD: CTO + COO (+Backoffice)</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>10</i>	<i>15</i>
Remuneration Admin Staff	240000	400000	480000	800000	1200000
Logistics + Warehousing fee (15%)	10526953.13	27078562.5	57677338.13	121122410.1	254357061.1
SG&A (1%)	701796.875	1805237.5	3845155.875	8074827.338	16957137.41

Financial Assumption Breakdown (2/2)

Management Consulting + Services

Market assumptions					
#SME's consulted	47.5	95	190	380	760
SME's annual revenue increase	0.05	0.05	0.05	0.05	0.05
#SME's per Consultant	20	20	20	20	20
Spending					
<i>#Consultants</i>	3	5	10	19	38
Remuneration of consultants	450000	750000	1500000	2850000	5700000
<i>#CEO</i>	1	1	2	2	3
Remuneration CEO	300000	300000	600000	600000	900000
<i>#Facilities</i>	1	1	2	4	7
Admin - Facilities	240000	240000	480000	960000	1680000
Admin - Mobility (80% of Remun)	360000	600000	1200000	2280000	4560000
<i>#Backoffice Staff</i>	1	3	5	7	10
Remuneration Backoffice Staff	80000	240000	400000	560000	800000

Financing Activities (Cash Advance + Loans)

Market assumptions					
Number of SME get financial support (10%/15%)	4.75	9.5	19	38	76
Financial loan per SME (3x revenue)	3455000	3800500	4047532.5	4249909.125	4462404.581
Spending					
<i>#Finance Expert (incl CFO)</i>	1	1	1	2	4
Remuneration Finance Expert	100000	100000	100000	200000	400000

Expense Assumption Breakdown

HR		
Role	Annual Costs (CNY/Y)	
Consultant	¥	150,000
Admin	¥	80,000
Finance	¥	100,000
CEO	¥	300,000
Facilities		
Office	¥	240,000
SMEs		
Current State	Customer Share	Revenue
Stage 1 and 2	0%	¥ 100,000
Stage 3	0%	¥ 300,000
Stage 4	10%	¥ 1,250,000
Stage 5	90%	¥ 3,700,000
Average		¥ 3,455,000
RnD Cost for App		
Platform Design & Development:	¥	400,000
User Management	¥	50,000
Payment Gateway Integration	¥	75,000
Total Invest	¥	525,000
Cloud Hosting & Infrastructure per year	¥	50,000
Blockchain Integration	¥	150,000
Training & Support Tools	¥	50,000
Total Invest	¥	200,000

Eric Stryson

Managing Director –
Global Institute For Tomorrow (GIFT)

estryson@global-inst.com
(852) 9736 5595



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on [WhatsApp](#):



Taiyong Chen

Founder & Executive Director –
Sichuan Haihui Poverty Alleviation Center
四川海惠助贫服务中心

taiyong@haihui.org.cn
(86) 28 85373997



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