

# Executive Summary



After months of negotiations and developments, EARI Tianjin, the former Tian Jin New Pattern BuoLong Film Enterprise Management Co., Ltd, was officially in operation in early June' 2018. As a branch of EARI, EARI Tianjin inherited the contract with Tianjin Binhai Hi-Tech Development District Management Committee to manage the constructed China BOLONG Film & Television Industry Base (the Film Base) Phase I facilities. Before early July, 26 companies signed contracts with EARI Tianjin to locate their operations in the facilities, and our team is working diligently to recruit more companies and businesses. Our operations will move forward to the next level this year and see great improvement financially and operationally next year.

# EARI and EARI Tianjin

## The New Subsidiary of EARI Tianjin

EARI acquired Tian Jin New Pattern Buolong Film Enterprise Management Co., Ltd. in late 2017. The official approval of the acquisition and the business registration in China takes longer than expected, which was delayed by the authentication process at the Chinese embassy and the Tianjin Business Administration offices. In early June' 2018, the registration and name-change were completed and the company of EARI Tianjin was officially in operations as a branch of EARI. EARI Tianjin officially inherited the contract with Tianjin Binhai Hi-Tech Development District to manages China (Bolong) Film and Television Industry Base (the Film Base), including the 1.02 square miles facility with constructed 4,000,000 square feet office spaces and retail and restaurant spaces. By early July 2018, 26 companies have signed the contracts to move their operations to the Film Base. The operations of EARI Tianjin will grow dramatically in the next couple of years.





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### The Film Base of EARI Tianjin

The Phase I of the Film Base, which has been constructed, is divided into three major sections: the headquarters, the commercial zone, and the film production studios. EARI Tianjin is located at the first building of the commercial zone, next to Cameron & Pace Building and adjacent to the studios, a five-star hotel, and hundreds of retail stores, restaurants, bars, movie theater, fitness center, and business centers.



The headquarters has forty-seven stand-alone office buildings, and each building has three-story ground level constructions with a basement and open roof area. Although the size of the building varies, the classical four-side brick exterior design and beautiful landscaping with two ponds and lakeview merge the style of classical western architecture into the natural eastern sense of beauty, which are ideal working spaces for studios, film companies, and other institutions. EARI Tianjin manages the rental, daily maintenance, and all other services of these facilities. *Images show (1) the entrance of the commercial zone where EARI Tianjin*

*office is next to Cameron & Pace Building, (2) the other end of the commercial zone with office buildings and retail spaces, and (3) the buildings of the headquarters.* Currently, all office buildings at the headquarters are rented out. The commercial zone has 26 signed companies. The retail spaces are still in the rental processes. Our sales and marketing teams are working diligently to fill the commercial zone with branded and local businesses. Our financial team is negotiating a contract to develop the Phase II of the film base, which will be 7,200,000 square feet office buildings and retail spaces. Our goal is to become the owner of the entire developed and undeveloped facility because we saw the great potential of media and high-tech productions and the huge Chinese market.



### Operations of EARI Tianjin

EARI Tianjin has three major operational divisions: the Facility Management Division of the Film Base, Business Services Division to provide consulting and management services to businesses and government, and Media Productions Division.



The Facility Management Division of EARI Tianjin will handle the daily operations of the entire facility, including sales, marketing, maintenance, security, transportation, and other services to tenants and businesses. The current operations of the Facility Management Division are focused on the sales of the commercial zone and maintenances of the headquarters. The commercial zone is still on the process of

interior design and constructions, which will take places for a few more months till the signed companies to move in. Based on the process to obtain the local government incentives, each signed company with EARI Tianjin needs to sign a separated contract with the local government and get approved by the Tianjin Binhai Hi-Tech Development District Management Committee, which delays the moving-in processes. EARI Tianjin is negotiating a revised contract with the Hi-Tech Committee to shorten the process as a one-stop-contract with each company and EARI Tianjin will sign the contract with businesses to gain incentives on behalf of the local government. We expect that the commercial zone and office spaces will be fully rented out next year. *Image shows the front of the office building of EARI Tianjin.*

