

ANNOUNCEMENT ON XIQIANDAO FOOD COMPANY OF NFM GROUP PROJECT

Xiqiandao is a food company of NFM Group

Overview of Xiqiandao Nutrition Food Project

Xiqiandao (Beijing) Catering Management Chain Company Limited ("XQD") founded in Beijing in 2018 aiming to be a dynamic cultural food catering company under NFM. XQD has not been in business operation since inception but has been in planning to form an entity in food catering business. XQD has a core mission to be "Being Your Loyal Nutritious Food Butler". Making it safe, secure, delicious, nutritious, healthy and convenient frozen meals are our core value. XQD takes high-quality meals as the core, using internet as the infrastructure to integrate with Chinese culture to forge a new cultural and catering industry ecosystem.

Zuisanxian is the brand of XQD catering business. XQD has standardized strictly on procurement of raw materials, traceability, supervision of the food safety system, segmentation of high-quality nutritional meals and to create star-level nutrition frozen meals. White-collar workers, students, feminine group and elderly people are the best target to be the consumers of XQD who admire food brand, the Company will commit to building a century brand of Chinese nutritional diet brand.

Product series: Main products are snow clams, millet sea cucumbers and nourishing soups. The products are accredited to CNAS internationally recognized standards.





Zuisanxian's products display

Since 2015, the market demand for frozen food industry has officially entered the "mobile internet era". In this "traffic volume is king" era, it is required to provide highly standardized ingredients and catering while addressing personalized needs, not only breaking the demand bottlenecks and meeting the demand for large-scale, process-oriented and standardized materials in the catering industry. On the supply chain area, it has been changing in cold chain progress and product innovation.

The rapid development of cold chain transportation has resulted in tremendous increment of demand in frozen food industry and driven the development of the domestic cold chain logistics market. According to statistics, the scale of China's cold chain logistics market has reached RMB303.5 billion in 18 years and it is expected that the scale of cold chain logistics will maintain an annual growth rate of about 20%.

At present, China's quick-frozen food is divided into three categories; quick-frozen rice and noodle, quick-frozen hot pot ingredients and quick-frozen dishes. Quick-frozen rice and noodle is at a relatively mature stage with large industry scale, obvious advantages of leading brand, and market concentration; quick-frozen hot pot ingredient is in a growth stage whereas these industry is growing faster than noodle and rice, and leading brands are steadily increasing their market shares; quick-frozen dish, a newly emerging category, is in the market development stage and has high potential and will become the next blue ocean.

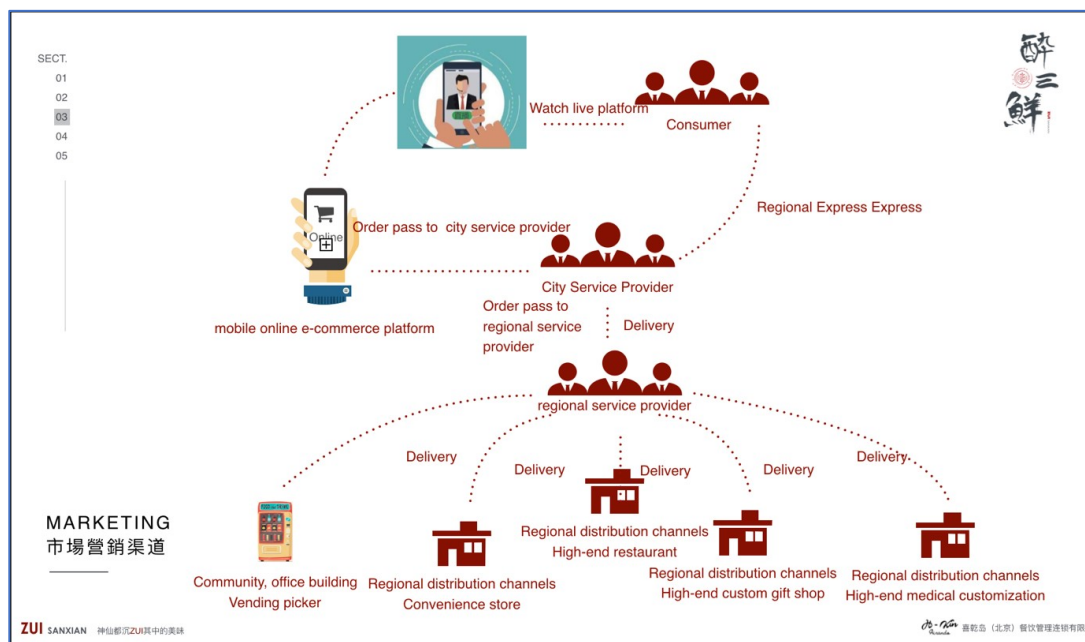
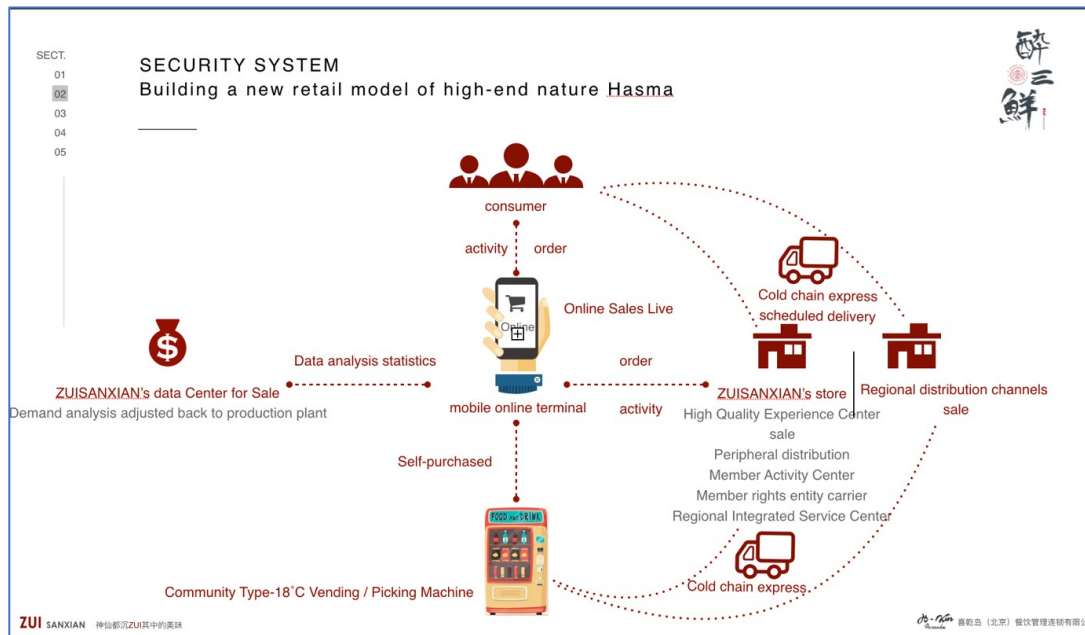
As the forerunner of China's quick-frozen dishes, since its establishment, Qianwei Central Kitchen has maintained its annual transaction scale with profit growth rate of 20% to 30%. In 17 years of operation, its annual sales have reached RMB610 million and net profit is estimated at RMB47 million. The success of Qianwei Central Kitchen has indicated that there is a huge market opportunity for quick-frozen pre-prepared dishes. In December 2018, JD.com and Juwei Food jointly invested RMB100 million in Qianwei Central Kitchen with overall estimated valuation of RMB1 billion that capital market has focused and paid attention on frozen dishes business.

