

**FRANCHISE DISCLOSURE DOCUMENT
(MASTER FRANCHISE OFFERING)**



Chatime USA, LLC,
a Delaware limited liability company
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A master franchisee will open and operate, and have the option to license others to open and operate, Chatime food service establishments (each, a “Restaurant”) offering gourmet coffees and teas, other coffee and tea-based beverages, bubble tea, compatible food products, coffee and tea makers, and related supplies, accessories, and gifts within a designated geographic territory. This franchise disclosure document (the “FDD”) describes the master franchise offering.

The total investment necessary to begin operation of your first Restaurant is between \$361,100 and \$691,200. This includes \$281,000 to \$317,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of your master franchise business and meet the requirements for franchising under a Chatime USA, LLC Master Franchise Agreement is between \$479,100 and \$1,139,200. This includes between \$281,000 and \$317,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your master franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least fourteen (14) days before you sign a binding agreement with, or making any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different format, contact Chatime USA, LLC, at No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan, +886-988-050-818, ichatime.sales@lakaffa.com.tw.

The terms of your contract will govern your franchise relationship. Don’t rely on the Franchise Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contract and this Franchise Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Franchise Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: June 1, 2022.

How to Use This Franchise Disclosure Document

Here are some questions that you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Chatime business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Chatime franchisee?	Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Taiwan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Taiwan than in your own state.
2. **Required Purchases.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Development Quota.** You must open a certain number of outlets in the territory in accordance with a specified schedule. Your inability to meet your Development Quota may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **Going Concern.** The auditor's report on the franchisor's financial statements expresses substantial doubt about the franchisor's ability to remain in business and continue as a going concern. This means that the franchisor may not have the financial resources to provide services or support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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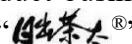
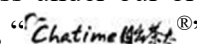
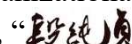
EXHIBITS

Exhibit A	Financial Statements
Exhibit B	Chatime USA, LLC Master Franchise Agreement
Exhibit C	List of Agents for Service of Process and Regulatory Authorities
Exhibit D	Addenda Required by State(s)
Exhibit E	General Release
Exhibit F	Acknowledgment Addendum to Chatime USA, LLC Master Franchise Agreement
Exhibit G	List of Master Franchisees
Exhibit H	Operations Manual Table of Contents
Exhibit I	State Effective Dates
Exhibit J	Receipt

Item 1: The Franchisor, and Any Parents, Predecessors, and Affiliates

The Franchisor is Chatime USA, LLC, which will be referred to as “Chatime,” “we,” or “us.” The term “you” or “Master Franchisee” means the person or legal entity that is granted the master franchise and the direct and indirect owners of any legal entity that becomes a master franchisee. Our affiliates operate company-owned Restaurants both in the U.S. and internationally. We do not conduct any business activity other than franchising Restaurants and other restaurants under different marks.

The Franchisor

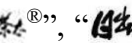
We are a Delaware limited liability company organized on January 2, 2014. Our principal place of business is No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan. We currently conduct business under our organizational name “Chatime USA, LLC” and the marks “Chatime®,” “,” “,” “,” and “Duan Chun Zhen.”

We do not conduct business or intend to do business under any other names. We have no predecessor required to be included in this Item 1. We have offered Chatime franchises since February 2014. We operated one company-owned Restaurant in New York, New York similar to the businesses you will operate or sell as a master franchisee from 2016 to 2020 and an additional company-owned Restaurant in New York, New York from 2017 to 2018.

Our agents for service of process are disclosed in Exhibit C. Our agent for service of process in Delaware is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. We do not have a physical office in Delaware. All communication and activities will be conducted through our office in Taiwan at our principal place of business.

Since March 2020, we have offered franchises and subfranchises to open and operate Duan Chun Zhen beef noodle food service establishments offering traditional Chongqing folk cuisine including beef noodle stew, bone broth, braised beef soup, and related supplies, accessories, and gifts. We have never operated company-owned Duan Chun Zhen restaurants, but may do so in the future.

Our Parent and Affiliates

Our parent company, La Kaffa International Co., Ltd. (“La Kaffa”), is a Taiwan corporation incorporated in March 2004. La Kaffa’s principal place of business is No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan. La Kaffa licenses us the right to use and sublicense the use of the Chatime® and  trade names and related marks. La Kaffa does business under the names “Chatime®,” “,” “,” “zenQ®,” “,” “,” and “

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La Kaffa also offers franchises for a number of other restaurant concepts by itself or through its subsidiaries. La Kaffa has offered franchises for businesses offering specialty coffees, teas, and meals under the trade name “La Kaffa Coffee” since July 2010. As of December 31, 2021, La Kaffa has sold approximately three La Kaffa Coffee franchises worldwide. La Kaffa has offered franchises for businesses offering Taiwanese traditional desserts under the trade name “ZenQ Dessert” since January 2012. As of December 31, 2021, La Kaffa has sold approximately seven ZenQ Dessert franchises worldwide. La Kaffa has offered franchises for businesses offering specialty baked goods under the trade name “Bake Code” since November 2014. As of December 31, 2021, La Kaffa has sold approximately eleven Bake Code franchises worldwide. La Kaffa has offered franchises for businesses offering high-end tea-based beverages under the trade name “Chatime Lounge” since October 2016. As of December 31, 2021, La Kaffa has sold approximately three Chatime Lounge franchises worldwide. La Kaffa has offered franchises for businesses offering Sichuan folk beef noodles under the name “Duan Chun Zhen” since July 2019. As of December 31, 2021, La Kaffa has sold approximately 15 Duan Chun Zhen franchises worldwide.

Our affiliate Ten En Tapioca Foods Co., Ltd. (“Ten En”) is a Taiwan corporation incorporated on August 8, 2006. Ten En’s principal place of business is No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan. Ten En supplies certain bubble tea ingredients to us. Ten En has never offered franchises for Restaurants or for franchises in any other line of business.

Other than La Kaffa and Ten En, we have no parents or affiliates that offer franchises in any line of business or provide products or services to our franchisees.

The Franchised Business

General

We have spent considerable time, effort, and resources to develop the Chatime franchise system (the “System”) that includes, without limitation, producing, merchandising, and selling Chatime coffee, tea, bubble tea, compatible food products, and other products and merchandise that we approve. The distinguishing characteristics of the System include, without limitation, (i) proprietary trademarks (the “Trademarks”), (ii) distinctive exterior and interior design, decor, color and identification schemes and furnishings, (iii) special menu items, (iv) standards, specifications, requirements, and procedures for operations, manufacturing, distribution, and delivery, (v) the quality and safety of products and services offered, (vi) management systems and programs, (vii) training and assistance, and (viii) marketing, advertising, and promotional programs, all of which we may change, supplement, and further develop.

We offer master franchises to qualified persons who must establish, either through direct ownership or through sub-franchising, certain minimum numbers of Restaurants within a designated geographic territory (a “Territory”). If we grant you a master franchise, you will execute our standard form of master franchise agreement attached as Exhibit B (the “Master Franchise Agreement”) and be granted the right to begin opening Restaurants in your Territory (the “Development Rights”). Your master franchise business includes the obligation to open a certain number of Restaurants in your Territory in accordance with a specified schedule (the “Development Quota”). If you fail to meet your Development Quota or fail to comply with any

financial obligation relating to the Development Rights, we may terminate your Development Rights, reduce or eliminate your Territory or the territorial protections provided under your Master Franchise Agreement, or take other action we deem appropriate in our discretion.

After satisfying certain conditions (i.e., you have opened and are operating at least five Restaurants of your own including one training Restaurant and you have developed a training center to our satisfaction), you may also be granted the right to grant subfranchises for the development and operation of Restaurants (each, a “Subfranchise”) to be located in your Territory to third parties or your affiliates (each, a “Subfranchisee”). Each Subfranchise must operate at a location we approve under the terms of a separate Franchise Agreement in the form attached to the Master Franchise Agreement (the “Franchise Agreement”) executed between you and your Subfranchisees. Any Restaurants you open and operate will be governed by your Master Franchise Agreement. Your Restaurants and your Subfranchises are collectively referred to as the “Outlets.”

We may periodically make changes to the System including, without limitation, our menu, operating standards, and facility, signage, equipment, and fixture requirements. You and your Subfranchisees may need to make additional investments if we make System changes or if your Restaurants’ or any Subfranchises’ equipment or facilities become worn or obsolete, or for other reasons (for example, to comply with changes to applicable laws or regulations). The Outlets must be developed and operated to our specifications and standards. Uniformity of products sold in the Outlets is important to the overall integrity and reputation of the System; accordingly, neither you nor your Subfranchisees have any discretion regarding the products sold or other System standards.

You must execute the Acknowledgment Addendum attached as Exhibit F before your Master Franchise Agreement becomes effective. If you are an existing franchisee and desire to acquire Development Rights, you must execute the form of general release attached as Exhibit E (the “General Release”). The General Release is subject to state law.

We also offer single Restaurant franchises to qualified persons. A single Restaurant franchisee is granted the right to operate one Restaurant at a designated location. We do not make any offer for a single Restaurant franchise in this FDD.

Market Competition

The Outlets will offer products and services to the general public throughout the year and compete with other beverage and food product service business. The market for this type of products and services generally is developed and very competitive in the United States. You and your Subfranchisees will compete with locally-owned businesses and national and regional chains that sell similar products. The market for gourmet coffees and teas, coffee or tea-based beverages, bubble tea, and related products is well-established and highly competitive. The Outlets will compete on the basis of factors such as price, service, location, convenience, and food quality. You may find that there is competition for suitable locations. Principal factors that vary but impact our brand’s competitive position are name recognition (which is stronger in some regions than in others), product quality, variety, appearance, location, and advertising.

Industry-Specific Law and Regulations

The Outlets will be subject to various federal, state, and local laws and regulations applicable to restaurant businesses including, without limitation, laws and regulations regarding state and local licensing, zoning, land use, construction, environmental protocols and various health, sanitation, safety, and fire standards. For example, federal, state, and local laws and regulations regulate businesses handling food and food products (in particular, refrigerated and frozen food items), and these laws and regulations will apply to your business. Local county health departments generally reserve the right to inspect restaurants to ensure compliance with safe food handling practices and adequacy of kitchen facilities. The Outlets must comply with all federal and state laws requiring disclosure of nutritional information on menus and menu boards.

In addition to laws pertaining specifically to the restaurant industry, the Outlets will be subject to laws or regulations that apply to businesses generally. For example, the Outlets will be subject to employment laws such as the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act, and various state laws governing such matters as minimum wage, overtime, and working conditions. The Americans with Disabilities Act may require you to expend certain amounts to ensure compliance by the Outlets.

As you will offer Subfranchises, you must comply with the federal, state, and local laws, rules, and regulations that apply to the offer and sale of franchises. You must prepare a Franchise Disclosure Document in compliance with Federal Trade Commission rules and you will be subject to regulatory disclosure requirements regarding prospective Subfranchisees. In certain states, including the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, you will also be required to register your Franchise Disclosure Document with the applicable state agency prior to the offer and sale of Subfranchises. You may not offer or sell Subfranchises in these “registration states” until you have an effective registration. In these states, in addition to listing our agents for service of process, Exhibit C contains contact information for the state governmental agencies that regulate franchise offerings in various states.

Item 2: Business Experience

Chairman: Henry Wang (also known as 王耀輝)

Mr. Wang is our founder and has been our Chairman since January 2014. Mr. Wang was our President from January 2014 to December 2019. Mr. Wang also founded La Kaffa and has been La Kaffa’s Chairman and President since February 2004. All of these positions are or were located in Zhubei City, Taiwan.

President: Kent Wang (also known as Chun-Chieh Wang or 王俊傑)

Mr. Wang has been our President since January 2020. Mr. Wang was our Project Associate Vice President from January 2014 to December 2019. Mr. Wang has also been La Kaffa’s Senior Product Associate Director since June 2007. All of these positions are or were located in Zhubei City, Taiwan.

Director of International Business: Kyle Huang (also known as 黃崇弼)

Mr. Huang has been our Director of International Business since August 2021. Mr. Huang was our Executive Manager of International Business from July 2019 to July 2021. Mr. Huang was our Manager of New Business Division from August 2015 to June 2019. All of these positions are or were located in Zhubei City, Taiwan.

Marketing Deputy Director: Wendy Wang (also known as 王文婷)

Ms. Wang has been our Marketing Deputy Director since December 2020. Ms. Wang was our Marketing Manager from March 2019 to December 2020. Ms. Wang was a Vice President for Aunt Stella from August 2017 to August 2018. Ms. Wang was a Brand Manager for Aunt Stella from June 2015 to July 2017. All of these positions are or were located in Tapei City, Taiwan, and Zhubei City, Taiwan.

Item 3: Litigation

Pending Cases

Andaru Asmoro and Ardocondro, LLC vs. Chinatown Business Center 1, LP, Houston Chatime LLC, Selina Xu, Chatime USA, LLC, and Ruiqing Xu, Case Number 2020-18076, Harris County, Texas. On March 18, 2020, Mr. Andaru Asmoro and Ardocondro, LLC, collectively a single franchisee (“Ardocondro”) of our former Master Franchisee Houston Chatime, LLC (“HCLLC”), filed a civil lawsuit against HCLLC, its principals Ruiqing Xu and Selina Xu, and us in the District Court of Harris County, Texas. Ardocondro purchased an operating Chatime franchise from HCLLC. Shortly after the purchase, Ardocondro was locked out of the property where the Chatime franchise was located by Chinatown Business Center 1, LP (“CBC”), the property’s landlord, because Ardocondro had not obtained an assignment of HCLLC’s lease for the property. Ardocondro alleges that (i) CBC unreasonably denied Ardocondro access to the property, (ii) HCLLC negligently and/or fraudulently misrepresented its authority to sell Chatime franchises, (iii) HCLLC fraudulently induced Ardocondro to purchase the Chatime franchise, (iv) HCLLC failed to provide Ardocondro with a Franchise Disclosure Document in compliance with the FTC’s Rule on Franchising, and (v) we are vicariously liable for Ardocondro’s alleged actions pursuant to the FTC Rule on Franchising. Ardocondro seeks damages between \$200,000 and \$1,000,000,000. The matter is in the discovery stage. We have filed an appearance and intend to actively defend the matter.

Concluded Cases

Gao vs. JM Sister Enterprise, LLC, Case Number HG16818235, Alameda County, California. On June 3, 2016, Mr. Shan Gao, a franchisee of our former Master Franchisee JM Sister Enterprise, LLC, filed a civil lawsuit against JM Sister Enterprise, LLC, its principal, Joey Li, and us in the Superior Court of California, County of Alameda. Plaintiff alleged that the Master Franchisee negligently and/or fraudulently misrepresented its authority to sell Chatime franchises and its registration status. Plaintiff sought rescission and damages in excess of \$182,500 from the Master Franchisee and principal directly, and from us based on an agency/apparent authority theory. On or about February 7, 2017, we filed several cross-claims against our former Master Franchisee seeking contribution, indemnity, and defense for any liability arising from the matter. In August

2017, the parties reached a settlement without any findings or admissions of liability by any party. Under the settlement terms, we agreed to pay Plaintiff \$52,000, Joey Li agreed to pay Plaintiff \$6,000, and we were assigned Plaintiff's claims against our former Master Franchisee and its other owners.

Governmental Actions

Investigation by Letitia James, Attorney General of the State of New York, of La Kaffa International Co., Ltd., Chatime USA, LLC, and Yao-Hui Wang. In December 2018, the Attorney General of the State of New York (the "NYOAG") began to inquire into the activities of us and La Kaffa pursuant to New York General Business Law, Article 33, §680 *et seq.*, also known as the New York State Franchise Sales Act (the "NY Franchise Sales Act"). The inquiries were made in connection with the issues of whether we and La Kaffa sold franchises from or in New York without satisfying the pre-requisite of registering the franchise offerings with the NYOAG or otherwise having a franchise registration exemption. The NYOAG found that we and La Kaffa sold franchises from or in New York without being registered or exempt from registration. On November 25, 2019, we, La Kaffa, and Yao-Hui Wang entered into an Assurance of Discontinuance with the NYOAG (the "Assurance of Discontinuance") prohibiting us and La Kaffa from engaging in, or attempting to engage in, conduct in violation of the NY Franchise Sales Act. Further, pursuant to the Assurance of Discontinuance, (i) we and La Kaffa must offer rescission to franchisees that were sold franchises in violation of the NY Franchise Sales Act, and (ii) we and La Kaffa must pay \$25,000 in penalties and costs to New York.

Commissioner of Business Oversight vs. La Kaffa International Co., Ltd. dba Chatime USA, LLC. In approximately June 2017, La Kaffa voluntarily submitted information to the California Department of Business Oversight (the "Department") indicating that it had made offers and sales of franchises in California during a period in which it did not have an effective registration in California. La Kaffa agreed to cooperate with the Department to remedy the violations. The Department concluded that La Kaffa directly and/or through its regional representative made seven franchise sales during a period in which it did not have an effective registration in California in violation of the California Franchise Investment Law, and in connection with one offer, further violated the California Franchise Investment Law by incorrectly representing that it had complied with the California Franchise Investment Law. La Kaffa agreed to resolve the violations on the following terms: (i) La Kaffa paid \$20,000 in administrative penalties related to the unregistered offers and sales and the misrepresentation, (ii) La Kaffa provided each purchaser of an unregistered franchise offering with an updated Franchise Disclosure Document and notice of violation approved by the Department, and (iii) La Kaffa offered rescission to each purchaser of an unregistered franchise offering.

In re Chatime USA, LLC, State of Washington, Department of Financial Institutions, Securities Division, Consent Order No. S-19-2701-19-0001. On or about August 4, 2016, we entered into a five-year Master Franchise Agreement with a Canadian company based in Edmonton, Alberta (the "Alberta Master Franchisee") pursuant to which we granted the Alberta Master Franchisee master franchise rights in Washington. In 2019, the Washington Department of Financial Institutions (the "Department") began an investigation into our prior franchising activities in connection with our application for franchise registration. The Department concluded that the sale to the Alberta

Master Franchisee violated Washington franchise law because (i) we granted master franchise rights to the Alberta Master Franchisee in Washington without first obtaining franchise registration in Washington, and (ii) we did not provide the Alberta Master Franchisee with a U.S. disclosure document. Under the terms of a consent order dated September 16, 2019, we agreed to cease and desist from the sale of franchises in Washington in violation of Washington franchise law and paid the Department \$2,500 for the costs of its investigation.

No other litigation is required to be disclosed in this Item 3.

Item 4: Bankruptcy

No bankruptcy is required to be disclosed in this Item 4.

