

## ANNOUNCEMENT ON NFM GROUP'S NAGA CITY PROJECT

### Overview of NAGA CITY Project

NAGA CITY is a comprehensive cultural tourism brand with independent copyrights obtained by NFM and is a cultural operation section based on its cultural copyright and operating model. It is based on cultural IP implantation, media operations, event operations, marketing, and business Services that serve and collaborate with cultural tourism projects in China and overseas. Presently, China has started to pay attention and popularize the use of containerized building models. NAGA CITY will form as the leader of China's fabricated cultural tourism projects in the future if this project is implemented successfully.

### Business Model and Source of Revenue

The business model adopted by NFM's NAGA CITY is to carry-out NAGA CITY's brand authorization and cultural operation cooperation. These is to cooperate with domestic and foreign cultural tourism project's owners and investors in project planning and implementing to operating in accordance to the project needs, the NAGA CITY brand will be entrenched with conceptual planning and design as well as media and event operations.

NFM will be able to collect fees from NAGA CITY brand authorization; consulting in planning, implementing and operating; and media & advertising business in NAGA CITY. NFM will also negotiate with the participants of the project on the operation profit sharing scheme.

### Roles and responsibilities of the Company

Roles of NFM are to safeguarded the NAGA CITY branding and its regulations. NFM is responsible for the project's brand implantation, conceptual & promotion planning, and design and coordinating with the local government relating to the project matters.

### Project Progress and its Status

In 2018, NFM, China Hong Kong Construction Company, Zhongliang Holdings and Fuhua Cultural Tourism had entered a memorandum of understanding for the development of cultural tourism projects in Longquan, Zhejiang Province of China. An agreement between all parties was signed with the Longquan Municipal Government of Zhejiang Province, and a press conference was held in Beijing. The original plan was that NFM would start to mobilize the project in early 2019 with the project branding, cultural IP and pre-operation services, preliminary project planning schemes, and government matters coordination. China Hong Kong Construction, Zhongliang Holdings, and Fuhua Cultural Tourism would jointly fund the construction of the project. The first phase of the project was expected to be completed and in operations by second quarter of 2020. However, since the end of 2018, China's real estate industry had experienced market downturn and banks had tightening the project funding, it had resulted that the investment funds from China Hong Kong Construction, Fuhua Cultural Tourism, and Zhongliang Holdings could not be in place for the project. Hence in 2019, after negotiation with the city government

and all parties, the project was put into suspension until the funds are in place to initiate the development.

In 2019, NFM did not foster NAGA CITY conceptual project due to the outcome of Longquan project. In 2019, China Sino-American Huaer Holding Group (“CSA”) started its provincial key cultural tourism project in Dan County, Heze City, Shandong Province of China, is named as The Fulong Lake Tourism Resort, which covers a total area of 58.93 square kilometres of which 21 square kilometres is lake and it will be developed by four phases. In 2019, China Sino-American Huaer Holdings Group and NFM signed a cooperation agreement to officially introduce NFM's NAGA CITY brand and operation. NAGA CITY Rubik's Cube World is expected to cover development area of 7.5 acres and the estimated investment is RMB70 million (AUD14.92 million). NFM is responsible for the NAGA CITY brand authorization, advertising and media activities operations of this project and CSA is responsible for the investment fund, and NFM will get 41% of NGACITY Rubik's Cube World's operating profit. At present, CSA's Fulong Lake Tourism Resort project has completed its project boundary survey and preliminary land levelling has begun. Construction is expected to start in June 2020. The first phase of the construction is expected to be completed in 15 months and in operations by September 2021.



Conceptual drawing of NAGA CITY project



Land boundary survey and levelling (pictures taken in December 2019)

### Project Risk Summary

The NAGA CITY project is a long-term development project. From the concept planning to the start of operation, depending on size of the project, it will usually take a duration of at least 18 months to two years to complete.

**Policy Risk:** The Chinese government might change policy of the cultural tourism industry before the construction of the project is completed. A close monitoring on the policies is needed by the Company

**Project Funding Risk:** NAGA CITY is a long-term project, if under any circumstance that the investment is not ready and not on-time to be injected, it will slow down the progress and jeopardize the completion timetable of the project.

**Epidemic Outbreak Risk:** If any epidemic outbreak declared by the federal or state government, it will severely affect the visiting consumers and shutdown of facilities until further notice by the authority.

#### Signed Material Contracts

Zhejiang Longquan City Xianxia Town Cultural Tourism Development Agreement signed by Longquan Municipal Government, China Hongkong Construction and NFM on 21 June 2018. NFM had made announcement to NSX on 28 July 2018.

China Sino-American Huaer and NFM's signed "NAGA CITY Rubik's Cube World Cooperation Contract" of Heze Fulong Lake Tourism Resort project on 13 December 2019 in Beijing China.

NFM GROUP



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