

Dear Ingrid

Since the outbreak of the new crown virus in China and around the world in January 2020, governments in China and around the world have successively introduced a series of epidemic prevention and control policies, including but not limited to "city closure", "road closure", "Traffic control" and "delayed resumption of work" have caused restrictions on the movement of people and interrupted the company's established production plans and arrangements. The daily operation and cash flow of an enterprise are also affected to varying degrees.

The original Beijing announced on May 25, 2020 that the high risk was reduced to a low risk, which means that the company can gradually resume office. However, on June 3, 2020, Beijing discovered the new crown epidemic, and the number of infected people increased rapidly. Beijing once again became China's In the hard-hit areas of the epidemic, this has caused our original work plan, including the compilation and disclosure of the 2019 financial report and the convening of the general meeting of shareholders, and the resumption of operation and development of the company's various business sectors have to be adjusted and delayed again.

**Regarding the impact of the epidemic on the company's financial reports:**

Regarding the 2019 financial report, due to the outbreak of the epidemic, China and various countries around the world have been gradually blocked, so that audit agencies cannot collect documents on site. We originally planned to submit, summarize and audit the relevant originals by domestic express and international express. However, domestic express and the international express mail was postponed and closed in batches during the peak of the epidemic, and the summary and review of the financial report data could not be completed on time.

As the epidemic slowed down in May 2020, we restarted the exchange of financial audit information. However, due to the extended mailing time of international express mail due to the epidemic, it became very difficult to submit and supplement materials. As the epidemic in Beijing became severe again in June 2020, we had to stop related work once again, and the company continued to keep trading suspended. With the recent delay of

the epidemic in Beijing, the company has resumed work. We will strive to quickly complete the audit and disclosure of the company's 2019 financial report during the period when the epidemic eases. Strive to complete the submission for disclosure in August 2020.

**Regarding the impact of the epidemic on the company's shareholders meeting:**

Due to the impact of the COVID-19, the company is unable to convene an annual general meeting of shareholders to make decisions on the spot. We have tried to use other off-site methods to convene general meeting of shareholders, such as convening a general meeting of shareholders through the Internet or voting online.

However, it has been found through testing that some shareholders who are not familiar with the operation of the Internet or inconvenient to use the Internet to express the opinions in the general meeting, therefore, we have to postpone the time of the general meeting of shareholders until the epidemic situation in Beijing and other places is stable and non-isolated business interactions can be conducted, We have to postpone the time of the shareholders' meeting until the non-isolated business interaction can be conducted in Beijing and other places when the epidemic situation is stable. Therefore, the company will make reasonable adjustments and notifications according to the development of the epidemic situation and propose to hold the annual general meeting in August 2020.

**Regarding the impact of the epidemic on the company's business sectors:**

NFM GROUP is based on new media and has also involved in new media, advertising, event performing arts, cultural tourism real estate, technology entertainment, and catering service industries. Looking at the overall business sector, the epidemic has been greatly affected. The business segment operated is also the hardest hit by the epidemic situation in the overall macro industry.

**1. New media, advertising, event performances**

A large number of brand projects have been shelved and postponed, and advertising and marketing cooperation has been affected. Brands and enterprises that should have launched marketing in the first quarter after the year. Factors such as postponed

resumption of work due to the epidemic, limited production and life, and other factors have a direct impact on the marketing schedule. Therefore, many advertisers will choose to suspend marketing plans.

Affected by the epidemic, the number of people going out of the house has dropped sharply, which has greatly reduced the value of outdoor advertising in places such as buses, subways, and shopping malls. Moreover, the real estate, catering, tourism, film and other industries most affected by the epidemic are also the main customers of outdoor advertising. Under the impact of the epidemic, the advertising demand of most advertisers has declined, and advertising investment has also decreased. Because of the impact of the epidemic, consumer market demand has dropped significantly, the value of a large amount of advertising resources has decreased, and the conversion effect has also been greatly reduced. In this case, it is reasonable for advertisers to reduce their budget. Offline marketing activities that focus on road shows, pop-up shops, salons, summits, cultural performances, etc. will be affected or cannot be held.