Item 5: Initial Fees

Franchise Fees

Initial Territory Fee

If you wish to develop Restaurants and offer Subfranchises, you must execute a Master Franchise Agreement and pay a \$250,000 fee (the “Initial Territory Fee”). The Initial Territory Fee is fully earned upon receipt and not refundable under any circumstances other than those described below in this Item 5. The Initial Territory Fee is consideration for the initial mandatory training program for up to four of your senior management personnel we designate and our opening and marketing support for your master franchise business and your first Restaurant, but excludes the cost of equipment, equipment installation, uniforms, and other opening costs.

You will pay the Initial Territory Fee as follows: (i) one-third is payable upon execution of your Master Franchise Agreement, (ii) one-third is payable on or before the six month-anniversary of execution of your Master Franchise Agreement, and (iii) the final one-third is payable on or before the first anniversary of execution of your Master Franchise Agreement. We may terminate your Master Franchise Agreement without refunding any amounts you have paid if you fail to make any installment payment in a timely manner.

New Outlet Fee

You will pay us a “New Outlet Fee” of between \$8,000 and \$12,000 based on the specific characteristics of the location for each new Outlet that you or your Subfranchisees establish. Location criteria include, without limitation, the style (kiosk, store, etc.), square footage, local economic conditions, and whether the location is your Restaurant or a Subfranchise.

Refundability

If you give us notice of termination within seven days after execution of your Master Franchise Agreement, we will return all payments (whether of money or other valuable consideration) made

by you to us under your Master Franchise Agreement less certain amounts as specified in your Master Franchise Agreement within 14 days after receiving your notice of termination.

Initial Training Fees

We do not charge a fee for the initial training of up to four of your senior management personnel who we designate. The initial training will take place at our designated training center or on-site in our discretion. You will ensure that the initial training is commenced by the designated persons no later than three months prior to the opening date of any Outlet. At your request and subject to space and trainer availability, or if deemed necessary by us, we may provide initial training to additional personnel on a case-by-case basis for a reasonable fee. You will pay the fee for any additional personnel before initial training begins. All initial training fees are fully earned upon receipt and non-refundable.

Additional Training Fees

Additional training will be provided by us at our designated training center, on-site, or otherwise at a place and time we determine in our discretion. We may charge you a reasonable fee for any additional training and you will pay the fee upon receipt of our invoice. All additional training fees are fully earned upon receipt and non-refundable.

Training fees are consideration for our provision of training including costs for administration, personnel, and materials.

Opening Inventory and Uniforms

You must purchase from us or suppliers approved by us an initial inventory of food products and supplies before opening your initial Outlet. The assortment and number of these items will vary depending on the size, configuration, and storage capacity of the Outlet, the specifics of the location, the season of the year, and other factors. The estimated cost of the opening inventory is \$20,000 to \$50,000. You must also purchase from us or suppliers approved by us the required uniforms for your Outlet personnel, the number of which will vary depending on the size of the Outlet and your staffing needs. The estimated cost of uniforms is \$2,000 to \$3,000. Finally, you will be responsible for the payment of all initial and ongoing costs associated with the capture of data by our central polling server and you will comply with any associated payment procedures specified from time to time in our Operations Manual or Global Policies and Procedures, which are the written policies and procedures issued by us from time to time in relation to the conduct of the Outlets or operational issues concerning the Outlets. The estimated cost is \$1,000 to \$2,000 each year.

Item 6: Other Fees

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty	3.5% of Gross Sales	Tenth day of the month calculated based on the Gross Sales of the previous month	“Gross Sales” means the total actual gross charges for all products, merchandise, and services sold to the Outlets’ customers for cash or credit, whether such sales are made at or from the premises of an Outlet or any other location or other channels of distribution if approved in writing in advance by us and including proceeds from any business interruption or similar insurance coverage, but excluding (i) sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority and (ii) all customer refunds, adjustments, and promotional discounts including any senior citizen’s discount.
New Outlet Fee	\$8,000 to \$12,000 to be paid for each Outlet opened	Payable no later than 30 days before each Outlet is opened	We will inform you of the amount due via invoices.
Local Marketing Expenditure	At least 2.5% of Gross Sales	As incurred	We require you to spend at least 2.5% of Gross Sales on local marketing. See Item 11.
International Marketing Fee ⁽²⁾	0.5% of Gross Sales	Tenth day of the month calculated based on the Gross Sales of the previous month	
Additional Training Fee	Varies	Before the additional training begins	If you request additional training or we deem additional training necessary, such additional training will be provided by us at our designated training center, on-site or otherwise at a place and time we determine. We may charge a reasonable fee for any additional training based on the scope of the training and you will pay the fee upon receipt of our invoice. You will bear the full costs and risk of all trainees’ attendance including, without limitation, costs for travel, accommodations, meals, employee wages and entitlements, uniforms, workers’ compensation insurance, and personal expenses.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Territory Renewal Fee	\$125,000	Prior to renewal of your Master Franchise Agreement	
Outlet Renewal Fee	No more than 80% of the then-current New Outlet Fee	No later than 30 days before the Outlet is renewed	We determine the amount of the Outlet Renewal Fee based on your compliance with your Master Franchise Agreement (e.g., whether you make timely payments, comply with System standards, etc.).
Transfer Fee	\$10,000	Prior to transfer approval	Payable if we approve a transfer of your Master Franchise Agreement.
Audit Fee	Cost of audit	As invoiced	Payable if (i) we find that you have understated any amount you owe to us by more than 2%, or (ii) you fail to furnish reports, supporting records, other information or financial statements as required on a timely basis and we believe an audit is necessary. The Audit Fee includes accountants' fees, legal fees, and associated travel and accommodation expenses for our employees.
Interest Rate	4% above the base rate fixed by the Bank of Taiwan	As invoiced	If you fail to pay us any amount when due, you will pay interest on that amount at the Interest Rate from the time the amount should have been paid until it is paid. Interest accrues daily and may be capitalized by us.
Operations Manual Expenses	Costs incurred	As invoiced	At your own expense, you will (i) review our Operations Manual for compliance with applicable legal requirements, local culture and local business customs, and practices for your Territory, and (ii) provide us with a written addendum of changes for our review and approval when changes are required.
Translation Expenses	Varies	As incurred	You will translate (i) the Franchise Agreement into the language of your Territory and submit a copy of the translation for our approval before use, and (ii) the Operations Manual and any addendum for use in your Territory from English into the main languages used in the Territory. You will pay all of our costs for translating or verifying any translation of the Franchise Agreement, Operating Manual, and any other related documents.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Alternate Supplier Testing Fee	Costs incurred	As invoiced	You will reimburse us for our costs to test a proposed alternate supplier regardless of whether such supplier is approved.
Restaurant Training Fee	\$200 per person per day for each field visit	Before the training or assistance begins	We will make a representative available to you in the Territory for seven continuous days to assist with preparations for the opening of your initial Outlet at no additional cost to you; provided, however, you must provide reasonable local accommodations for any such representative.
Continuing Training Fee	\$200 per person per day for each field visit	Before the training or assistance begins	We may require you, your guarantors, and any of your senior managers to complete a formal training program with us in Taiwan from time to time. You will pay the Continuing Training Fee and all associated costs including (i) your expenses including, without limitation, costs for travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance and personal expenses, (ii) our expenses for providing the training including, without limitation, costs for compensation, travel, accommodations, and meals, and (iii) any other fees we charge in relation to the training.
Outlet Opening Assistance Fee	\$200 per person per day for each field visit	As invoiced	If you request on-site advice, guidance, and support in connection with the opening and initial operations of any Outlet (excluding your initial Outlet), you will pay the Outlet Opening Assistance Fee and our associated expenses including, without limitation, costs for employee wages and entitlements, travel, accommodations, and meals.
Temporary Management Fee	Varies	As invoiced	If you cease to conduct operations or abandon your master franchise business, we or our nominee may, but are not required to, enter your business premises and operate and manage your master franchise business until you comply with our direction or notice requiring you to recommence operations. You will pay us a reasonable Temporary Management Fee we determine and our associated expenses including, without limitation, costs for employee wages and entitlements, travel, accommodations, and meals.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Taxes	Varies	As incurred	You will pay all applicable taxes. If any laws are changed, new laws are introduced or courts, or any relevant authority interprets laws differently so as to require us to pay a tax, duty, excise, or levy (impost) on amounts we receive from you (other than income tax) or on goods or services we supply, you will pay us an additional amount so that our net yield is unchanged.
Relocation Fee	\$8,000 to \$12,000	As invoiced	Any relocation of an Outlet beyond a two-kilometer radius of the existing site after 90 days of closing the Outlet at the original location is deemed to be the opening of a new Outlet and subject to the applicable provisions under your Master Franchise Agreement including, without limitation, payment of the New Outlet Fee.
Additional Marketing Assistance Fee	Varies	As invoiced	If you request any additional marketing assistance from us that is not within the scope of assistance provided for by the International Marketing Fee, you will pay us any additional fees we charge for such additional marketing assistance.
Meetings and Conference Fees	Varies	As invoiced	We may convene meetings and conferences (including regional meetings and conferences) from time to time for you and your key personnel as we deem necessary or appropriate. You will pay any associated fees we charge and your associated expenses including, without limitation, costs for travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance and personal expenses.
Legal Expenses	Varies	Upon demand	If you default under your Master Franchise Agreement or any other agreement with us, you will reimburse us for our associated legal expenses for the enforcement of the applicable agreements including, without limitation, attorneys' fees and investigation costs.
Indemnification	Varies	Upon demand	You will reimburse us for our costs and damages arising from your operation of the Outlets.
Special Condition Fee	Varies	As incurred	If a Franchise Agreement is duly executed by a Subfranchisee with our material assistance, you will pay us 50% of all fees

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			payable by the Subfranchisee to you under the Subfranchisee's Franchise Agreement.

Notes:

(1) Type of Fee. All fees paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. Notwithstanding the foregoing, if you give us notice of termination within seven days after execution of your Master Franchise Agreement, we will return all payments (whether of money or other valuable consideration) made by you to us under your Master Franchise Agreement less certain amounts as specified in your Master Franchise Agreement within 14 days after receiving your notice of termination.

(2) International Marketing Fee. You will pay us 0.5% of Gross Sales of the Outlets (whether operated by you or a Subfranchisee) on the tenth day of each month based on the Gross Sales for the previous month (the "International Marketing Fee"). In our discretion, we may use the International Marketing Fee to pay the costs of (i) developing and conducting international or regional advertising and promotional campaigns including advertising in international or regional publications, (ii) engaging advertising agencies and marketing and research consultants, (iii) providing you with samples of brochures and marketing materials used by us or our affiliates in Taiwan for amendment and use by you in your Territory, (iv) coordinating and administering the activities described in (i) to (iii) including reasonable overhead, administrative, and employee expenses, (v) materials and printing, and (vi) any other marketing activity for the purpose of developing the Chatime brand internationally, regionally, or in your Territory. (Clauses 7.2 and 7.3 of the Master Franchise Agreement).

We may combine the International Marketing Fee with other international marketing fees provided by other master franchisees. If you request any additional marketing assistance that is not within the scope of assistance provided for by the International Marketing Fee, then you will pay any additional fees we charge for such additional marketing assistance upon demand. You will not use any marketing or promotional materials unless such marketing or promotional materials have been first approved in writing by us. (Clause 7.3 of the Master Franchise Agreement).

Item 7: Estimated Initial Investment

One Outlet

The figures below assume the opening of one Outlet by you pursuant to a Franchise Agreement (attached as Schedule 3 to the Master Franchise Agreement) and operation of the Outlet for an initial phase of three months, unless otherwise indicated:

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount Range	Method of Payment	When Payable	Payable to Whom
Initial Territory Fee ⁽¹⁾	\$250,000	Installments	Upon execution of Master Franchise Agreement	Us
New Outlet Fee ⁽²⁾	\$8,000 to \$12,000	Lump sum	No later than 30 days before an Outlet is opened	Us
Initial Training and Related Personnel Cost ⁽³⁾	\$2,100 to \$7,700	As arranged	As incurred	Third party
Rent for the Outlet ⁽⁴⁾	\$2,000 to \$40,000	As arranged	As specified in lease	Third party
Rent for Warehouse	\$0 to \$5,000	As arranged	As specified in lease	Third party
Renovation ⁽⁵⁾	\$35,000 to \$200,000	As arranged	As incurred	Third party
Opening Inventory ⁽⁶⁾	\$20,000 to \$50,000	As arranged	As incurred	Third party
Licenses, Permits, Fees, and Deposits	\$3,500 to \$5,500	As arranged	Lump sum	Third party
Point-of-Sale System ⁽⁷⁾	\$1,000 to \$2,000	As arranged	As incurred	Third party or us
Office Equipment and Supplies	\$3,000 to \$6,000	As arranged	As incurred	Third party
Uniforms	\$2,000 to \$3,000	As arranged	As incurred	Third party or us
Insurance ⁽⁸⁾	\$4,500 to \$15,000	As arranged	As incurred	Third party
Professional Fees	\$10,000 to \$15,000	As arranged	As incurred	Third party
Additional Funds – Three Months ⁽⁹⁾	\$20,000 to \$80,000	As arranged	As incurred	Third party
Total Estimated Initial Investment⁽¹⁰⁾	\$361,100 to \$691,200			

Notes:

Your initial investment for a new Outlet depends primarily upon (i) the size, (ii) the Outlet's configuration, (iii) the Outlet's location, (iv) the local real estate market, (v) construction expenses, and (vi) the amount and terms of any financing you secure. These estimated ranges are based on our experience and information provided by our franchisees.

(1) Initial Territory Fee. When you sign the Master Franchise Agreement, you will pay the first installment of the Initial Territory Fee. If you give us notice of termination within seven days after execution of your Master Franchise Agreement, we will return all payments (whether of money or other valuable consideration) made by you to us under your Master Franchise

Agreement less certain amounts as specified in your Master Franchise Agreement within 14 days after receiving your notice of termination.

(2) New Outlet Fee. You will pay us a New Outlet Fee of between \$8,000 and \$12,000 based on the specifics of the location for each new Outlet that you or your Subfranchisees establish.

(3) Initial Training and Related Personnel Cost. We conduct an initial training program for your benefit (the “Initial Training Program”). Prior to and during the period of the initial Outlet opening under your Master Franchise Agreement, we will provide any on-site portion of the Initial Training Program (the “Initial Training”) to you and your employees at no additional cost. However, you will be responsible for our technical personnel’s reasonable local accommodation expenses. We estimate this amount will be \$200 per person per day in the United States. Please note that the complete Initial Training Program generally lasts 14 days and any additional follow-up training (if applicable) generally lasts approximately five to ten days. You will pay for you and your employee’s reasonable accommodations and related travel expenses. If you are required to attend the Initial Training Program at our designated training center in the United States, we estimate that the amount of travel and living expenses you will spend on you and your employees will be \$200 per person per day.

The above estimated ranges of costs are for two people to attend Initial Training. If a third or fourth person is required to attend Initial Training, the costs will increase proportionately. There may also be additional training time needed to achieve required competency levels. The amount of time required is a function of each individual’s ability to personally demonstrate the competencies. This may increase your costs for travel, hotels, and meals for you and your designated representatives. Any wages or salaries you pay trainees while they attend training are not included in these estimates. You must also maintain workers’ compensation insurance coverage for your trainees.

(4) Rent for the Outlet. Rental costs vary considerably according to the type of Outlet, real estate values in your area, your real estate interest (leasehold or ownership), location, size of the site, labor rates, code requirements, and other factors. We do not have specific real estate requirements, but we recommend that you secure commercial property of at least 450 square feet. You may also need to secure warehouse space for excess inventory. Factors that typically affect your rental costs include, without limitation, costs to negotiate your lease or buy the property, fair market lease values, general local lease terms, costs to renovate or develop the site, and other site improvements. Lease terms are individually negotiated and may vary materially from one location or transaction to another. Commercial leases are typically “triple net” leases that require you to pay rent, taxes, insurance, maintenance, repairs, common area maintenance costs, merchants’ association fees, and all other costs associated with the property. Rent will likely exceed the landlord’s cost of leasing or financing the purchase of the location. You may also have to pay percentage rent. This note applies to leases for the Outlet and any warehouse space.

(5) Renovation. Renovation costs include, without limitation, architectural, engineering, and legal fees. These estimates do not include extraordinary costs due to extensive redesign, permitting, variances, environmental issues, legal obstacles, etc.

(6) Opening Inventory. You will purchase an initial inventory consisting of products from suppliers we approve before opening an Outlet. The assortment and number of these items will be based upon the size and configuration of each Outlet. The estimated cost for the opening inventory of these products is \$20,000 to \$50,000 per location depending on the type of Outlet, the specifics of the location, and the storage capacity of the Outlet.

(7) Point-of-Sale System. We may designate a specific point-of-sale system for our franchisees. However, to date, we have not mandated any specific point-of-sale system or technology that would be appropriate for use by us or our franchisees. Any point-of-sale system you use and the supplier of the point-of-sale system must first be approved by us. The number and cost of any point-of-sale system needed for your Outlets will depend on the size and configuration of the Outlets and your personal preferences. You must ensure that connectivity at the Outlets is maintained and available at all times to allow all data generated by your point-of-sale system to be captured by our central polling server. You will be responsible for the payment of all initial and ongoing costs associated with the capture of data by our central polling server and will comply with any associated payment procedures specified from time to time in our Operations Manual or Global Policies and Procedures. This estimate is an annual expense.

(8) Insurance. You must provide commercial general liability coverage with minimum limits in the amount of \$2,000,000 per occurrence in accordance with our published standards (subject to change) and maintain other insurance in accordance with state law requirements. Some property owners may require higher levels of commercial general liability insurance or other insurance coverage under their leases. Initial premiums for commercial general liability are subject to change due to market forces beyond our control, but usually range between \$1,000 and \$5,000 per year. The cost of other insurance coverage varies widely, but may range from \$3,500 to \$10,000 per year. Your premium may be higher based upon your risk profile. You should discuss with your insurance carrier whether or not these costs need to be paid in full before opening or whether they can be budgeted. Failure to maintain such insurance may result in loss of your Development Rights and additional financial obligations.

(9) Additional Funds – Three Months. This is an estimate of the funds needed for business (not personal) expenses during the first three months of operation of the Outlet and includes the estimated costs of sales and operating expenses incurred during the initial three months of operation (such as payroll, utilities, taxes and, other expenses). This estimate excludes owners' salaries or draws, non-Outlet management expenses, and the purchase of the Outlet's opening inventory. Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business. We have relied on our experience operating a Restaurant in New York, New York since 2016 and La Kaffa's experience operating Restaurants in various jurisdictions since 2008. We have also considered information from existing franchisees regarding local market conditions, seasonal preferences, etc.

One Outlet, One Training Restaurant, and One Training Center

The chart above is for a single Outlet. Under the Master Franchise Agreement, you may offer Subfranchises after you have (i) opened and are operating at least five Restaurants of your own including one training Restaurant, and (ii) you have developed a training center to our satisfaction.