The employees of our Business Services Division are working diligently to integrate our resources and streamline our intelligences globally. The revenues of our Business Services are backed up by the fund of local tax return, which Binhai High-Tech Development District Management Committee guarantees our profit by refund EARI Tianjin 50 percent of the local tax gained from all businesses located in our facility. Our employees think globally to the next level beyond the tax refund: we streamline the production power of the local businesses and build a supply chain platform of media productions. We develop our businesses on two core areas: media production technology and professional education. We gathered the high-tech powers of many disciplines of media production on our platform, including companies like Cameron & Pace, Jim Henson, and Tianjin Dreamland. *Image shows the building of Cameron & Pace next to our office.*





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Our goal is to provide a one-step services to all media production needs for customers in film, animation, gaming, and other multimedia industries. Our employees are constructing our network to streamline the production power and develop our international project management team. Our consulting service employees are working with all affiliated companies, fully understanding the strength and operations of each company, integrating their production powers to our network, and connecting with global customers. Producing qualified professionals to the local companies is our major effort to sustain the businesses locally. We are developing our educational pieces by building professional training center with a collaborative effort of affiliated companies, local



government, and local universities. We have been negotiating with Tianjin University of Science and Technology, enrollment of 26,000 students, to establish a college of media production in our facility. We plan to build a channel for future professionals to develop their professional skills, gain higher education, and practice their talents within our facility. *Images shows the Tianjin University of Science and Technology only a few miles away from our facility.*

Our Media Production Division is still in the planning phase. Currently, we have our own production teams in animation development, 4K Repair, App Development, and Online Marketing. Considering the recent trend in Chinese film industry and Virtual Reality, we temporarily modified our original plan to only focus on specific areas: (1) Animation and media production of small and mid-sized projects, (2) App development and online marketing services, (3) film production services for Chinese film companies to foreign studios and for foreign film companies to Chinese studios, (4) 4K repair services, and (5) promotion and business event services. The educational piece is transferred to the Business Management division because of the size and administrative level of the operation. The funding of film production is temporarily withholding until further assessment of joint-venture film production market in 2018. We are still analyzing on the gaming and music industry and potential collaborations between US and Chinese markets. We are negotiating to purchase more resources in animation, media production, and app development. We expect to move most of our productions, such as our works for Mandela 100 Year Anniversary, to our Chinese teams in the next couple of years.

#### **Financial Expectations of EARI Tianjin**

EARI and EARI Tianjin are still at the phase of restructuring and developing in 2018. Based on the projected revenue of the businesses within our facility, EARI Tianjin will earn a little over \$1 million USD in 2018, which will cover the operational costs of the management team. The rental and management fee will be collected after businesses move into the facility, which will happen later of the year. Next year, the facility management fee, the rental commissions, and related services will generate over 3 million US dollars and remain stable. However, the business



management division will generate over 10 million US dollars annually from the government tax incentives based on the calculation of the local tax refund. Thus, based on our contract with the local government, the Facility Management Division and a portion of Business Services Division of EARI Tianjin will make over \$13 million USD annually from the management and services of the Film Base facility in 2019, and the

revenue will further grow to over hundred million US dollars with more businesses moving into our facility in the next five years.

Our consulting services within the Business Services Division will start to generate revenue after we streamline the production power of our affiliated companies on the EARI Tianjin platform. The size of the consulting services, project management, and professional education will grow dramatically from a collaborative power of business partners like Cameron & Pace, local government sponsorship from Hi-Tech Management Committee, and educational partner of Tianjin University of Science and Technology. EARI Tianjin will generate revenue from every outsourcing job, every promotional event, and every educational program in our facility. The revenue from this source is humongous. With our facility and platform, we will build a giant consulting service for multiple media production industries and related educational services including a college and other professional development programs. We expect to generate dozens of millions of US dollars annually from these services in the next few years and grow to hundreds of millions eventually.

EARI Tianjin will always grow our in-house production powers. We are building more production capability in animations and app development. Our current productions generate around one million dollars annually. With the development of our production team and equipment this year, we expect to grow our revenue to over 20 million US dollars after our animation movie is put on the market next year. The film production services across China and US will be one of our major tasks this year. We will provide one-stop services to American and Chinese film companies to produce films abroad. We expect to generate a few million dollars at this sector in the next couple of years. Media production market is huge in China and we work hard to take a decent market share. EARI Tianjin is growing from a service provider to producer and real estate owner. We are working toward the real estate development project of Film Base Phase II, the development of EARI college, the purchase of production power, and the gigantic media production platform for the global market.