The development direction of the media sector, affected by the epidemic, we have re-adjusted our media output strategy, and will start a new type of cross-industry marketing model that is social marketing + e-commerce marketing model deepening. The epidemic restricts people's travel and puts everyone's attention on TVs and mobile phones. Social marketing with emotional connection has begun to shine. Coupled with offline marketing decline, e-commerce plays an indispensable role as a sales platform away from dense crowds. Social marketing overlay e-commerce is expected to burst out new vitality. We will readjust our media output strategy to open a new type of industry marketing.

## **2. The impact in cultural tourism sector**

Under the impact of the new crown epidemic, domestic scenic spots were closed in response to relevant requirements. All projects under construction that have been suspended. The traffic embargo and quarantine testing of the epidemic prevented the company's staff from going in and out, and our company had to suspend several cultural and tourism projects that had already cooperated to wait for relevant notices to resume work. However, such a suspension allows us to find the direction of the future development of cultural tourism. With the advent of a new consumer era with the current

personalization and digitalization as the background, the tourism industry has also entered an era of diversification and individualization. The model is social marketing + e-commerce marketing model deepening.

From cultural experience tours, country house tours, leisure vacation tours, ecological harmony tours, urban shopping tours, industrial heritage tours, research knowledge tours, red education tours, health and sports tours, cruises, yacht tours, and self-driving RV tours, these are many brand-new models that we have emerged. In fact, for our future operating scenic spots, if we want to achieve full-time, all-season, and full coverage in the future, it is bound to carry out a new round of upgrading and transformation of the operating model. In the overall development of cultural tourism in the future, we will use the community building industry as the basis, from brand operation and maintenance to the construction of a business model to complete the brand-new section we will cooperate with. Create new consumer content for the cultural and tourism industry and develop towards quality and diversification.

### **3. The impact of the food service sector**

The COVID-19 epidemic has the characteristics of strong suddenness, rapid spread across the country, wide coverage, and coincides with the Spring Festival catering golden week. In order to fight the epidemic, a large number of catering merchants across the country have actively or passively suspended operations, and the number of people going out for dinner had plummeted. According to relevant statistics, during the epidemic, 93% of catering companies in China chose to close their stores. Among them, 73% of the companies closed all their stores; 8% of the companies closed more than 80% of their stores; 7% of the companies closed less than half of the stores; only 7% of the catering companies were group meals or single store and continue to carry out maintenance operations.

Our quick-frozen meals have not been spared, the epidemic also brought us great challenges and difficulties. During the epidemic, the cost loss costs of our catering sector included the loss of expired storage products, cold storage and labor costs and other fixed loss costs. With the severe outbreak, the cost of food delivery also increased, mainly due to the decrease in the number of resident takeaway orders during the epidemic; the control of the outsiders, including the delivery personnel, in each community during the

epidemic prevention and control is strict; at the same time, the takeout delivery platform. The commissions rate has increased.

Despite the difficulties, we still have our vision and confidence in the future market of the company's brands and products. The reason is that under the epidemic, China's catering consumption habits have to undergo a transformation and upgrade, and the safety of food ingredients will become the basis for the next round of catering survival. The ingredients can be traced and the major brands of ingredients will become the focus of survival and competition in the next round of catering. Rest assured that restaurants will win customers' first choice. The ingredients of our products are traceable, and each one has been accredited by CNAS international mutual recognition. Safety, deliciousness and nutrition are the core of our products. This is also the reason why our performance has gradually increased steadily as the distribution is unblocked. We believe that following the epidemic, the catering industry is more prone to "retaliatory growth", and our catering sector will surely create better revenue for our group by then.

#### **4. About the development of business model restructuring and merger**

With the development of the epidemic, the Chinese government and the China Securities Regulatory Commission have recently expressed support for listed companies to promote mergers and acquisitions during the epidemic, because in the Chinese market, growth potential is always the most important factor in valuation. If the decline in performance is due to short-term demand lag, after the epidemic is over, the market growth momentum can be restored and accelerated development to a certain extent, so our company will also include matters related to mergers and acquisitions and reorganization in the agenda of the shareholders meeting to find integration higher quality potential enterprises make the Group develop more steadily and profitably.

The old proverb says, "God closed a door for us, and often opened a window." In the same way, a crisis has occurred, and this is an indisputable fact that people all over the world are struggling to face and fight and suffering many losses. However, we also believe that in this global crisis, steadily seizing the opportunity will eventually be realized.

NFM GROUP

Chief Executive Officer

Bowen Zheng



16 July 2020