To calculate the figures below, we have added the estimated costs to open a training Restaurant and develop a training center to the estimate above for a single Outlet.

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount Range	Method of Payment	When Payable	Payable to Whom
Initial Investment for a Single Outlet	\$361,100 to \$691,200	Per chart above	Per chart above	Per chart above
One Training Restaurant ⁽¹⁰⁾	\$100,000 to \$420,000	As incurred	As arranged	Third party
One Training Center ⁽¹¹⁾	\$18,000 to \$28,000	As incurred	As arranged	Third party
Total Estimated Initial Investment	\$479,100 to \$1,139,200			

Notes:

(10) One Training Restaurant. A training Restaurant is a Restaurant that is fully equipped with our required tea and coffee brewing equipment and operated by at least one training manager we have certified.

(11) One Training Center. A training center is a place where our tea and coffee brewing equipment is fully installed and functioning with sufficient conference facilities (e.g., a whiteboard and projector) for five people to train. A training center may be located within an Outlet, but may also be located in your administrative office or another facility. This estimate excludes potential rental costs for the training center's location.

Item 8: Restrictions on Sources of Products and Services

The System's reputation and goodwill are based upon the sale of high quality products and the provision of high quality service. You will conform to our standards of quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time and you will adhere to these changes.

We are approved suppliers for food products, supplies, and equipment (but not point-of-sale or back office computer systems), although certain food products that easily spoil (e.g., fresh fruits and milk) may be purchased by you locally with our prior approval.

We may grant you approval to obtain food products, supplies, equipment (including point-of-sale and back office computer systems), and materials for your Outlets and services to your Outlets from other sources as long as they meet our specifications, standards, and requirements. Every supplier must demonstrate that it can meet all System specifications, standards, and requirements and has adequate capacity to supply our franchisees' quantity and delivery needs to our satisfaction. Before approving any supplier, we may take into consideration, without limitation (i) consistency with products or name brands already in the System, (ii) economies of scale achieved by larger volumes, and (iii) certain other benefits that a supplier may offer such as new product

development capability. When approving a supplier, we take into consideration the System as a whole; some franchisees may pay higher prices to an approved supplier than they might pay to an unapproved supplier. We may withhold approval of a supplier for any reason. A list of approved suppliers is available on request. We estimate that your required purchases from approved suppliers will represent over 95% of the total purchases for establishing and operating an Outlet. Suppliers are required to share shipping, distribution, and all other relevant information with us.

Our criteria for approving suppliers is not available to you or your proposed suppliers. You or the supplier may request approval by submitting a written request to us. We may require that samples from the supplier be delivered to us or to a designated independent testing laboratory for testing prior to approval. All requests will be reviewed in accordance with our then-current procedures and subject to our available resources for review. You or the supplier will be required to reimburse us for all costs that we incur in the testing and approval process whether the supplier is approved or not. The supplier must meet our then-current specifications, standards, and requirements, which may include signing a non-disclosure agreement or a performance guarantee. We may change our specifications, standards, and requirements at any time and there is no limit on our right to do so. If the supplier that you propose is initially approved or disapproved, we will notify you and the supplier within 30 to 60 days depending on the nature of the products or services. We may withdraw our approval at any time if the supplier's performance does not meet our criteria, we change our specifications, standards or requirements, or for other reasons. If an approved supplier's approval is revoked, we will inform you of the revocation and you will cease to use that supplier.

We may limit the number of potential suppliers that we consider for approval. For some categories of products, we may designate a third party or ourselves as an exclusive supplier. We currently have exclusive supplier arrangements for some categories of products or services.

Ten En is La Kaffa's approved supplier for certain bubble tea ingredients that we in turn supply to you. We own 90% of Ten En and Henry Wang, our Chairman, owns 10% of Ten En.

You must obtain and maintain such insurance coverage that we require and satisfy other insurance-related obligations as provided in your Master Franchise Agreement and Franchise Agreements at your own expense. Insurance premiums will depend on the insurance carrier's charges, terms of payment, and your history. All insurance policies will name us and our affiliates as an additional insured party.

You must send us samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved for our approval before use. If you do not receive written approval within 30 days after we receive the materials, they will be deemed rejected. You may not use any advertising, promotional, or marketing materials that we have not approved.

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration from your required purchases.

We must approve your proposed Outlet locations. You will submit any proposed lease or purchase agreement for our review and approval. We will use commercially reasonable efforts to inform

you of our approval or disapproval within a reasonable time after our receipt of your proposed lease or purchase agreement.

We currently have no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers for the benefit of the System. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or your use of particular suppliers.

Except for La Kaffa and Ten En, there are no approved suppliers in which any of our officers or directors own an interest. We and La Kaffa derive revenue or other material consideration as a result of required purchases or leases by franchisees. In 2021, our total net revenues were \$19,311.00. We did not directly receive any amounts from required purchases or leases by our franchisees. Our parent La Kaffa received \$464,727.37 from required purchases or leases by franchisees.

Item 9: Franchisee's Obligations

This table lists your principal obligations under the Master Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this FDD.

Obligation	Article in Master Franchise Agreement	FDD Item
a. Site selection and acquisition/lease	Articles 2 and 4	Items 1, 11, and 12
b. Pre-opening purchase/lease	Articles 4 and 6	Items 1, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Articles 2, 3, 4, and 6	Items 1, 6, 7, and 11
d. Initial and ongoing training	Articles 3 and 4	Items 5 and 11
e. Opening	Articles 2, 3, 4, and 5	Item 11
f. Fees	Article 6	Items 5 and 6
g. Compliance with standards and policies/Operations Manual	Articles 3, 5, 6, 7, 17, and 26	Item 11
h. Trademarks and Proprietary information	Articles 4, 8, and 11	Items 13 and 14
i. Restrictions products/services offered	Articles 2, 3, 4, and 5	Item 16
j. Warranty and customer service requirement	Article 4	Item 11
k. Territorial development and sales quotas	Article 2	Items 1 and 12
l. Ongoing product/service purchases	Articles 4 and 5	Item 8
m. Maintenance, appearance and remodeling requirements	Articles 3, 4, and 5	Item 11
n. Insurance	Article 5	Items 7 and 8
o. Advertising	Article 7	Items 6 and 11
p. Indemnification	Article 10	Item 6
q. Owner's participation/management/staffing	Articles 5, 8, and 9	Items 11 and 15
r. Records and reports	Article 5	Item 6

Obligation	Article in Master Franchise Agreement	FDD Item
s. Inspections and audits	Article 5	Items 6 and 11
t. Transfer	Articles 12 and 13	Item 17
u. Renewal	Articles 2 and 6	Item 17
v. Post-termination obligations	Article 15	Item 17
w. Non-competition covenants	Article 9	Item 17
x. Dispute resolution	Article 16	Item 17
y. Other	Article 25	None

Item 10: Financing

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations

The following are our obligations before the opening of your master franchise business and your Outlets:

(1) We will grant you (i) the Development Rights in your Territory, (ii) the right to function as the franchisor in the Territory under Franchise Agreements with Subfranchisees, (iii) the right to use the Trademarks in your Territory, (iv) the right to sublicense the Trademarks to Subfranchisees pursuant to their Franchise Agreements, and (v) the right to operate your own Restaurants in your Territory. (Clause 2.1 of the Master Franchise Agreement).

(2) We will provide to you, your senior managers designated by us, and any guarantors with a minimum of 14 continuous days training in Chinese or English ("Initial Training"). The Initial Training will be conducted at any place we designate. You will ensure that the Initial Training is commenced by the designated persons no later than three months prior to the applicable Outlet's opening date. (Clause 3.1(1) of the Master Franchise Agreement).

(3) If we deem it necessary, we may provide additional training immediately following the Initial Training at a place and time we determine. We may charge you a reasonable fee for such additional training and you will pay that fee upon receipt of our invoice. (Clause 3.1(2) of the Master Franchise Agreement).

(4) We will make a representative available to you for seven continuous days to assist with preparations for the opening of your initial Restaurant at no additional cost to you. (Clause 3.2 of the Master Franchise Agreement).

(5) We will loan you an electronic copy of our Operations Manual. (Clause 3.5 of the Master Franchise Agreement).

(6) We may provide on-site advice, guidance, and support at your request in connection with the opening and initial operations of any Outlets (excluding any assistance provided by our representative under Clause 3.2 of the Master Franchise Agreement). If we do so, you will pay us reasonable compensation and reimburse us for all associated costs and expenses including, without limitation, costs for compensation, travel, accommodations, and meals upon your receipt of our invoice. (Clause 3.9 of the Master Franchise Agreement).

(7) We will provide you with the site selection criteria and processes as approved by us for the selection of sites in your Territory. (Clause 4.8 of the Master Franchise Agreement).

(8) You must obtain our written approval of any material revision or adaptation of any of your plans and specifications we previously approved (“Approved Plans”). We will approve or disapprove any changes to the Approved Plans within ten business days of our receipt of the proposed changes. (Clause 4.12(4) of the Master Franchise Agreement).

Post-Opening Obligations

The following are our obligations during the operation of your master franchise business and your Outlets:

(1) We may require you, your senior managers, and any guarantors to complete a formal training program in Taiwan from time to time in our discretion. All such training will be conducted in Chinese or English. At your request and in our discretion, we may provide additional training programs and assistance to you at a location within your Territory or at such other location we determine. (Clause 3.3(1) of the Master Franchise Agreement).

(2) We will provide ongoing advice and guidance to you concerning the development, operation, and subfranchising of Outlets in your Territory to the extent and in the manner that we deem necessary and appropriate. (Clause 3.4(1) of the Master Franchise Agreement).

(3) We may develop and conduct international or regional advertising and promotional campaigns in our discretion. (Clause 7.3 of the Master Franchise Agreement).

(4) We will grant you a license to use our intellectual property in your Territory. (Clause 11.1 of the Master Franchise Agreement).

Advertising Expenditures

You will spend the Local Marketing Expenditure on advertising for your Outlets and the recruitment of new Subfranchisees in local advertising markets. The Local Marketing Expenditure is paid to third parties. You may use your own local advertising materials including, without limitation, directory advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, and radio and television advertising; provided, however, that you follow our brand guidelines and obtain our prior written approval of all proposed advertising materials at your expense. (Clause 7.1 of the Master Franchise Agreement).

There are no advertising cooperatives that you must join or to which you must make contributions. Your Master Franchise Agreement does not give us the power to form, change, dissolve, or merge an advertising cooperative.

You will pay the International Marketing Fee to us on the tenth day of each month based on your Gross Sales for the previous month. We will deposit International Marketing Fees in a dedicated separate account (the “IMF Account”). In our discretion, we may use the IMF Account to pay the costs of (i) developing and conducting international or regional advertising and promotional campaigns including advertising in international or regional publications, (ii) engaging advertising agencies and marketing and research consultants, (iii) providing you with samples of brochures and marketing materials used by us or our affiliates in Taiwan for amendment and use by you in your Territory, (iv) coordinating and administering the activities described in (i) to (iii) including reasonable overhead, administrative, and employee expenses, (v) materials and printing, and (vi) any other marketing activity for the purpose of developing the Chatime brand internationally, regionally, or in your Territory. There is no advertising council comprised of master franchisees that advises us on advertising policies. We are not required to spend any amount on advertising in your Territory or geographic area. (Clauses 7.2 and 7.3 of the Master Franchise Agreement).

We may combine your International Marketing Fees with international marketing fees provided by other master franchisees. All Outlets (including company-owned Outlets) will pay the International Marketing Fee at the same rate. We may administer the IMF Account or engage an affiliate or third party do so on our behalf. The IMF Account will not be audited and its financial statements will not be available for your review. For the calendar year ending December 31, 2021, we did not collect for or spend any amounts from the IMF Account because we have not yet established the IMF Account.

If you request any additional marketing assistance from us that is not within the scope of assistance provided for by the International Marketing Fee, you will pay us any additional fees we charge for such additional marketing assistance. You will not use any marketing or promotional material unless that marketing or promotional material has our previous written approval. (Clause 7.3 of the Master Franchise Agreement).

Computer and Electronic Cash Register Systems

We may require you and your Subfranchisees to use a point-of-sale system we designate or approve. The cost of purchasing or leasing a point-of-sale system varies widely. We estimate the annual cost to be \$1,000 to \$2,000. You will ensure that connectivity at each Outlet is maintained and available at all times to allow all data generated by the point-of-sale system to be captured by our central polling server. We will have independent access to this information and there are no contractual limitations on our access to your data. You will be responsible for the payment of all initial and ongoing costs incurred on behalf of your Subfranchisees associated with the capture of data by our central polling server and you and your Subfranchisees will comply with any associated payment procedures we specify from time to time in the Operations Manual or our Global Policies and Procedures. (Clause 4.15 of the Master Franchise Agreement).

Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to the point-of-sale systems or other computer systems you use. You may negotiate terms with a third party supplier that we approve. We may require you to upgrade or update any point-of-sale system or computer system to one we designate. We have yet to determine whether there will be any contractual limitations on the frequency and cost of this obligation. Of the systems that we have approved, the annual cost of any optional or required maintenance, updating, upgrading, or support contracts for the approved system is typically \$1,000 to \$2,000.

Operations Manual

We will provide an electronic copy of our Operations Manual for your master franchise business and each Outlet you operate. Each Operations Manual contains mandatory and suggested standards, operating procedures and rules that we prescribe for the System. The Operations Manual is confidential, copyrighted, and not to be reproduced or distributed to any unauthorized person. We may change the Operations Manual at any time in our discretion. Our current Operations Manual consists of 167 pages. The sections and number of pages in each section are detailed in Exhibit H. (Clause 3.5 of the Master Franchise Agreement).

Site and Lease Approval

You will maintain office facilities for operation of your master franchise business. The office facilities will have a dedicated telephone line that must be answered as we direct. The office will be equipped and furnished and have signage in a manner consistent with our image and minimum standards. (Clause 4.6 of the Master Franchise Agreement).

We may select a new Outlet site or approve a site that you select and bring to us in our discretion. Factors affecting our approval generally include location, occupancy costs, proximity to major retail activity, traffic volume and speed, density of nearby population (resident or daytime), competition and potential for encroachment on other Outlets, site configuration, parking, accessibility, visibility, signage permitted by the landlord and local governmental authorities, and other factors. (Clause 4.8 of the Master Franchise Agreement).

You will provide us with all required information about a site you propose. You will provide a copy of the site lease for our record. We do not pay “finders’ fees” for sites. We do not generally own or take a prime lease on real estate and then lease it to our franchisees. We are not required to provide you with assistance in negotiating the purchase or lease of a site, but we may do so in some cases by providing certain supporting data on the site. (Clause 4.9 of the Master Franchise Agreement).

All sites must be approved by us and developed by you in accordance with our requirements. We will not reimburse you for any costs you incur for any location you submit to us for review and approval. We will approve or disapprove a proposed site within 30 days of your submission. If we do not approve a proposed site, we will provide a written notice to you (i) specifying that approval is withheld, and (ii) setting out the reasons approval is withheld. If any additional information is requested by us for a proposed site, the 30 day-period will restart on the date of our

receipt of any such additional information. You will not begin any construction on a site without our prior approval. (Clause 4.9 of the Master Franchise Agreement).

We will provide you with standard, generic plans and specifications for the improvements, furnishings, fixtures, and decor of the type of Outlet approved for a particular site. You will then have specific plans and specifications for construction or conversion of the space for the Outlet prepared by a licensed architect at your expense. These plans and specifications must be approved by us in writing before you begin construction. We must approve any changes made during construction in writing. All construction will be at your expense. (Clause 4.12 of the Master Franchise Agreement).

You will ensure that any Outlet is accessible to and usable by persons with disabilities and meets the Standards for Accessible Design for new construction or any more stringent accessibility standard under federal, state, or local law prior to opening the Outlet. (Clause 4.12 of the Master Franchise Agreement).

The typical length of time between the earlier of the signing of a Franchise Agreement or the first payment of consideration for an Outlet and the opening of the Outlet is 180 days. Factors that may affect this time period include, without limitation, your ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or the delayed installation of equipment, fixtures, and signage. If you are unable to procure an approved location for your first Restaurant within 270 days of execution of your Master Franchise Agreement, the Master Franchise Agreement may be terminated by us with no refund of any amounts paid by you.

Training

The Initial Training Program includes, without limitation: (i) franchise sales and Outlet operations management, (ii) logistic management, (iii) import operational protocols, (iv) marketing plans, (v) Restaurant management, (vi) raw material inventory and controls, and (vii) basic Restaurant maintenance. We may offer special training courses such as service staff training, special promotion training, other pre-opening support, and continuous organizational support in our discretion. (Clause 4.3 of the Master Franchise Agreement).

Training may be conducted at our headquarters, virtually, at a designated training site in Taiwan, at a designated training site in the United States, or at the location of your Restaurant in our discretion.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Corporate and Training Overview and Introduction (including Master Franchise Business Operations)	6 to 8		Our headquarters, virtually, a designated training facility, or your Outlet
Counter Operation		6 to 8	Outlet
Kitchen Operation		6 to 8	Outlet
Outlet Opening and Closing Procedures		6 to 8	Outlet
POS/Reporting		2 to 4	Outlet
Inventory and Controls		6 to 8	Outlet
Food Safety		2 to 4	Outlet
Customer Service		2 to 4	Outlet
Logistic Management		4 to 6	Outlet
Import Operations		4 to 6	Outlet
Marketing Plans		4 to 6	Outlet
Basic Maintenances		4 to 6	Outlet
Soft Opening and Grand Opening Support		20 to 24	Outlet
TOTAL	6 to 8	66 to 88	

Initial Training is mainly conducted in Zhubei City, Taiwan at our principal place of business); subject to our discretion, it may be conducted at one of our operating Outlets. We have a dedicated team of instructors for the training program with each member of the current team having at least three years of experience as an instructor in the System. Our principal instructor has over ten years of experience in the food and beverage industry which included the role of Operations Manager in Chatime Australia for seven years and International Business Manager at Chatime headquarters for four years. Our principal instructor has trained and helped franchisees open more than 50 restaurants under various Chatime and La Kaffa concepts.

The Initial Training program is mandatory for all master franchisees. You, your General Manager, and your Operations and Training Manager (as defined in your Master Franchise Agreement) must complete the Initial Training Program to our satisfaction. Initial training must be commenced by the designated persons no later than three months prior to the opening date of your first Outlet and must be completed prior to the opening of the master franchise business or your initial Outlet. Scheduling of the Initial Training Program is based on your availability and the projected opening date for your master franchise business or your initial Outlet. (Article 3 and Clause 5.1 of the Master Franchise Agreement).