Business models and sources of revenue

NFM, as the major shareholder of XQD which holds 55% of the shares, and has exclusive operating rights for its brand's advertising, marketing and marketing activities. In return for

NFM advertising and marketing, 26% of the sales of XQD's products will be paid as marketing expenses to NFM at a specified time.

After months of planning and development, XQD has finalized its business and operational models as shown in the pictures below and put in test of market in November 2019:



XQD will receive its revenue from production and sales of quick-frozen dishes, advertisement and media on XQD business platform such as company's website and vending machines.



XQD's vending machine

Roles and responsibilities of the Company

XQD is the owner of the Zuisanxian brand and the products' formula. All the products sold are manufactured at its basic cost. XQD supplies products and franchises its brand name to authorized marketers and business partners.

Project Progress and its Status

After many months of research and development and refining, the image of the product brand has been formed, and the preliminary final production procedures of the product was completed in July 2019. On 2 November 2019, the online sales of e-commerce platform were launched to test the market. On the next day, the first batch of products was sold out in less than 24 hours of a total sales of 4,431 boxes with revenue of RMB69,000.

After the Spring Festival in 2020, XQD has intention to sign product's purchase agreements with multiple business partners and sales is expected to grow rapidly in 2020. At the same time, the refrigerated vending machine has been developed. In the second quarter of 2020, XQD will start the nationwide city agency layout and the automatic vending machines will be deployed throughout China with the media advertising operation rights on all vending machines nationwide, which will also be exclusively operated by NFM on new media advertising operation pattern of smart automatic sales + online live streaming.

The Company is working with the 2022 Beijing Winter Olympics Committee to seek approval for Zuisanxian brand being one of the food products in the Olympics venue.



Images of XQD online sales platform

Project Risk Summary

Fluctuation of Raw Materials Risk: Fluctuation in the supply price of the raw materials of the product, which is likely to cause production delays or even stop production to justify its profit margin.

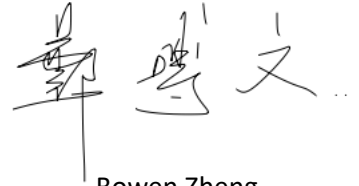
Market Acceptance Risk: In its infancy and market penetration period, products' acceptance by the general consumers is relatively importance to mark the stand in the very competitive market environment which it takes time to refine and to gain recognition.

Operation Funding Risk: Even though this is a cash business especially the sales from the vending machine, XQD will need good funding for working capital and purchase of equipment of its fast business expansion plan to capture a larger market share, it will also reduce project financing cost.

Food Safety Risk: Food safety is very important to gain confident of consumers to continuously purchase XQD's products. Since XQD's raw materials are supplied by third party, there can be a risk if the management of XQD is not handling this seriously with proper procurement procedure.

Epidemic Outbreak Risk: If any epidemic outbreak declared by the federal or state government, it will severely affect the visiting

NFM GROUP



Bowen Zheng

Chief Executive Officer

3.20.2020