The Initial Training Program will take place at our designated training center, your Outlets, or your master franchise office location in our discretion. The Initial Training Program is designed to address all phases of the operation of a master franchise business and your Outlets. The Initial Training Program involves approximately 14 days of instruction for up to a maximum of four

persons trained together at the same time. We may lengthen, shorten, or restructure the content of the Initial Training Program. We may waive a portion of the Initial Training Program or alter the training schedule in our discretion if you, your General Manager, or your Operations and Training Manager have sufficient prior experience or training. We will make the Initial Training Program available to replacement or additional General Managers and Operations and Training Managers. (Article 3 of the Master Franchise Agreement).

If you do not successfully and timely complete all training and certification requirements, you will not be granted Development Rights and we will have the right to terminate your Master Franchise Agreement. (Article 3 of the Master Franchise Agreement).

You and your managers must have sufficient literacy and fluency in the English language to satisfactorily complete the Initial Training Program and communicate with your employees, customers, and suppliers. (Article 3 and §5.1 of the Master Franchise Agreement).

Prior to and during the opening period of your master franchise business or your first Outlet, we will pay the cost of providing Initial Training at a designated training center in Taiwan; however, you must pay for our reasonable local accommodation expenses and the associated costs of your employees' uniforms, salaries, accommodations, and travel expenses. If you attend the Initial Training Program or later training programs in a location other than one of our training centers, you may be charged certain additional costs such as your portion of the costs for the meeting room. We do not currently have a training center in the U.S. We do not anticipate establishing a U.S. training center until we determine that a sufficient number of master franchises or Outlets are open and operating in the U.S. (Article 3 of the Master Franchise Agreement).

At your request and in our discretion, we may provide additional technical and orientation personnel to assist you with developing your master franchise business or launching Outlets. You will pay for the associated expenditures of such personnel. If we advance the said expenditures, you will reimburse us the same amount in cash. These personnel expenditures may include \$200 per person per day for each field visit to pay for the technical and orientation personnel, traveling expenses, lodging, and food and beverage costs. (Article 3 of the Master Franchise Agreement).

Our training programs are regularly reviewed and updated.

Item 12: Territory

You will not receive an exclusive territory. You may face competition from other franchisees, from other channels of distribution, or from competitive brands that we control. You do not have the right to distribute products through alternative channels of distribution. We use alternative channels of distribution for our products and trademarks and we may expand our sale of products on a local, regional, national, or international basis. We have the absolute right to distribute or license others to distribute products identified by the Trademarks (or by any other name or trademark) anywhere and in any form (e.g., in packaged form or otherwise), regardless of the proximity to your location, through any distribution methods or channels. These other sources of distribution may compete with you. We reserve the absolute right to distribute goods or services through the use of the Internet or other electronic communications, telephone, mail, or similar

methods, under our trademarks or any other marks, regardless of the destination of the products or services; if we elect to distribute goods or services through these means, we are under no obligation to compensate you for orders received through such means.

Your master franchise business includes the obligation to open a certain minimum number of Outlets in your Territory in accordance with a specified schedule. You will negotiate the size of your designated Territory with us based on your Development Quota. At a minimum, your Territory will be a small metropolitan area. Typically, your Territory will range in size from a large metropolitan area to an entire state.

Each Outlet's location in your Territory must be approved by us in writing and meet our design standards. If you do not continue to meet our then-current guidelines for multi-Outlet development and ownership, we may terminate your Development Rights, vary your Territory, and/or terminate the exclusivity attached to the Development Rights in our discretion (following which we may ourselves develop and operate franchises in your Territory or may grant a right to a third party to develop and operate franchises in your Territory).

Unless we have terminated the exclusivity of your Development Rights, we will not establish or operate, nor license any other person to establish or operate, an Outlet under the System and the Trademarks at any location in your Territory during the term of your Master Franchise Agreement except for Outlets already established or permitted by us prior to the execution of your Master Franchise Agreement.

Regardless of either proximity to your Territory or your Outlets, or any actual or threatened impact on sales of your master franchise business, we may (i) use the Trademarks and System in connection with establishing and operating Outlets at any location outside your Territory, (ii) use the Trademarks or other marks in connection with selling or distributing any goods or services anywhere in the world through alternative channels of distribution such as the Internet or other electronic communications, telephone, mail, or similar channels regardless of the destination of the products or services, and we may expand our sale of products on a local, regional, national, or international basis; you may not distribute products through alternative channels of distribution and we are under no obligation to compensate you for our soliciting or accepting orders within your Territory through alternative channels of distribution, (iii) use the Trademarks or System in connection with establishing and operating Outlets in any special distribution channel (i.e., airports, train stations, gas/convenience stores, limited-access highway food facilities, hospitals, convention centers, schools, universities and colleges, hotels, casinos and resorts, stadiums, arenas, ballparks, movie theaters, entertainment and sports complexes, department stores and "big box" superstores, supermarkets, festivals, fairs and other mass gathering locations or events, offices, factories, military facilities, and any government buildings or other institutional facilities), including special distribution channels located within your Territory, (iv) without using the Trademarks, acquire, establish, or operate any business of any kind at any location anywhere in the world, or (v) use the Trademarks in connection with soliciting or directing advertising or promotional materials to customers anywhere in the world.

We retain the sole right to use the Trademarks on the Internet including, without limitation, in connection with websites, domain names, directory addresses, metatags, as graphic images on web

pages, linking, advertising, co-branding, and other arrangements. You may not maintain a website without our prior written consent. If we approve of a website that you promote and develop, we have the right to condition our approval on terms we determine are necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your Master Franchise Agreement.

You do not have the right to relocate your Outlets without our permission. If you request relocation, you must obtain our prior written approval for each site and meet our then-current criteria for relocation. Our approval process is substantially the same process we use in approving a new location. In addition, you must comply with all your obligations to us and must sign our then-current Franchise Agreement with all then-current ongoing fees, for a term equal to the term remaining on your Franchise Agreement for the previous Outlet. The then-current Franchise Agreement may contain materially different terms and conditions than the original Franchise Agreement. There is no new Initial Franchise Fee paid to us for relocation unless we grant you a term greater than the term remaining on the Franchise Agreement for the previous location. No New Outlet Fee will be payable to us provided the replacement site is within a two-kilometer radius of the existing site and the new Outlet at the replacement site is opened and operated by the same franchisee within 90 days of closing the Outlet at the original location.

Your Master Franchise Agreement sets out one or more protected geographic areas identified specifically for the development of new Outlets. We will limit the number of people who can compete with you in your effort to find qualified sites for development of new Outlets within your Territory. This does not mean that you have any exclusive right to any potential customer base for your Outlets. You have no rights relating to the distribution or competitive brands that we control. You have no rights relating to the alternative distribution channels referenced above. Under certain conditions, you will have the first opportunity for special distribution opportunities inside your Territory. This first opportunity is conditioned upon your compliance with all material provisions of your agreements with us and our affiliates, your meeting our criteria for expansion, and the permission of the party that controls the special distribution opportunities. You do not have any other rights to pursue special distribution opportunities.

We do not require minimum sales quotas for each individual Outlet; provided, however, that you must have open and operating no fewer than five Outlets, one training Outlet, and one training center before you grant and sell Subfranchises to prospective Subfranchisees.

As part of your review of a particular trade area or territory, we may, but are not required to, provide you with certain information such as (i) maps indicating existing Outlets' and/or competitors' locations and may highlight potential areas of interest to us, and (ii) demographic reports (including population and median household income) generated by third parties. It is important you validate the information we provide to you.

There are no restrictions on our right or the right of our affiliates to sell goods or services that are the same as or similar to those that you will sell. As described in detail in Item 1, La Kaffa operates and offers franchises for a number of other restaurant concepts. Among others, La Kaffa has operated and/or offered franchises for businesses offering Taiwanese traditional desserts under the name "ZenQ Dessert," businesses offering specialty coffee, teas and meals under the name "La

Kaffa Coffee,” businesses offering specialty baked goods under the name “Bake Code,” businesses offering Chinese food under the name “Chatime Lounge,” and businesses offering Sichuan folk beef noodles under the name “Duan Chun Zhen.”

Item 13: Trademarks

Your Master Franchise Agreement gives you the non-exclusive right to operate your Outlets under the Trademarks. You may also be authorized to use other current or future trademarks to operate your Outlets.

You and your Subfranchisees will follow our rules when you and your Subfranchisees use the Trademarks. You will exercise proper diligence to enforce the terms of any Franchise Agreement and ensure that the Trademarks and our trade names are being properly used by any Subfranchisees.

You will not use any of our company names or any part of the Trademarks (i) as part of a business entity name, e-mail address, electronic identifier, or Internet domain name, (ii) except for those we license to you, or (iii) for the sale of any unauthorized product or service or in a manner we have not authorized in writing. You may only use the Trademarks to operate your Outlets and not for any other purpose or in any manner without our prior authorization. You may only use the Trademarks on vehicles with our prior written consent.

We have a license from La Kaffa to use and to sublicense the use of the Trademarks. This license is set forth in a certain Trademark License Agreement dated January 2, 2014, between La Kaffa and us. It has a term of ten years and a renewal term of an additional ten years unless terminated earlier by us upon 90 days’ notice to La Kaffa. It grants us an exclusive right to freely use and display the Trademarks in connection with the operation of our business. The license may not be assigned by us. All rights in and goodwill from the use of the Trademarks accrue to us and our affiliates. No other agreement limits our right to use or license the use of the Trademarks.

Except as otherwise noted, the Trademarks and service marks listed below are filed or registered on the Principal Register of the United States Patent and Trademark Office (the “USPTO”) on the date shown and all affidavits required to preserve and renew these Trademarks have been timely filed.

Federal Trademark	Registration/Serial Number	Registration/Filing Date
“Chatime”  (and design)	Registration no. 6817092	Registered August 16, 2022

Federal Trademark	Registration/Serial Number	Registration/Filing Date
 (design only)	Registration no. 6310008	Registered March 30, 2021
Chatime	Registration no. 5321339	Registered October 31, 2017
“Chatime Ri Chu Cha Tai”  (and design)	Registration no. 4178239	Registered July 24, 2012

There are no material determinations, proceedings, or litigation that may affect your right to use the Trademarks other than as may be stated in this FDD. We do not know of any superior prior rights or any infringing use that could materially affect your use of the Trademarks other than as stated in this FDD. There are no effective material determinations of the USPTO Trademark Trial and Appeal Board or any state trademark administrator or any court relating to the Trademarks. There is no pending infringement, opposition, or cancellation of any of the Trademarks and no pending material litigation involving the principal Trademarks.

You will immediately notify us when you learn of an infringement of or challenge to your use of the Trademarks. We will take the action we think appropriate. We and La Kaffa have the right to control all administrative proceedings or litigation involving the Trademarks. We will pay all costs you incur to commence or defend legal proceedings relating to our intellectual property provided that we have authorized your actions. If we undertake the defense or prosecution of any such legal proceeding, you will execute any documents and do such acts as may be necessary in our counsel’s opinion to carry out such defense or prosecution.

You will modify or discontinue the use of any Trademark if we modify or discontinue it. We are not required to reimburse you for your tangible costs of compliance (for example, changing signage). You will not directly or indirectly contest our rights to the Trademarks, our trade secrets, or the business techniques that are part of our business.

You and your guarantors must not register or claim rights to intellectual property similar to or derivative of our intellectual property. You and your guarantors must (i) immediately upon execution of your Master Franchise Agreement, transfer ownership of any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to our intellectual property to us at your expense if you or your guarantors then own such intellectual property, (ii) immediately transfer ownership of any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to our intellectual property to

us at your expense if you or any of your guarantors registers such intellectual property during the term of your Master Franchise Agreement.

If any of your improvements (e.g., any works, marks, designs, ideas, know-how, or trade secrets that are derived from or incorporate our intellectual property) are developed by or on your behalf during the term of your Master Franchise Agreement from which you obtain any intellectual property rights, you will assign all such rights to us or our nominee free of all encumbrances as and when the rights are created.

Item 14: Patents, Copyrights, and Proprietary Information

No patents or registered copyrights are material to the franchise. We claim copyright interests in our Operations Manual, advertising materials, the content and format of our products, and all other printed and pictorial materials that we produce (and any translations of them produced by us or others), although these materials have not been registered with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and considered our property. These materials may be used by you only as long as you are a developer and as provided in your Master Franchise Agreement. Any rights granted to you as a user of any copyright are subject to our ownership, rights, and interests in the copyright.

We and La Kaffa have the right to control all administrative proceedings or litigation involving our copyrights. We will pay all costs you incur to commence or defend legal proceedings relating to our copyrights provided that we have authorized your actions. If we undertake the defense or prosecution of any such legal proceeding, you will execute any documents and do such acts as may be necessary in our counsel's opinion to carry out such defense or prosecution. If we require you to modify or discontinue using the subject matter covered by the copyright, you must do so immediately.

You do not receive the right to use an item covered by a patent or copyright unless it is expressly incorporated as proprietary information in our Operations Manual. You may use these materials in the manner we approve in the operation of your Outlets during the term of your Master Franchise Agreement. You may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include, without limitation, trade secrets, knowledge, know-how, confidential information, advertising, marketing, designs, plans, methods of operation, information about our sources of supply, and our pricing recommendations. You may disclose this information to your employees only to the extent necessary to operate the business, and only while your Master Franchise Agreement is in effect. You will promptly notify us when you learn of unauthorized use or challenges to our use of this proprietary information. We are not obligated to take any action, but will respond to this information as we deem appropriate. There are no infringing uses known to us that could materially affect your use of the copyrights.

There is no effective decision, ruling or order of the USPTO, the Copyright Office of the Library of Congress, or any court that could materially affect the ownership or use of any patents or copyrighted materials. Our right to use or license these patents and copyrighted items is not materially limited by any agreement or known infringing use.

There are no agreements currently in effect that significantly limit our rights to use or license the use of patents or our copyrights in any manner material to you. We may use and incorporate changes and improvements that you or your employees or contractors develop into the System. We do not have any obligation to you or the developer of these changes or improvements in connection with such use and incorporation.

Item 15: Obligation to Participate in the Actual Operation of the Franchise Business

You will devote your best efforts to the development, operation, and management of your Outlets in accordance with the terms and conditions of your Master Franchise Agreement and to promote and enhance the sale of Outlets. If you are an individual, you will perform all obligations and conditions of your Master Franchise Agreement or designate and retain at all times an individual to serve as the General Manager under your Master Franchise Agreement. If you are a business entity, you will name an individual as the General Manager to assume primary responsibility for the management of your Outlets.

You and your managers must have sufficient literacy and fluency in the English language to satisfactorily complete the Initial Training Program and communicate with your employees, customers, and suppliers. As a general matter, subject to the successful completion of training, we do not have restrictions on who you may hire as an on-site supervisor. You or your managers will supervise, train, and evaluate the performance of your employees so that they provide competent and efficient service to customers.

You will devote sufficient time and resources to ensure full and complete compliance with your obligations to us, your customers, and others. A master franchise business requires personal attention and it is important that you personally be involved in all facets of the business. You will operate your master franchise business so that our standards of service, quality, and cleanliness are maintained and you will set standards for your employees to follow. Because this is primarily a cash business, you must have effective, vigilant cash management procedures to avoid employee theft.

You may minimize these demands on you personally by attracting, motivating, and retaining capable development, supervisory, production, transportation, and sales personnel. We may provide you with certain suggested basic procedures and guidelines to use in recruiting, training, and motivating your personnel. However, recruiting, training, motivating, and supervising your employees is your responsibility.

If you are a business entity, you will ensure that your owners, agents, employees, and any interested party enter into a confidentiality agreement in a form that is acceptable to us in our discretion. You will ensure that any of your directors who are not a party to your Master Franchise Agreement, any interested party, manager, and any of your key employees we designate enter into service or employment contracts before they receive or are granted access to any confidential information. Such service or employment contracts will contain a similar reasonable restraint as imposed pursuant to Articles 8 and 9 of your Master Franchise Agreement.

Item 16: Restrictions on What the Franchisee May Sell

You will confine your business to the operation of your Outlets and/or the sale of franchises to others within your Territory. You may not conduct any other business or activity at your Outlets without our prior written approval. You may only offer or sell products we approve and you will offer for sale the full menu we prescribe.

We may add, delete, or change approved products that you are required to offer at your Outlets at any time in our discretion. There are no limits on our right to add, delete, or change approved products. You may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signage, and equipment we approve and you will follow methods of product preparation and delivery that meet our requirements. You will provide continuing oversight of your Subfranchises to enforce these requirements.

We impose no customer restrictions on the sale of products at your Outlets; however, your master franchise is limited to your specified Territory and all product sales must be made from Outlets located within your Territory. You are not permitted to sell or distribute our goods or services or offer the sale of Subfranchises through the use of the Internet or other electronic communications.

As a master franchisee, you must comply with all laws and regulations governing the sale of franchises including, without limitation, the proper and timely delivery of a franchise disclosure document, Franchise Agreement, and other related documents (collectively, the “Franchise Compliance Documents”). If a registration is required in the state where your Territory is located, you must file all necessary documents and disclosures with the appropriate state agency before selling, advertising, or offering for sale any Subfranchise within your Territory. A list of state agencies and the appropriate contact information is included as Exhibit C of this FDD.

We are not responsible for preparing or registering any Franchise Compliance Documents or the accuracy of any such documents as distributed or filed for registration. We may offer sample documents for your reference, but we make no representation or warranty of those documents’ compliance with United States federal, state, or local laws and regulations, and you are urged to seek the assistance of independent attorneys and counsel to review and complete such documents.

The form of all Franchise Compliance Documents must be submitted to and approved by us before use. Any changes, amendments, or revisions to any of your Franchise Compliance Documents must be approved by us before use. All Franchise Compliance Documents will include a provision stating that we are a third party beneficiary of the Franchise Compliance Documents with rights to assume and enforce them should you fail to do so. You may not operate any other franchise business without first obtaining our express written consent.

Item 17: Renewal, Termination, Transfer, and Dispute Resolution

This table lists certain important provisions of the Master Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this FDD.

THE FRANCHISE RELATIONSHIP

Provision	Section in Master Franchise Agreement	Summary
a. Length of the franchise term	§1.1(30); Item 4 of Schedule 1	The term is five years.
b. Renewal or extension of the term	§1.1(5); §2.7; Item 5 of Schedule 1	At the end of the initial term of your Master Franchise Agreement, we may grant you the option to continue operating as a master franchisee in your Territory and to enter into a new Master Franchise Agreement for a renewal term of five years.
c. Requirements for franchisee to renew or extend	§2.7	Provided you satisfy all the following conditions, we will grant you the option to continue operating as a master franchisee for a renewal term of five years: (i) give written notice between eight and twelve months before the end of the initial term, (ii) provide us with a proposed development schedule for the new term, (iii) execute a new Master Franchise Agreement that may contain different terms and conditions than your initial Master Franchise Agreement, (iv) have substantially complied with all material provisions of your Master Franchise Agreement, (v) not be in default of your Master Franchise Agreement or any other agreements with us or our affiliates, (vi) pay us a Territory Renewal Fee, (vii) undertake any additional training at your expense that we require, (viii) execute the new Master Franchise Agreement and all other documents we require within 28 days of receipt, (ix) execute a General Release of us and our affiliates, and (x) ensure that all Outlets that have been in operation for three or more years are renovated and refurbished. This provision is subject to state law.
d. Termination by franchisee	§15.1; §15.2	You may terminate your Master Franchise Agreement if (i) you give us written

Provision	Section in Master Franchise Agreement	Summary
		notice of termination within seven days after execution, or (ii) you are in substantial compliance with the Master Franchise Agreement, we materially breach the Master Franchise Agreement, you notify us of such breach and give us at least 60 days to remedy the breach, we do not timely remedy the breach or we fail to show continuing efforts to correct the breach, and you provide 60 days' written notice of termination. These provisions are subject to state law.
e. Termination by franchisor without "cause"	Not applicable	Not applicable.
f. Termination by franchisor with "cause"	§15.3	We have the right to terminate your Master Franchise Agreement with cause. Depending upon the reason for termination, we may not provide you with an opportunity to cure.
g. Curable defaults	§15.3(1)	All defaults must be cured within 30 days after notice.
h. Non-curable defaults	§15.3(4)	We may terminate your Master Franchise Agreement immediately upon written notice to you if (i) you or a guarantor breach any provision under Clauses 6, 9.2, or 9.3 of your Master Franchise Agreement, (ii) a <i>force majeure</i> event continues for more than 180 days, (iii) you no longer hold a license required to carry on your master franchise business, (iv) you voluntarily abandon your master franchise business, (v) you or a guarantor are convicted of a serious offense, (vi) your operations endanger public health or safety, (vii) you are fraudulent in connection with your operations or commit a fraud upon us, (viii) you voluntarily petition in bankruptcy, are adjudicated a bankrupt or insolvent, or a receiver, manager, liquidator, or other person is appointed for a substantial part of your assets, or (ix) you fail to find an approved location for your first Restaurant within 270 days of execution of your Master Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	§17	Upon expiration or termination of your Master Franchise Agreement, you will

Provision	Section in Master Franchise Agreement	Summary
		immediately (i) cease directly or indirectly identifying yourself as a current or former master franchisee, (ii) deliver to us all copies of the Operations Manual and Global Policies and Procedures, all forms of stationery, business cards, all advertising materials, original and all copies of databases and supplier lists, and all other property of ours, (iii) discontinue and forever cease use of the System name, the Trademarks, any trade name, trademark, or commercial symbol that suggests any association with us, and any of our confidential information and other Intellectual Property, (iv) remove all signage containing any of our trademarks or any marks deceptively similar to them (including from any Outlets), (v) execute all documents we require to transfer, assign, or cancel any trademarks, service marks, domain names, or other commercial symbols or intellectual property you applied for registration for or registered, (vi) provide us with all records, files, and other materials we require pertaining to your Master Franchise Agreement, (vii) pay all unpaid monies owed to us or any affiliate within ten business days, and (viii) at our option, assign to us or our nominee your bank or other accounts used for the electronic or direct deposit of fees that Subfranchisees owe you.
j. Assignment of contract by franchisor	§12	We may transfer any of our rights, interests, obligations, or liabilities under your Master Franchise Agreement to any person or entity. Upon transfer, we will have no further obligation under your Master Franchise Agreement except for any accrued liabilities.
k. “Transfer” by franchisee – defined	§1.1(17); §13	Defined as a “Disposal.” Disposal includes any voluntary, involuntary, direct, or indirect sale, assignment, pledge, bequeath, trade, or transfer. In relation to a business entity, Disposal includes entering into a transaction in relation to an ownership interest that

Provision	Section in Master Franchise Agreement	Summary
		results in a person other than the registered holder of the ownership interest (i) acquiring any legal or equitable interest in the ownership interest including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other encumbrance in the ownership interest, (ii) acquiring any right to directly or indirectly receive any dividends payable from the ownership interest, (iii) acquiring any rights of pre-emption, first refusal, or like control over the ownership interest, (iv) acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the ownership interest, or (v) otherwise acquiring legal or equitable rights against the registered holder of the ownership interest which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the ownership interest.
l. Franchisor approval of transfer by franchisee	§13.2	You may only transfer a direct or indirect interest in your Master Franchise Agreement with our prior written consent, which will not be unreasonably withheld.
m. Conditions of franchisor approval of transfer	§13.3	We may impose any of the following conditions on our approval of your proposed transfer: (i) you establish to our reasonable satisfaction that the transferee meets our standards, (ii) you pay us a Transfer Fee and any other legal and administrative costs we incur related to the transfer, (iii) you are not in default of any agreement between us or our affiliates, (iv) the transferee signs our then-current form of Master Franchise Agreement, or you and the transferee execute a deed of assignment in the form we require, (v) the transferee provide a guarantee and indemnity in our favor in a form we require, (vi) the transferee successfully completes our training programs, (vii) you provide us with the

Provision	Section in Master Franchise Agreement	Summary
		purchase agreement between you and transferee and any other documents related to the transfer, and (viii) you establish to our reasonable satisfaction that the transfer would not lead to or have any adverse effect on the System or the Chatime network. This provision is subject to state law.
n. Franchisor's right of first refusal to acquire franchisee's business	§13.4	You may not sell your master franchise or otherwise transfer any ownership interest without first offering to sell the ownership interest to us on the same terms and conditions offered by a third party.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability of franchisee	Not applicable	Not applicable.
q. Non-competition covenants during the term of the franchise	§9.2(1)	During the term of your Master Franchise Agreement, you and any guarantors will not finance, invest in, or have a financial interest in any other business without our prior written consent. This provision is subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	§9.2(2); Items 8 and 9 of Schedule 1	Defined as a "Restraint Period" which is a period of two years following the expiration or termination of your Master Franchise Agreement in the "Restraint Area" which is (i) your Territory, (ii) any area within twelve miles of any Outlet operated by you, your affiliates, or a Subfranchisee, and (iii) any area within twelve miles of any Restaurant. During the Restraint Period, you and any guarantors will not (i) engage or be concerned or interested in any business within the Restraint Area that supplies products or services the same or similar to those at any time supplied in your master franchise operation (including any Outlet) or that could be reasonably regarded as a market competitor of the Chatime network or any Restaurant, (ii) canvass or solicit any person who was a customer, employee, prospective franchisee, or Subfranchisee of ours or yours in the twelve months prior to the termination or

Provision	Section in Master Franchise Agreement	Summary
		expiration of your Master Franchise Agreement, or (iii) employ any person who was employed by us, a Subfranchisee, or any other master franchisee without first obtaining our written consent. These provisions are subject to state law.
s. Modification of agreement	§26.12	Your Master Franchise Agreement may only be modified by the parties in writing.
t. Integration/merger clause	§26.11	Only the terms of your Master Franchise Agreement are binding. Any representations or promises outside of this FDD and your Master Franchise Agreement may not be enforceable. This provision is subject to state law.
u. Dispute resolution by arbitration or mediation	§16; Item 26 of Schedule 1	Except as otherwise provided, all disputes and claims relating to your Master Franchise Agreement must be settled by arbitration in Taiwan in accordance with the Arbitration Law of the Republic of China and the Arbitration Rules of the Chinese Arbitration Association. These provisions are subject to state law.
v. Choice of forum	§16; Item 26 of Schedule 1	Chinese Arbitration Association in Taiwan. These provisions are subject to state law.
w. Choice of law	§26.16; Item 25 of Schedule 1	Taiwan. These provisions are subject to state law.

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures appear in Exhibit D.

Item 18: Public Figures

We do not use any public figure to promote our franchise.

Item 19: Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (i) a franchisor provides the actual records of an existing outlet you are considering buying, or (ii) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a master franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Kent Wang, President, at No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan, +886-3-550-7750, kent@lakaffa.com.tw, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Information

The tables below list all of the outlets operated under a Master Franchise Agreement.

Table 1
System-wide Master Franchise Outlet Summary for Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	12	13	+1
	2020	13	7	-6
	2021	7	10	+3
Company-Owned	2019	2	1	-1
	2020	1	0	-1
	2021	0	0	0
Total Outlets	2019	14	14	0
	2020	14	7	-7
	2021	7	10	+3

Table 2
Transfer of Master Franchise Outlets from Master Franchisees to New Owners
(Other than the Franchisor) for Years 2019 to 2021

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0

Table 3
Status of Master Franchise Outlets for Years 2019 to 2021

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2021	0	1	0	0	0	0	1
MD	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2021	2	1	0	0	0	0	3
NV	2019	1	0	0	0	0	1	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
OH	2019	3	0	0	0	0	1	2
	2020	2	0	0	0	0	2	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
PA	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
TX	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	3	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Guam	2019	4	1	0	0	0	0	5
	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	0	5
	2021	5	1	0	0	0	0	5
Total	2019	12	3	0	0	0	2	13
	2020	13	0	0	0	0	6	7
	2021	7	3	0	0	0	0	10
	2021	7	3	0	0	0	0	10

Table 4
Status of Company-Owned Master Franchise Outlets for Years 2019 to 2021

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
NY	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Total	2019	2	0	0	0	0	1	1
	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

Table 5
Projected New Master Franchise Outlets as of December 31, 2021

State	Master Franchise Agreements Signed but Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
International	0	10	0
Total	0	10	0

A list of our current master franchisees as of December 31, 2021, and their contact information is provided in Exhibit G. In addition, Exhibit G contains a list of all master franchisees that had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business in our last fiscal year, or that had not communicated with us within ten weeks of the date of this FDD.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No master franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their franchised business. There are currently no trademark-specific franchisee organizations that have been created, sponsored, or endorsed by us. No trademark-specific franchisee organizations associated with the System have asked us to include information about them in our current FDD.

Item 21: Financial Statements

Attached as Exhibit A are our audited financial statements for the fiscal years ending December 31, 2019, December 31, 2020, and December 31, 2021, and our unaudited balance sheet for the calendar quarter ending March 31, 2022.

Item 22: Contracts

The following agreements are exhibits to this FDD:

- Exhibit B Chatime USA, LLC Master Franchise Agreement
- Exhibit D Addenda Required by State(s)
- Exhibit E General Release
- Exhibit F Acknowledgment Addendum to Chatime USA, LLC Master Franchise Agreement

Item 23: Receipts

Exhibit J contains detachable documents acknowledging your receipt of this FDD.

Exhibit A

FINANCIAL STATEMENTS

CHATIME USA, LLC
Independent Auditor's Report
and Financial Statements
December 31, 2020 and 2019

CHATIME USA, LLC
Independent Auditor's Report
and Financial Statements
December 31, 2020 and 2019

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CHEN & FAN

ACCOUNTANCY CORPORATION

9660 Flair Drive, Suite 300
El Monte, California 91731
Telephone (626) 279-1688
Facsimile (626) 279-1888

Offices in Other Locations:
Fremont / San Jose
San Diego

Independent Auditor's Report

To the Manager Member
Chatime USA, LLC
Wilmington, Delaware

We have audited the accompanying financial statements of **Chatime USA, LLC**, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in member's capital (capital deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chatime USA, LLC** as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Chen & Fan", written in a cursive style.

Chen & Fan
Accountancy Corporation

El Monte, California

March 17, 2021

Chatime USA, LLC
Balance Sheets
December 31, 2020 and 2019

ASSETS

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 225,448	\$ 517,839
Accounts receivable	-	32,901
Inventories, net	-	41,535
Total Current Assets	225,448	592,275
Land, Building, Property and Equipment - net	557,956	770,466
Other Assets		
Right-of-use asset	-	214,835
Deposits	32,195	44,378
Total Other Assets	32,195	259,213
Total Assets	<u>\$ 815,599</u>	<u>\$ 1,621,954</u>

LIABILITIES AND MEMBER'S CAPITAL (CAPITAL DEFICIENCY)

Current Liabilities		
Accounts payable - related party	\$ 717,426	\$ 955,863
Accrued expenses	143,317	61,915
Operating lease liability - current	76,245	72,469
Deferred revenues and others	17,650	18,664
Total Current Liabilities	954,638	1,108,911
Long-term Liabilities		
Operating lease liability - non-current	80,165	156,410
Deferred revenues - non-current	14,467	15,859
Total Long-term Liabilities	94,632	172,269
Total Liabilities	1,049,270	1,281,180
Member's Capital (Capital Deficiency)	(233,671)	340,774
Total Liabilities and Net of Member's Capital (Capital Deficiency)	<u>\$ 815,599</u>	<u>\$ 1,621,954</u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Revenue	\$ 320,374	\$ 558,266
Cost of Revenue	<u>121,926</u>	<u>253,834</u>
Gross Profit	198,448	304,432
Operating Expenses	<u>(779,834)</u>	<u>(933,745)</u>
Loss from Operations	<u>(581,386)</u>	<u>(629,313)</u>
Non-Operating (Expenses) Income		
Loss from disposal of property and equipment	-	(446,205)
Other Income (Expenses), net	<u>9,395</u>	<u>(29,101)</u>
Non-Operating Income (Expenses), net	<u>9,395</u>	<u>(475,306)</u>
Loss from Continuing Operations before Income Taxes	(571,991)	(1,104,620)
Income Tax Expense	<u>2,454</u>	<u>4,498</u>
Loss from Continuing Operations	(574,445)	(1,109,118)
Discontinued operations -		
Loss from discontinued operations	<u>-</u>	<u>(336,835)</u>
Net Loss	<u><u>\$ (574,445)</u></u>	<u><u>\$ (1,445,953)</u></u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Changes in Member's Capital (Capital Deficiency)
For the Years Ended December 31, 2020 and 2019

	Member's Contributed Capital	Accumulated Deficit	Total Member's Capital (Capital Deficiency)
Balance, January 1, 2019	\$ 3,500,000	\$ (1,713,273)	\$ 1,786,727
Net loss for the year	<u>-</u>	<u>(1,445,953)</u>	<u>(1,445,953)</u>
Balance at December 31, 2019	3,500,000	(3,159,226)	340,774
Net loss for the year	<u>-</u>	<u>(574,445)</u>	<u>(574,445)</u>
Balance at December 31, 2020	<u><u>\$ 3,500,000</u></u>	<u><u>\$ (3,733,671)</u></u>	<u><u>\$ (233,671)</u></u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Net loss	\$ (574,445)	\$ (1,445,953)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	82,467	159,092
Loss from disposal of property and equipment	-	727,798
Impairment loss of property and equipment and right-of-use asset	274,776	-
Change in operating assets and liabilities:		
Accounts receivable	32,901	(17,816)
Inventories	41,535	130,467
Prepaid expenses	-	27,835
Deposits	12,183	176,222
Accounts payable	(238,437)	80,119
Deferred revenues and other liabilities	(4,773)	(27,468)
Accrued expenses	81,402	(153,627)
Net Cash Used in Operating Activities	<u>(292,391)</u>	<u>(343,331)</u>
Cash Flows From Investing Activities:		
Proceeds from disposal of property and equipment	-	8,758
Net Cash Provided by Investing Activities	<u>-</u>	<u>8,758</u>
Net Decrease in Cash and Cash Equivalents	(292,391)	(334,573)
Cash and Cash Equivalents at Beginning of Year	<u>517,839</u>	<u>852,412</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 225,448</u></u>	<u><u>\$ 517,839</u></u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid during the year for:		
Income taxes	<u><u>\$ 2,454</u></u>	<u><u>\$ 4,498</u></u>
<u>Supplemental Disclosure of Financing Activity:</u>		
Lease liability from recognition of right-of-use asset	<u><u>\$ -</u></u>	<u><u>\$ 228,879</u></u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Notes to Financial Statements
December 31, 2020 and 2019

Note 1 - Organization and Business

Chatime USA, LLC (the "Company") was formed in the State of Delaware on January 2, 2014. It is a wholly owned subsidiary of La Kaffa International Co., Ltd., a Taiwan company. The Company is engaging in operating restaurants and franchising its restaurant brands that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts, coffee and tea makers and related supplies, accessories and gift items in the United States.

The Company's business was affected by the COVID-19 pandemic ("the pandemic") after lockdown started in mid-March 2020 in the United States of America. The downturn effects of the pandemic on the Company's business are still undeterminable as of the report date.

Liquidity and Going Concern

The Company has experienced significant net operating loss through the years. As of December 31, 2020, it has member's capital deficiency of \$233,671. In addition, the COVID-19 pandemic added uncertainty to the Company's operations. As of December 31, 2020, it was indebted to major vendor also sole member (see Note 9) in the total amount of \$717,426. The ability of the Company to remain a going concern depends on the forbearance with respect to the maturity of its debts due to its major vendor/sole member. The mentioned matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company, currently, has taken measures and efforts that management believes will improve its financial position. The measures encompass improving the efficiency of the Company's management team, looking for better location for or discontinuing its directly-owned restaurant, and generating profit from operations and pursuing more cost and expense reduction. In the event that operating results do not improve, it may be necessary for the Company to obtain additional advances or capital injection from its owner or to obtain debt from unrelated party.

The Company's sole member has agreed to provide financial support to the Company by providing extended collection terms and has represented that it will continue such financial support for a period up to June 30, 2022.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable

The Company estimated its reserve for possible bad debts based on a review of current status of existing receivables, subsequent collections and management's evaluation of the effect of economic conditions.

Inventory

Inventories are stated at the lower of cost or net realizable value, with cost determined under the first-in, first-out method.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Property additions and betterments are charged to the property accounts, while maintenance and repairs are expensed as incurred. Whenever an asset is retired or disposed of, its cost and accumulated depreciation or amortization are removed from the respective accounts, and the resulting gain or loss is credited or charged to income. Depreciation is computed by using the straight-line method over the following estimated useful lives: 3-5 years for machinery and equipment; shorter of the lease terms or the estimated useful lives for leasehold improvements; 39 years for buildings.

The Company reviews the carrying amount of property and equipment for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies - Continued

Lease

The Company adopted Accounting Standards Update No. 2016-02 Lease and all subsequent amendments to the ASU (collectively, "ASC 842") as of January 1, 2019 using the modified retrospective transition method, under which amounts in prior periods presented were not restated. For leases existing at the time of adoption, the Company elected the package of practical expedients which does not require reassessment of initial direct costs, classification of a lease, and definition of a lease.

The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either finance leases or operating leases depending on criteria the lease met. Currently, the Company's lease is categorized as operating lease. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

The Company reviews the carrying amount of ROU assets for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Revenue Recognition

The Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") in 2019. The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior amounts continue to be reported in accordance with legacy GAAP.

Revenue is measured based on consideration specified in contracts with customers and excludes waivers or incentives. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Tax assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies - Continued

Revenue Recognition, continued

The Company-owned restaurant's principal revenue is from retail sales of tea, coffee and tea-based drinks. Revenue from Company-owned restaurant is recognized when the products are delivered to or carried out by customers.

Material revenue is mainly from drink material to its franchisees or agencies. The Company recognizes revenue at a point in time or over time depicting the transfer of promised goods in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Up-front franchise fee is billed based on the schedule of executed franchise agreement. Area development exclusivity fee is billed also based on the schedule stated on the franchise agreement. Area development exclusivity fee is to grant the right to develop franchised restaurants, no specific number of franchise restaurants set in the agreement, in future periods in specific geographic areas. Area development fee is a one-time non-refundable payment. The pre-opening services provided to franchisees do not contain separate and distinct performance obligations from the term of the franchise agreement; thus, the fees collected will be amortized on a straight-line basis beginning at the store opening date through the term of the franchise agreement which is usually 3 to 5 years. Franchise renewal fees for future license renewal periods are amortized over the life of the renewal period. Royalty fees are based on a percentage of franchise restaurant sales and are billed and recognized on a monthly basis.

Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by valuation allowance to the amounts expected to be realized.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes, continued

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state and local) where it is required to file income tax returns. This analysis has been applied to all open tax years in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of income.

Fair Value of Financial Instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The three levels of the hierarchy consist of the following:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in market that are not active or inputs that are observable for the asset or liability, either or indirectly, for substantially the full term of the instrument.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments, continued

Level 3 – Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated their fair value due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompany notes. Actual results may differ from those estimates and assumptions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. Balance of cash account held in foreign bank for which the balance is not insured by FDIC as of December 31, 2020 and 2019 amounted to approximately \$0 and \$297,000, respectively.

Reclassification of Prior Year Presentation

For two years comparison, the Company reclassified and separated out non-current portion of deferred revenue as of December 31, 2019 from current liabilities, which, in fact, was immaterial to the Company's financial statements as of December 31, 2020 and 2019. This reclassification has no effect on the reported results of operations.

Subsequent Events

The Company has evaluated events and transactions through March 17, 2021, the date on which these financial statements were available to be issued.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 3 - Accounts Receivable

Accounts receivable at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Gross amount	\$ 25,976	\$ 32,901
Less: allowance for doubtful accounts	<u>(25,976)</u>	<u>-</u>
Net	<u>\$ -</u>	<u>\$ 32,901</u>

Note 4 - Inventories

As of December 31, 2020 and 2019, the Company's inventories consisted of the following:

	<u>2020</u>	<u>2019</u>
Food materials and supplies	\$ 13,821	\$ 52,535
Less: inventory valuation	<u>(13,821)</u>	<u>(11,000)</u>
Net	<u>\$ -</u>	<u>\$ 41,535</u>

Note 5 - Land, Building, Property and Equipment

At December 31, 2020 and 2019, land, building, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 51,136	\$ 51,136
Building	596,813	596,813
Leasehold improvement	203,218	203,218
Equipment	<u>124,489</u>	<u>124,489</u>
	975,656	975,656
Less: accumulated depreciation	<u>(287,657)</u>	<u>(205,190)</u>
	687,999	770,466
Less: impairment loss	<u>(130,043)</u>	<u>-</u>
Net	<u>\$ 557,956</u>	<u>\$ 770,466</u>

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 5 - Land, building, Property and Equipment - Continued

Depreciation expense amounted to \$82,467 and \$159,092 for the years ended December 31, 2020 and 2019, respectively.

In 2020, due to COVID-19 pandemic ("the pandemic") caused economy downturn, the Company's restaurant operations is put on hold since then. Because of the uncertainty of the pandemic, the Company recognized a total impairment loss of \$274,776 related to the restaurant. The impairment loss consists of the loss from the following assets:

Restaurant's property and equipment	\$ 130,043
Restaurant's lease - right-of-use asset	<u>144,733</u>
Total	<u>\$ 274,776</u>

Note 6 - Revenues and Deferred Revenues

The Company's revenues consist of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net sales	\$ 35,087	\$ 249,635
Restaurant	96,255	182,518
Franchise fees	175,340	28,429
Royalty fees	<u>13,692</u>	<u>97,684</u>
Total	<u>\$ 320,374</u>	<u>\$ 558,266</u>

100% of deferred revenue refers to franchise fees. At December 31, 2020 and 2019, the Company's current deferred revenues amounted to \$13,198 and \$17,936, and non-current deferred revenues amounted to \$14,467 and \$15,859 for the years ended December 31, 2020 and 2019, respectively.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 7 - Income Taxes

Income tax expense consisted of the following:

	<u>2020</u>	<u>2019</u>
Current:		
State	<u>\$ 2,454</u>	<u>\$ 4,498</u>

The Company's deferred tax assets are recognized for temporary deductible differences and for net operating loss carryforwards only to the extent that realization of related tax benefit is probable. Significant deferred tax assets at December 31, 2020 and 2019 were approximately as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Inventory valuation	\$ 700	\$ 2,900
Allowance for doubtful accounts	3,000	-
Deferred revenues	4,800	9,800
State income tax and others	400	200
NOL carryforwards	847,000	702,000
Book depreciation in excess of tax depreciation	<u>22,800</u>	<u>30,300</u>
	878,700	745,200
Less: valuation allowance	<u>(878,700)</u>	<u>(745,200)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020, the Company had net operating loss (NOL) carryforwards available to reduce future taxable income for federal and state income tax return purpose of approximately \$3,500,000 and \$2,400,000, respectively. Federal NOL will be carried forward indefinitely and state NOL will expire in various years through 2040.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded a full valuation allowance as of December 31, 2020. The deferred tax asset valuation allowance increased \$133,500 and \$357,000 approximately for the years ended December 31, 2020 and 2019, respectively.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 8 - Discontinued Operations

The Company's parent company discontinued the Company's operation of Kingza brand restaurant in Flushing, New York in February 2019 due to economy downturn and high area competition. Equipment related to the subject brand was disposed of accordingly. A statement for discontinued operation is presented as follows:

Net revenue	\$ 162,545
Cost of revenue	<u>92,875</u>
Gross profit	69,670
Operating expenses	<u>124,913</u>
Loss from operations	(55,243)
Net Non-operating losses	<u>(281,592)</u>
Net Loss from Discontinued Operations	<u>\$ (336,835)</u>

The net non-operating loss due to the discontinued operation of Kingza contains:

1) Retirement of property and equipment	
Original cost	\$ 1,015,925
Accumulated depreciation	<u>(367,794)</u>
Loss from retirement of property and equipment	<u>648,131</u>
2) Sale of property and equipment:	
Original cost	3,469
Accumulated depreciation	(1,513)
Proceeds	<u>(1,200)</u>
Loss from disposal of property and equipment	<u>756</u>
Total	648,887
3) Reversal of deferred rent	<u>(367,295)</u>
Net non-operating loss from discontinued operations	<u>\$ 281,592</u>

Note 9 - Related Party Transactions

The Company has extensive transactions with La Kaffa International Co., Ltd ("LKI"), its sole member. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 9 - Related Party Transactions - Continued

In 2020 and 2019, the Company made purchase of \$70,983 and \$123,907, respectively from LKI, which represented 71% and 47% of the Company's purchase of material and supplies. The related account payable to LKI are \$717,426 and \$955,863, respectively, as of December 31, 2020 and 2019.

Note 10 - Commitment

The Company's lease for its restaurant in Queens, New York, is classified as operating lease that will expire in December 2022. Related lease cost recognized in the statement of operations for the year ended December 31, 2020 is \$74,000, approximately.

The following shows right-of-use asset and related lease liabilities, and the associated financial statement line items at December 31, 2020 and 2019:

Financial Statement Line Items	2020	2019
Right-of-use asset	\$ 144,733	\$ 214,835
Impairment loss (see Note 5)	<u>(144,733)</u>	<u>-</u>
Remaining right-of-use asset	<u>\$ -</u>	<u>\$ 214,835</u>
Lease liability – current	\$ 76,245	\$ 72,469
Lease liability – non-current	<u>80,165</u>	<u>156,410</u>
Total	<u>\$ 156,410</u>	<u>\$ 228,879</u>

Lease liability maturities as of December 31, 2020 and 2019 are as follows:

For the year Ending December 31,	2020	2019
2020	N/A	\$ 76,835
2021	\$ 78,677	78,677
2022	<u>81,036</u>	<u>81,036</u>
	159,713	236,098
Less: imputed interest	<u>(3,303)</u>	<u>(7,219)</u>
	156,410	228,879
Less: current lease liability	<u>(76,245)</u>	<u>(72,469)</u>
Non-current lease liability	<u>\$ 80,165</u>	<u>\$ 156,410</u>

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2020 and 2019

Note 10 - Commitment - Continued

The Company used 2% as its discount rate. The discount rate is based on estimates of its incremental borrowing rate, as the discount rate implicit in the Company's lease cannot be readily determined.

As of December 31, 2020, future minimum lease payments due under the above operating lease are summarized as follows:

For the Year Ending December 31, _____	Future Minimum Lease Payments
2021	\$ 78,700
2022	<u>81,000</u>
Total	<u>\$ 159,700</u>

CHATIME USA, LLC
Independent Auditor's Report
and Financial Statements
December 31, 2021 and 2020

CHATIME USA, LLC
Independent Auditor's Report
and Financial Statements
December 31, 2021 and 2020

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San Diego

Independent Auditor's Report

To the Manager Member
Chatime USA, LLC
Wilmington, Delaware

Opinion

We have audited the accompanying financial statements of **Chatime USA, LLC**, (a Delaware company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income (operations), changes in member's deficiency, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chatime USA, LLC** (the Company) as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with the generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

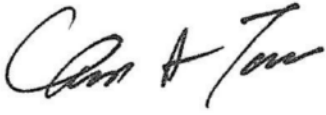
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

A handwritten signature in black ink, appearing to read "Chen & Fan", written in a cursive, flowing style.

Chen & Fan
Accountancy Corporation

El Monte, California

February 8, 2022

Chatime USA, LLC
Balance Sheets
December 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 81,788	\$ 225,448
Refundable deposit	21,270	-
Refundable income tax	105,450	-
Other currents assets	4,299	-
Total Current Assets	212,807	225,448
Land, Building, Property and Equipment - net	-	557,956
Other Assets		
Deposits	130	32,195
Total Assets	<u>\$ 212,937</u>	<u>\$ 815,599</u>

LIABILITIES AND MEMBER'S DEFICIENCY

Current Liabilities		
Accounts payable - related party	\$ 167,426	\$ 717,426
Accrued expenses	39,609	143,317
Lease liability - current	-	76,245
Deferred revenue and others	10,860	17,650
Total Current Liabilities	217,895	954,638
Long-term Liabilities		
Lease liability - non-current	-	80,165
Deferred revenue - non-current	6,410	14,467
Total Long-term Liabilities	6,410	94,632
Total Liabilities	224,305	1,049,270
Member's Deficiency	(11,368)	(233,671)
Total Liabilities, Net of Member's Deficiency	<u>\$ 212,937</u>	<u>\$ 815,599</u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Income (Operations)
For the Years Ended December 31, 2021 and 2020

	2021	2020
Net Revenue	\$ 19,311	\$ 320,374
Cost of Revenue	-	121,926
Gross Profit	19,311	198,448
Operating Expenses	(129,495)	(779,834)
Loss from Operations	(110,184)	(581,386)
Non-Operating Income		
Gain from sales of real estate	118,802	-
Other Income, net	203	9,395
Non-Operating Income, net	119,005	9,395
Income (Loss) from Continuing Operations before Income Taxes	8,821	(571,992)
Income Tax Expense	800	2,454
Net Income (Loss) from Continuing Operations	8,021	(574,446)
Discontinued Operations -		
Gain from disposal of discontinued operations, net of income tax	214,283	-
Net Income (Loss)	\$ 222,304	\$ (574,446)

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Changes in Member's Deficiency
For the Years Ended December 31, 2021 and 2020

	Member's Contributed Capital	Accumulated Deficit	Total Member's Capital (Deficiency)
Balance, January 1, 2020	\$ 3,500,000	\$ (3,159,226)	\$ 340,774
Net loss for the year	-	(574,446)	(574,446)
Balance at December 31, 2020	3,500,000	(3,733,672)	(233,672)
Net income for the year	-	222,304	222,304
Balance at December 31, 2021	<u>\$ 3,500,000</u>	<u>\$ (3,511,368)</u>	<u>\$ (11,368)</u>

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Net income (loss)	\$ 222,304	\$ (574,445)
Adjustments to reconcile net income (loss) to net cash used for operating activities:		
Depreciation	4,153	82,467
Gain from disposal of property and equipment	(118,802)	-
Reversal of lease liability and accrued rent	(214,570)	-
Impairment loss of property and equipment and right-of-use asset	-	274,776
Changes in operating assets and liabilities:		
Inventories	-	32,901
Refundable income tax and other current assets	(109,749)	41,535
Deposits	10,795	12,183
Accounts payable	(550,000)	(238,437)
Deferred revenues and other liabilities	(14,847)	(4,773)
Accrued expenses	(45,549)	81,402
Net Cash Used for Operating Activities	(816,265)	(292,391)
Cash Flows From Investing Activity		
Proceeds from sale of property and equipment	672,605	-
Net Cash Provided by Investing Activity	672,605	-
Net Decrease in Cash and Cash Equivalents	(143,660)	(292,391)
Cash and Cash Equivalents at Beginning of Year	225,448	517,839
Cash and Cash Equivalents at End of Year	\$ 81,788	\$ 225,448
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid during the year for:		
Income taxes	\$ 800	\$ 2,454
<u>Supplemental Disclosure of Non-Cash Activity:</u>		
Refundable deposit reclassified from other asset	\$ 21,270	\$ -

The accompanying notes are an integral part of these financial statements.

Chatime USA, LLC
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and Business

Chatime USA, LLC (the “Company”) was formed in the State of Delaware on January 2, 2014. It is a wholly owned subsidiary of La Kaffa International Co., Ltd., a Taiwan company. Before 2021, the Company was engaged in operating restaurants and franchising its restaurant brands that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts, coffee and tea makers and related supplies, accessories and gift items in the United States.

The Company’s business was affected by the COVID-19 pandemic after the lockdown started in mid-March 2020 in the United States of America. Due to the impact of COVID-19, the Company discontinued its direct sale store and early terminated its lease for its operation of selling soft drinks, mainly teas, tea or coffee-based beverage in Queens N.Y. Thus, the main operation of the Company is franchising its brand. The downturn effects of the pandemic on the Company’s business are still undeterminable as of the report date.

Liquidity and Going Concerns

The Company has experienced significant net operating loss through the years. As of December 31, 2021, it has working capital deficiency and member’s deficiency of \$5,089 and \$11,368, respectively. On the same date, it was indebted to its major vendor also sole member (see Note 9) in the total amount of \$167,426. The ability of the Company to remain a going concern depends on the forbearance with respect to the maturity of its debts due to its major vendors/related parties. The above mentioned matters raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The sole member, currently, has taken measures and efforts that it believes will improve the Company’s financial position. The measures encompass improving the efficiency of the Company’s management team, cutting operating costs, and switching the Company’s business to a franchisor by promoting its brand name. However, being affected by COVID-19, the Company’s recoverability of business was still uncertain. In the event that operating results do not improve, it may be necessary for the Company to obtain additional advances or capital injection from its owner or obtain debt from unrelated party.

The Company’s sole member agreed to provide financial support to the Company by extending collection terms and has represented that it will continue such financial support for a period of time up to June 30, 2023.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable

The Company estimated its reserve for possible bad debts based on a review of current status of existing receivables, subsequent collections and management's evaluation of the effect of economic conditions.

Inventory

Inventories are stated at the lower of cost or net realizable value, with cost determined under the first-in, first-out method.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Property additions and betterments are charged to the property accounts, while maintenance and repairs are expensed as incurred. Whenever an asset is retired or disposed of, its cost and accumulated depreciation or amortization are removed from the respective accounts, and the resulting gain or loss is credited or charged to income. Depreciation is computed by using the straight-line method over the following estimated useful lives: 3-5 years for machinery and equipment; shorter of the lease terms or the estimated useful lives for leasehold improvements; 39 years for buildings. In 2021, the Company retired all its property and equipment.

Lease

The Company early adopted Accounting Standards Update No. 2016-02 Lease and all subsequent amendments to the ASU (collectively, "ASC 842") as of January 1, 2019 using the modified retrospective transition method, under which amounts in prior periods presented were not restated. For contracts existing at the time of adoption, the Company elected the package of practical expedients which does not require reassessment of initial direct costs, classification of a lease, and definition of a lease.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies - Continued

Lease, continued

The Company categorizes leases in the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet either finance leases or operating leases depend on criteria the lease met. The Company’s lease was categorized as operating lease. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. The lease was terminated in June 2021, see Notes 6 and 11.

Revenue Recognition

The Company adopted ASU 2014-09, “Revenue from Contracts with Customers” and all subsequent amendments to the ASU (collectively, “ASC 606”) in 2019. The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior amounts continue to be reported in accordance with legacy GAAP.

Revenue is measured based on considerations specified in contracts with customers and excludes waivers or incentives. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

The Company-owned restaurant’s principal revenue is from retail sales of tea, coffee and tea-based drinks. Revenue from Company-owned restaurant is recognized when the products are delivered to or carried out by customers. The restaurant operation was discontinued in 2021.

Material revenue is mainly from drink material to its franchisees or agencies. The Company recognizes revenue at a point in time or over time depicting the transfer of promised goods in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies - Continued

Revenue Recognition, continued

Up-front franchise fee is billed based on the schedule of executed franchise agreement. Area development exclusivity fees are billed also based on the schedule stated on the franchise agreement. Area development exclusivity fee is to grant the right to develop franchised restaurants, no specific number of franchise restaurants set in the agreement, in future periods in specific geographic areas. Area development fee is a one-time non-refundable payment. The pre-opening services provided to franchisees do not contain separate and distinct performance obligations from the term of the franchise agreement; thus, the fees collected will be amortized on a straight-line basis beginning at the store opening date through the term of the franchise agreement which is usually 3 to 5 years. Franchise renewal fees for future license renewal periods are amortized over the life of the renewal period.

Revenue for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Sales	\$ -	\$ 96,255
Royalty and franchise revenue	<u>19,311</u>	<u>224,119</u>
Total	<u>\$ 19,311</u>	<u>\$ 320,374</u>

The Company's contract liabilities at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Current:		
Deferred revenue from franchisees	\$ 10,860	\$ 17,650
Non-current:		
Deferred revenue from franchisees	<u>6,410</u>	<u>14,467</u>
Total	<u>\$ 17,270</u>	<u>\$ 49,387</u>

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes and accounts for its income taxes using an asset and liability approach for financial reporting of income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by valuation allowance to the amounts expected to be realized.

The Company files a U.S. federal income tax return, as well as state and local income tax returns where required to do so. The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all jurisdictions (federal, state and local) where it is required to file income tax returns. This analysis has been applied to all open tax years in each of those jurisdictions.

The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

The Company's policy for recording interest and penalties associated with any uncertain tax positions is to record such items as a component of income before taxes. Penalties and interest paid or received, if any, are recorded as part of other operating expenses in the statement of income.

Fair Value of Financial Instruments

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies – Continued

Fair Value of Financial Instruments, Continued

Level 2 – Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either or indirectly, for substantially the full term of the instrument.

Level 3 – Inputs to the valuation methodology are unobservable inputs based upon management's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions.

The carrying amounts of the Company's cash and cash equivalents, accounts payable and accrued expenses approximated their fair value due to the short-term nature of the financial instruments. There were no outstanding derivative financial instruments as of December 31, 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and assumptions.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company. Balance of cash account held in foreign bank for which the balance is not insured by FDIC as of December 31, 2021 and 2020 amounted to approximately \$65,000 and \$52,000, respectively.

Subsequent Events

The Company has evaluated events and transactions through February 8, 2022, the date on which these financial statements were available to be issued.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 3 - Accounts Receivable

Accounts receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Gross amount	\$ 25,976	\$ 25,976
Less: allowance for doubtful accounts	<u>(25,976)</u>	<u>(25,976)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Inventories

As of December 31, 2021 and 2020, the Company's inventories consisted of the following:

	<u>2021</u>	<u>2020</u>
Food materials and supplies	\$ -	\$ 13,821
Less: inventory valuation	<u>-</u>	<u>(13,821)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Land, building, Property and Equipment

At December 31, 2021 and 2020, land, building, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ -	\$ 51,136
Building	-	596,813
Leasehold improvement	-	203,218
Equipment	<u>-</u>	<u>124,489</u>
	-	975,656
Less: accumulated depreciation	<u>-</u>	<u>(287,657)</u>
	-	687,999
Less: Impairment loss	<u>-</u>	<u>(130,043)</u>
Net	<u>\$ -</u>	<u>\$ 557,956</u>

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 5 - Land, building, Property and Equipment, Continued

In April 2021, the Company sold its apartment and land to a 3rd party at \$673,000, approximately. This sale generated a net gain of \$118,000, approximately. In this transaction, the escrow agent mistakenly withheld a tax of \$105,450. After several attempts to stop the withholding but failed, the Company recorded it as a prepaid income tax at December 31, 2021.

Depreciation expense amounted to \$4,154 and \$82,467 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Right of Use Assets and Lease Liability

In June 2021, the Company early terminated its leased store in Queens, NY. As the Company's right-of-use asset was fully impaired on December 31, 2020, the Company reported a reversal of lease liability in 2021 in the net amount of \$156,410 (see Note 11).

Note 7 - Refundable Deposit

In September 2017, the Company issued a \$21,270 deposit bond to an insurance company as required from a court, in regards of the potential litigation matter between a decoration company due to the dispute of incomplete construction at the direct sale store in Flushing, NY. As the Company has terminated the operation and lease of the direct sale store in Flushing during 2019, this litigation matter has been discharged. The deposit is refunded in 2022.

Note 8 - Income Taxes

Income tax expense consisted of the following:

	<u>2021</u>	<u>2020</u>
Current - state	<u>\$ 800</u>	<u>\$ 2,454</u>

The Company's deferred tax assets are recognized for temporary deductible difference and for tax loss carryforwards only to the extent that realization of related tax benefit is probable. Significant deferred tax assets at December 31, 2021 and 2020 were approximately as follows:

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 8 - Income Taxes, Continued

	<u>2021</u>	<u>2020</u>
Inventory valuation	\$ -	\$ 700
Allowance for doubtful accounts	3,000	3,000
Allowance for deposit	-	2,300
Unearned revenue	3,000	4,800
State income tax	200	200
Other accruals	5,400	(2,100)
NOL carryforward	771,200	847,000
Book depreciation		
in excess of tax	<u>-</u>	<u>22,800</u>
	782,800	878,700
Less: valuation allowance	<u>(782,800)</u>	<u>(878,700)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2021, the Company had net operating loss (NOL) carryforwards available to reduce future taxable income for federal and state income tax return purposes of approximately \$2,960,000 and \$2,390,000, respectively. Federal NOL of approximately \$2,960,000 will be carried forward indefinitely and the remaining federal NOL along with state NOL will expire in various years through 2041.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the probability of future taxable income is uncertain, the Company recorded a full valuation allowance as of December 31, 2021. The net change in deferred tax asset valuation allowance is a decrease of \$95,900 and an increase of \$133,500 approximately for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Related Party Transactions

A. Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
La Kaffa International Co., Ltd. (LKI)	Single member

The Company has extensive transactions with its single member. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 9 - Related Party Transactions, Continued

B. Significant Related Party Transactions

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Purchases from LKI	\$ <u> -</u>	\$ <u> 70,983</u>

Approximately 71% of the Company's materials and supplies for the year ended December 31, 2020 were purchased from LKI.

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Account payable to LKI	\$ <u> 167,426</u>	\$ <u> 717,426</u>

Note 10 - Contingency

In 2020, the Company was named as one of the four defendants for a dispute between its Texas franchisee, a franchisee under a master franchise agreement, and the franchisee's landlord. The plaintiff seeks the return of its \$200,000 paid to the Company's franchisee plus punitive damage and attorney fee. The case is currently at the discovery stage. At this point, there is not yet enough information to evaluate the likely outcome of this case. Also, the Company does not have enough information yet to determine whether to vigorously defend or settle this case.

Note 11 - Discontinued Operations

In 2021, at the decision of its sole member, the Company discontinued its direct sale store operations in Queens, NY, and focus its business as a franchisor in franchising its brand name. At the decision, the Company early terminated its lease in June 2021 and surrendered its security deposit. Therefore, the Company reversed all related accruals and retired its store equipment. The following reflects the net gain of the discontinued operations:

Chatime USA, LLC
Notes to Financial Statements – Continued
December 31, 2021 and 2020

Note 11 - Discontinued Operations, Continued

- 1) Right-of-use assets, lease liability, and gain from disposal of discontinued operations:

Right-of-use assets – cost	\$ 288,166
Right-of-use assets – amortization and impairment in prior year	<u>(288,166)</u>
Net	<u>\$ -</u>
Reversal of lease liability	\$ 156,410
Reversal of prior year accrued rent and related liabilities	<u>58,159</u>
Total amount from the reversal of prior year liabilities	214,569
Other income	3,741
Insurance refund	9,516
Utility expenses	(3,453)
Loss on non-refundable deposits	<u>(10,090)</u>
Gain from disposal of discontinued operations	214,283
Income tax*	<u>-</u>
Net gain from disposal of discontinued operations	<u>\$ 214,283</u>

*In 2021, the Company can utilize its net operating loss carried from prior years. Thus, no income tax was provided for the gain from discontinued operations.

- 2) Retirement of property and equipment:

Cost:	
Leasehold improvement	\$ 203,218
Office and store equipment	<u>124,488</u>
	327,706
Impairment and accumulated depreciation	<u>(327,706)</u>
Net	<u>\$ -</u>

Currency: USD		Unit: (Dollars)		CHATIME USA . LLC			
Statement Preparation Date: June 8, 2022				Account Form Balance Sheet			
				Balance Sheet			
				March 31, 2022			
					Page 1		
Account Code	Item	Amount	%	Account Code	Item	Amount	%
1	Assets			2	Liabilities		
	-----				-----		
11	Current assets	225,584.4	99.94	21	Current liabilities	203,754.14	90.27
1100	Cash and cash equivalents	75,643.37	33.51	2170	Accounts payable	30,000	13.29
1103	Cash in banks	75,643.37	33.51	2171	Accounts payable	30,000	13.29
1170	Net accounts receivable	16,651.19	7.38	2180	Accounts payable - related parties	137,425.85	60.88
1172	Accounts receivable	42,578.02	18.86	2181	Accounts payable - related parties	137,425.85	60.88
1179	Doubtful debt provision - Accounts receivable; installment accounts receivable; and lease receivables	-25,926.83	- 11.49	2200	Other payables	31,758.94	14.07
1220	Current income tax assets	105,450	46.72	2209	Accrued expenses	31,758.94	14.07
1222	Income tax prepaid	105,450	46.72	2300	Other current liabilities	4,569.35	2.02
1410	Prepayments	6,569.84	2.91	2310	Unearned revenues	4,426.72	1.96
1418	Prepaid expenses	6,569.84	2.91	2311	Unearned sales revenues	3,520.2	1.56
1470	Other current assets	21,270	9.42	2315	Other unearned revenues	906.52	0.40
1471	Suspense payments	21,270	9.42	2330	Suspense receipts	142.63	0.06
15	Fixed assets	130	0.06	233001	Suspense receipts	142.63	0.06
1841	Deferred income tax assets - federal	202,000	89.49	25	Reserves	11,200	4.96
1842	Deferred income tax assets- state	44,200	19.58	2600	Other non-current liabilities	11,200	4.96
1849	Allowance for deferred income tax assets	-246,200	- 109.08	2680	Deferred revenues	11,200	4.96
1900	Other non-current assets	130	0.06				
1920	Guarantee deposits paid	130	0.06				
	Total Assets	225,714.4	100.00		Total liabilities	214,954.14	95.23
				3	Shareholder Equity		

				3100	Share capital	3,500,000	1,550.63
				3110	Common share	3,500,000	1,550.63
				3111	Common share	3,500,000	1,550.63
				3300	Retained earnings	-3,489,239.74	- 1,545.86
				3350	Undistributed earnings (or deficit to be offset)	-3,489,239.74	- 1,545.86
				3351	Accumulated Earnings/Deficits	-3,486,725.82	- 1,544.75
				3353	Current Profit/Loss	-2,513.92	- 1.11
					Total Shareholder Equity	10,760.26	4.77
					Total Liabilities and Shareholder Equity	225,714.4	100.00
							<End>

Exhibit B

CHATIME USA, LLC MASTER FRANCHISE AGREEMENT



Dated

Chatime Master Franchise Agreement (United States of America)

Parties

Chatime USA, LLC (Franchisor)

Master Franchisee specified in Schedule 1 (Master Franchisee)

Guarantor specified in Schedule 1 (Guarantor)

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Agreement is made and entered into by and between:

Parties **Chatime USA, LLC** being a Delaware limited liability company located at No.98, Gaotie 9th Road, Zhubei City, Hsinchu Country 302, Taiwan
(**Franchisor**)

The party identified as Master Franchisee in Item 1 of Schedule 1
(**Master Franchisee**)

The party identified as Guarantor in Item 3 of Schedule 1
(**Guarantor**)

Introduction

- A** Franchisor's parent company, La Kaffa International Co., Ltd., has developed a business and proprietary know-how, information, systems, and procedures including distinctive business formats, specifications, and the Marks for the establishment and operation of retail businesses offering for sale gourmet coffees, teas, other beverages, and certain complementary products (including food products), accessories, and services.
- B** Franchisor has been licensed by La Kaffa International Co., Ltd. to use the System and has the right to grant third parties the right to establish and operate Outlets.
- C** Master Franchisee and Guarantor have requested, and Franchisor has agreed, to grant Master Franchisee a Master Franchise on the terms and conditions set out in this Agreement.
- D** In consideration of Franchisor complying with Guarantor's request, Guarantor has agreed to give a guarantee and indemnity to Franchisor for the performance of Master Franchisee's obligations under this Agreement.

It is Agreed

1 Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Agreement unless the contrary intention appears:

- (1) **Affiliate** means any Person that directly or indirectly Controls, that is directly or indirectly Controlled by, or that is under Common Control or Controlling Interest with, a specified Person.
- (2) **Agency** means any governmental entity or agency.
- (3) **Agreement** means this document, including any schedule or annexure to it.
- (4) **Approved Supplier** means Franchisor or a supplier or suppliers approved in writing by Franchisor for the supply of Products and equipment to Master Franchisee and/or Franchisees.
- (5) **Business Day** means a day that is not a Saturday or Sunday or any other day which is a public holiday in the place where an act is to be performed or a payment is to be made.

- (6) **Business Hours** means the hours of operation of each Outlet pursuant to any Legal Requirements and/or the terms of any lease or other document conferring a right to occupy the premises at which an Outlet is located.
- (7) **Chatime Menu** means the food and beverage items specified in the Operations Manual or otherwise in writing by Franchisor which must be offered for sale by Franchisees from Outlets and includes, as relevant, any specifications in relation to those products.
- (8) **Chatime Network** means the network of Chatime Outlets in the Territory.
- (9) **Chatime Store** means a full service retail store that:
- (a) Offers Products listed on the Chatime Menu for sale;
 - (b) Meets Franchisor's standards and specifications;
 - (c) Operates under the Marks and the System; and
- is operated by Master Franchisee pursuant to this Agreement or a Franchisee pursuant to a valid Franchise Agreement.
- (10) **Collateral Agreement** means any agreement between Franchisor and Master Franchisee or any agreement between Master Franchisee and an Affiliate of Franchisor in connection with this Agreement and Master Franchisee's Operation.
- (11) **Confidential Information** means:
- (a) Plans and specifications for the development of Outlets;
 - (b) Recipes, training materials, programs and systems, methods, techniques, formats, specifications, standards, procedures, sales and marketing techniques, computer software programs, statistical data, and knowledge of and experience relating to the development and operation of Outlets;
 - (c) Marketing and advertising programs;
 - (d) Knowledge of specifications for and suppliers of Raw Materials and certain other Products, materials, supplies, equipment, fixtures, furnishings and services and knowledge of operating results and financial performance of Outlets;
 - (e) The Operations Manual (as applicable from time to time), Operations Manual Addendum, and all other materials;
 - (f) Global Policies and Procedures;
 - (g) Information concerning the business and financial affairs of Franchisor and their Affiliates including, without limitation, the identity of prospective franchisees, prospective master franchisees, Master Franchisee, and Franchisees;
 - (h) The System Standards;
 - (i) Any information which is provided by Franchisor or any of its Affiliates and marked "confidential" or any information which is provided by Franchisor or any of its Affiliates pursuant to this Agreement or which Master Franchisee learns or gains access to by reason of this Agreement; and

- (j) Any information that would at law be considered secret or confidential information of Franchisor or any Affiliate of Franchisor.
- (12) **Control, Controlled by, or under Common Control or Controlling Interest** means direct or indirect possession of the power to direct or cause the direction of the management or policies of any other Person, whether through more than 50% of the ownership of voting interest, by contract, or otherwise.
- (13) **Cost** means any cost charge, expense, outgoing, payment or other expenditure of any nature and where appropriate includes fees and disbursements payable to contractors, consultants, lawyers, and other advisers (including Legal Costs).
- (14) **Development Period** means each period of time defined as a Development Period in Item 7 of Schedule 1.
- (15) **Development Quota** has the meaning given in Item 7 of Schedule 1.
- (16) **Development Rights** means the right to grant Franchises for the development and operation of Outlets to be located in the Territory.
- (17) **Dispose** includes, in relation to a share or a unit, entering into a transaction in relation to the share or the unit (or any interest in the share or the unit), which results in a person other than the registered holder of the share or the unit:
 - (a) Acquiring any legal or equitable interest in the share or the unit, including an equitable interest arising from a declaration of trust, an agreement for sale and purchase or an option agreement or an agreement creating a charge or other encumbrance in the share or the unit;
 - (b) Acquiring any right to receive directly or indirectly any dividends payable in respect of the share or the unit;
 - (c) Acquiring any rights of pre-emption, first refusal or like control over the disposal of the share or the unit;
 - (d) Acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the share or the unit; or
 - (e) Otherwise acquiring legal or equitable rights against the registered holder of the share or the unit which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the share or the unit itself.
- (18) **Dollars** and **\$** means the legal currency of the United States of America unless the contrary intention appears.
- (19) **Domain Name** means the domain name controlled or under license by Franchisor for which registration has been applied for, or which is specified for use by Franchisor and which Franchisor authorizes Master Franchisee to use.
- (20) **Financial Year** means the financial year of Master Franchisee set out in Item 23 of Schedule 1.

- (21) **Franchise** means the right to develop and operate an Outlet at a specified location within the Territory and to use the Marks and the System in the operation of that Outlet pursuant to a Franchise Agreement.
- (22) **Franchise Agreement** means Franchisor's standard form of franchise agreement (including all schedules, ancillary documents and guarantees attached to the franchise agreement) attached as Schedule 3 as amended for use in the Territory in accordance with this Agreement.
- (23) **Franchisee** means one or more Persons who is a party to a Franchise Agreement with Master Franchisee for the development and operation of an Outlet within the Territory.
- (24) **Franchisee Marketing Fee** means the fee as defined in the Franchise Agreement paid or payable by a Franchisee to Master Franchisee in the amount specified in Item 15 of Schedule 1.
- (25) **General Manager** means a sufficiently experienced, skilled, and qualified person employed by Master Franchisee who, after attending and successfully completing to Franchisor's satisfaction, the training referred to in clause 5.1(3) is responsible for the day-to-day supervision and management of Master Franchisee's Operation.
- (26) **Global Policies and Procedures** means the written policies and procedures issued by Franchisor from time to time in relation to the conduct of Master Franchisee's Operation or operational issues concerning Outlets.
- (27) **Gross Sales** means the total actual gross charges for all products (including the Products), merchandise, and services sold to customers of each Outlet for cash or credit, whether such sales are made at or from the premises of an Outlet or any other location or other channels of distribution if approved in writing in advance by Franchisor but excluding:
- (a) Sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority; and
 - (b) All customer refunds, adjustments, and promotional discounts including any senior citizens discount.
- (28) **Initial Store** means the first Chatime Store opened and operated by Master Franchisee under this Agreement.
- (29) **Initial Store Opening Date** means the date of opening of the Initial Store which is anticipated to be the date specified in Item 24 of Schedule 1.
- (30) **Initial Term** means the term specified in Item 4 of Schedule 1.
- (31) **Initial Territory Fee** means a non-recurring master franchise fee in the amount specified in Item 10 of Schedule 1.
- (32) **Insurance Policies** means the insurance policies specified in Item 22 of Schedule 1.
- (33) **Intellectual Property** means:
- (a) The Marks, the Network Name, copyright in the Operations Manual, Operations Manual Addendum and any advertising or promotional materials provided by Franchisor to Master Franchisee, data collected via any point of sale system used

- by Master Franchisee and Franchisees in the Territory and includes all intellectual property rights in the software, records, documents, specifications, plans, programs, menus, recipes, or drawings;
- (b) Any trade secrets, proprietary processes or know-how relating to the System, Master Franchisee's Operation, or Franchises;
 - (c) All Confidential Information necessary for or which may be used in connection with the administration, operation, and marketing of Master Franchisee's Operation or Franchises; and
 - (d) The Domain Name.
- (34) **Interest Rate** means interest at the rate of 4% above the base rate fixed by the Bank of Taiwan.
- (35) **Interested Party** means any of the following persons designated by Franchisor:
- (a) Any person with a direct or indirect legal or beneficial interest in Master Franchisee, including an interest in any entity directly or indirectly controlling Master Franchisee (**Controlling Entity**), or in Master Franchisee's assets and any person who is an officer, as defined in the applicable domestic legislation, of Master Franchisee or any Controlling Entity; and
 - (b) A spouse, child, or person with an existing or former relationship of cohabitation, lineal relatives by blood, or by marriage or collateral relatives by blood or by marriage of any person specified in clause 1.1(35)(a).
- (36) **International Marketing Fee** means the marketing fee payable by Master Franchisee to Franchisor in the amount specified in Item 13 of Schedule 1.
- (37) **Legal Costs** means all fees, costs and disbursements actually paid or payable by Franchisor or its Affiliates to its own legal representatives (whether or not assessed under a retainer or costs agreement in place between Franchisor and its legal representatives) and other expenses incurred by Franchisor or its Affiliates in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement, or appeal).
- (38) **Legal Requirements** means all applicable laws, ordinances, regulations, rules, administrative orders, decrees, and policies of any government, governmental agency, or department including, without limitation, the governments of the Territory and Taiwan, unless otherwise stated in this Agreement.
- (39) **Local Marketing Expenditure** means the marketing expenditure to be spent by Master Franchisee as described in clause 7.1(1).
- (40) **Marks** means the trademarks, service marks, logos, and other commercial symbols or indicia owned or controlled under license by Franchisor which Franchisor authorizes Master Franchisee to use and sub-license Franchisees to use in accordance with this Agreement including those marks listed in Schedule 2.
- (41) **Master Franchise** means the rights granted to Master Franchisee by virtue of this Agreement to conduct Master Franchisee's Operation including:
- (a) Granting Franchises to Master Franchisee to establish and operate Outlets;

- (b) Granting Franchises to Franchisees to establish and operate Outlets; and
 - (c) Training, supporting, motivating, managing, and administering the Chatime Network in the Territory.
- (42) **Master Franchisee Affiliate** means an Affiliate of Master Franchisee that is partially (but at least more than 50%) or wholly-owned by Master Franchisee.
- (43) **Master Franchisee Parties** means Master Franchisee and Guarantor.
- (44) **Master Franchisee's Improvements** means any works, marks, designs, ideas, know-how, or trade secrets developed by Master Franchisee which are derived from or incorporate the Intellectual Property or which are otherwise developed by Master Franchisee during the conduct of Master Franchisee's Operation, from which Master Franchisee obtains any intellectual property rights.
- (45) **Master Franchisee's Operation** means the business conducted by Master Franchisee under this Agreement developing, coordinating, supporting, and administering the Chatime Network in the Territory in accordance with the terms of this Agreement.
- (46) **Month** means a calendar month.
- (47) **Network Name** means the name "Chatime" and "日出茶太" or such variation to "Chatime" and "日出茶太" or such additional or replacement name as Franchisor may from time to time use as the name under which Outlets are operated.
- (48) **New Outlets** has the meaning given in Item 7 of Schedule 1.
- (49) **New Outlet Fee** means the fee payable by Master Franchisee to Franchisor for each new Outlet opened in the Territory in the amount specified in Item 11 of Schedule 1.
- (50) **New Term** means the term specified in Item 5 of Schedule 1.
- (51) **Occupancy Right** means any right to occupy the premises of an Outlet including as lessee, sublessee, licensee, or the holder of some other interest in the premises conferring an enforceable right to use or occupy them.
- (52) **Operations and Training Manager** means the sufficiently experienced, skilled, and qualified person employed by Master Franchisee on a full-time basis, who after attending and successfully completing to Franchisor's satisfaction the training referred to in clause 5.1(3), will oversee all aspects of the operation of one or more Outlets and ensure each Outlet complies with the operational standards of the System and that the staff of each Outlet are fully trained.
- (53) **Operations Manual** means individually and collectively Franchisor's manuals and written materials (as amended from time to time) including, without limitation, papers, books, binders, videos, CD-ROMs and other methods of transfer of information such as electronic formats containing specifications, standards, and operating procedures prescribed by Franchisor from time to time for Outlets.
- (54) **Operations Manual Addendum** means an addendum to the Operations Manual including specific operating procedures, standards, and specifications relevant for the Territory.

- (55) **Outlets** means Chatime Stores located in the Territory and such other concepts as developed by Franchisor from time to time.
- (56) **Owners** means all Persons holding Ownership Interests exceeding 10% of the total Ownership Interests in Master Franchisee and all Persons who have other direct or indirect interests in Master Franchisee or this Agreement. The Persons or entities who are Owners as at the date of this Agreement are listed in Item 2 of Schedule 1.
- (57) **Ownership Interest** means a direct or indirect, disclosed or undisclosed, legal or beneficial ownership interest or voting right including, without limitation:
- (a) In relation to a company, the ownership of shares, or other equity interests in the company;
 - (b) In relation to a partnership, the ownership of a general or limited partnership interest;
 - (c) In relation to a trust, the ownership of the beneficial interest of such trust; or
 - (d) The right to cast some or all of the votes associated with such shares or interests.
- (58) **Person** means an individual, corporation, general or limited partnership, limited liability company, trust, association, or other legal entity.
- (59) **Products** means all Raw Materials, products, food items, and merchandise which Franchisor from time to time authorizes for sale by Master Franchisee and Franchisees at Outlets, and includes products on the Chatime Menu and all products ancillary to the supply and service of products on the Chatime Menu such as cups, utensils, and ingredients as specified in the Operations Manual or any Operations Manual Addendum. This clause specifically excludes those that Franchisor does not authorize for sale by Master Franchisee and Franchisees at Outlets and those for sale outside of Outlets including, without limitation, instant drink mix packets.
- (60) **Quarter** means 3 successive Months commencing on each of January 1, April 1, July 1, and October 1 of the respective year.
- (61) **Raw Materials** means the raw materials used to produce Products on the Chatime Menu including coffee beans, tea, non-dairy creamer, Chatime exclusive concentrated juices, and other raw materials for the Products that are produced and packaged under the Marks.
- (62) **Renewal Outlet Fee** means the fee payable by Master Franchisee to Franchisor upon an existing Outlet being renewed for a further term, as specified in Item 16 of Schedule 1.
- (63) **Renewal Territory Fee** means the fee specified in Item 15 of Schedule 1.
- (64) **Restraint Area** means the restraint area specified in Item 8 of Schedule 1.
- (65) **Restraint Period** means the restraint period specified in Item 9 of Schedule 1.
- (66) **Royalty** means a royalty in the amount specified in Item 12 of Schedule 1.
- (67) **Special Conditions** means the special conditions (if any) specified in Item 29 of Schedule 1.

- (68) **Special Distribution Channel** means a distribution channel designated by Franchisor and requiring Master Franchisee, Master Franchisee Affiliates, and Franchisee to obtain Franchisor's prior written consent before selling the Products including, without limitation, airports and gas stations.
- (69) **System** means the distinctive business formats and methods for the development and operation of Outlets including color schemes, signs, equipment, layouts, systems, methods, procedures, designs, marketing and advertising standards, and formats which Franchisor may improve, further develop, or otherwise modify from time to time.
- (70) **System Standards** means the specifications, standards, operating procedures, and rules of the System that Franchisor prescribes for the operation of Outlets included in the Operations Manual, any Operations Manual Addendum, or the Global Policies and Procedures, all of which Franchisor may improve, further develop, or otherwise modify from time to time.
- (71) **Terms of Trade** means Franchisor's standard trading terms and conditions specified in Item 27 of Schedule 1 as amended by Franchisor from time to time and conveyed either in writing by Franchisor to Master Franchisee or specified in the Operations Manual.
- (72) **Territory** means the geographic area or areas specified in Item 6 of Schedule 1.
- (73) **Territory Site Selection Criteria** means the site selection criteria and processes as approved by Franchisor for the selection of sites in the Territory.
- (74) **Transfer Fee** means the fee set out in Item 17 of Schedule 1.
- (75) **Website** means an interactive electronic document contained in a network of computers linked by communications software (commonly referred to as the Internet) and including any account, page, or other presence on a social or business networking media site such as Meta, Twitter, LinkedIn, and on-line blogs and forums, or as listed in Schedule 2.

1.2 Interpretation

- (1) Reference to:
 - (a) One gender includes the others;
 - (b) The singular includes the plural and the plural includes the singular;
 - (c) A person includes a body corporate;
 - (d) A party includes the party's executors, administrators, successors and assigns;
 - (e) Law includes any common law and the requirements of any present or future statute, rule, regulation, proclamation, ordinance, or by-law whether state, federal, or otherwise;
 - (f) A thing includes the whole and each part of it separately;
 - (g) A statute, regulation, or provision of a statute or regulation includes:
 - (i) Any amendment or replacement of it; and

- (ii) Another regulation or other statutory instrument made under it, or made under it as amended or replaced;
- (h) Dollars means United States dollars unless otherwise stated.
- (2) “Including” and similar expressions are not words of limitation.
- (3) When a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) A provision of this Agreement will not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
- (7) A reference to the “end of the Master Franchise” means the expiry by effluxion of time or sooner termination of the Master Franchise.

1.3 Parties

- (1) If a party consists of more than one person, this Agreement binds each of them separately and any two or more of them jointly.
- (2) An obligation, representation, or warranty in favor of more than one person is for the benefit of them separately and jointly.
- (3) A party which is a trustee is bound both personally and in its capacity as a trustee.

1.4 Relationship of Parties

- (1) Nothing in this Agreement constitutes a partnership, joint venture, agency, or other form of fiduciary relationship between Master Franchisee and Franchisor or between a Franchisee and Franchisor.
- (2) Neither party has the power to bind any other party except as authorized by this Agreement.

2 Grant of Rights and Development Obligations

2.1 Grant of Rights for Initial Term

- (1) Franchisor grants to Master Franchisee and Master Franchisee accepts:
 - (a) The Development Rights in the Territory;
 - (b) The right to function as the franchisor in the Territory under Franchise Agreements with Franchisees;
 - (c) The right to use the Intellectual Property in the conduct of Master Franchisee’s Operation in the Territory;

- (d) The right to sub-license the Intellectual Property to Franchisees pursuant to the Franchise Agreements; and
- (e) The right to operate Outlets in the Territory on its own,

for the Initial Term subject to the terms and conditions of this Agreement.

- (2) Master Franchisee may itself own or operate Outlets in the Territory and Master Franchisee may, subject to its full compliance with this Agreement and the prior written consent of Franchisor after Master Franchisee fulfills additional requirements specified in Item 28 of Schedule 1, grant Franchises to Franchisees, including Master Franchisee Affiliates. Master Franchisee must ensure that all Franchisees, including Master Franchisee Affiliates, execute a Franchise Agreement for each Outlet prior to the Outlet being opened.
- (3) The rights granted to Master Franchisee pursuant to this Agreement are limited to the Territory and apply only for the Initial Term. Master Franchisee acknowledges and agrees that it is not being granted any rights to franchise and that it will not operate or grant Franchises for Outlets in locations outside the Territory and will ensure that Master Franchisee Affiliates do not operate or grant Franchises for Outlets in locations outside the Territory, nor solicit prospective franchisees from outside the Territory.

2.2 Limited Exclusivity

- (1) Except as provided in this clause 2, Franchisor will not operate or grant Franchises or other development rights for Outlets to any other party within the Territory during the Initial Term.
- (2) Upon the termination of this Agreement or expiration of the Initial Term (unless the parties enter into a new agreement which prohibits Franchisor from operating or granting Franchises), Franchisor and its Affiliates will be free to operate and grant Franchises for Outlets within the Territory.

2.3 Rights Retained by Franchisor

- (1) Franchisor retains all rights with respect to Outlets, the Intellectual Property, and the sale of Raw Materials and other Products and any other products and services anywhere in the world including, without limitation:
 - (a) The right to operate or grant others the right to operate Outlets under or in association with the Marks or any other trademarks or service marks at such locations outside the Territory, and on such terms and conditions as Franchisor, in its sole discretion, deems appropriate; and
 - (b) Except for the rights granted to Master Franchisee under clause 2.1(1), the right to develop, manufacture, distribute, and/or sell Raw Materials and other Products through any channel of distribution (including, without limitation, via the Internet) under or in association with the Marks or any other trade mark.

2.4 Development Obligations

- (1) Master Franchisee must comply with the Development Quota for each Development Period. The determination as to whether Master Franchisee has met its development obligations will be made by Franchisor and based on the number of Outlets opened and operating at the end of a Development Period.

- (2) For the purpose of determining whether the development obligations in clause 2.4(1) have been satisfied, an Outlet that has been opened and in operation and is subsequently rendered inoperable by fire or other casualty (and which is due to no fault of Master Franchisee or the applicable Franchisee) or required to be closed due to a Force Majeure Event will be counted towards the satisfaction of the Development Quota. Any other Outlet must be opened and operating in compliance with the applicable Franchise Agreement to be counted towards satisfaction of the Development Quota.
- (3) Master Franchisee agrees that during the Initial Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement and continuously use its best efforts to promote and enhance the development of the Chatime Network and operation of Outlets within the Territory.

2.5 Failure to Meet Development Quota

- (1) If Master Franchisee fails to meet the Development Quota for any Development Period or fails to comply with any financial obligation relating to the Development Rights as prescribed under clause 6, Franchisor may at its absolute discretion:
 - (a) Terminate Master Franchisee's Development Rights;
 - (b) Vary the Territory by providing written notice to Master Franchisee; and/or
 - (c) Terminate the exclusivity attached to the Development Rights (following which Franchisor may itself develop and operate Franchises in the Territory, or may grant a right to a third party to develop and operate Franchises in the Territory).
- (2) Subject to clause 2.5(3), termination of Master Franchisee's Development Rights pursuant to clause 2.5(1) is without prejudice to Master Franchisee's right to operate Outlets already developed under this Agreement and in operation in the Territory during the Initial Term.
- (3) If Master Franchisee's Development Rights are terminated by Franchisor pursuant to clause 2.5(1), all other rights otherwise granted pursuant to this Agreement automatically become non-exclusive.

2.6 Subcontracting

This Agreement is predicated on the ongoing, direct and exclusive involvement of Master Franchisee in Master Franchisee's Operation. No person other than an employee of Master Franchisee or a professional or other advisor appointed on normal commercial terms may be involved in Master Franchisee's Operation without Franchisor's prior written consent. Master Franchisee will not sub-franchise, sub-license, subcontract, share, divide, or partition rights under this Agreement or any of the Franchise Agreements without Franchisor's prior written consent. Franchisor may in its absolute discretion withhold such consent.

2.7 Option for New Term

- (1) Franchisor grants to Master Franchisee the option to:
 - (a) Operate as Master Franchisee in the Territory; and
 - (b) Enter into a new master franchise agreement with Franchisor (based on Franchisor's then-current master franchise agreement),

for the New Term subject to the conditions set out in these clauses 2.7(1) to 2.7(4) (**Option**).

- (2) Master Franchisee must notify Franchisor in writing of its intention to exercise the Option not more than 12 Months and not less than 8 Months prior to the end of the Initial Term.
- (3) The Option is subject to all of the following conditions being satisfied:
 - (a) At the time of notifying Franchisor of its intention to exercise the Option, Master Franchisee delivers to Franchisor in writing a proposed development schedule (**Revised Development Schedule**) for the New Term. During the 3-Month period following Franchisor's receipt of the Revised Development Schedule, Franchisor will either notify Master Franchisee in writing that the Revised Development Schedule is acceptable or will attempt to negotiate a Revised Development Schedule that is mutually agreeable to Franchisor and Master Franchisee. The parties will negotiate any Revised Development Schedule in good faith and act reasonably in all negotiations.
 - (b) If the Revised Development Schedule proposed by Master Franchisee under clause 2.7(3)(a) is accepted by Franchisor, or if a Revised Development Schedule is mutually agreed upon within the 3-Month period specified in clause 2.7(3)(a), Franchisor will deliver to Master Franchisee its then-standard master franchise agreement (which may contain different terms and conditions to those set out in this Agreement and other significant provisions, but deleting any references to enter into a new master franchise agreement for a new term unless agreed to the contrary by Franchisor) (**Current MFA**) which will reflect the agreed Revised Development Schedule.
 - (c) Master Franchisee has substantially complied with all material provisions of this Agreement throughout the Initial Term.
 - (d) At the date of giving Franchisor notice of its intention to exercise the Option and as at the end of the Initial Term, there is no outstanding breach of this Agreement or any Collateral Agreement which has not been remedied.
 - (e) Master Franchisee pays the Renewal Territory Fee to Franchisor in accordance with clause 6.4.
 - (f) Master Franchisee undertakes to the satisfaction of Franchisor any additional training required by Franchisor (which such training may take place in Taiwan). Master Franchisee must bear the full cost of attendance at such training, including all travel, accommodation and meal expenses and payment of any training fee charged by Franchisor.
 - (g) Master Franchisee and all guarantors required by Franchisor executing and returning to Franchisor the Current MFA together with all other documents reasonably required by Franchisor within 28 days of delivery to Master Franchisee.
 - (h) If required by Franchisor, Master Franchisee and all Affiliates, Owners, and Guarantors execute a general release on terms satisfactory to Franchisor in its discretion of any and all claims against Franchisor, its Affiliates, and their respective shareholders, directors, officers, employees, agents, successors, and assigns.

- (i) Master Franchisee ensures that all Outlets which have been in operations for 3 or more years are renovated and refurbished (including replacing or upgrading any plant, equipment, fixtures, fittings, and signs as Franchisor may reasonably require) in order to bring each such Outlets up to Franchisor's then-current standards and specifications for new Outlets and to comply with any Legal Requirements.
 - (j) Franchisor confirming in writing to Master Franchisee that each of the conditions in these clauses 2.7(3)(a) to 2.7(3)(i) have been satisfied.
- (4) If the conditions specified in clauses 2.7(3)(a) to 2.7(3)(j) are not satisfied by the parties or waived by Franchisor prior to the expiration date of the Initial Term, then this Agreement will expire on the expiration date of the Initial Term and Franchisor will be free to operate and grant franchises and development rights for Outlets in the Territory.

2.8 Collateral Agreements

Master Franchisee must comply with all terms and conditions of any Collateral Agreement and acknowledges that a breach of any Collateral Agreement constitutes a breach of this Agreement.

3 Training and Operating Assistance

3.1 Initial Training

- (1) Franchisor will provide to Master Franchisee, Guarantor, and any senior managers designated by Franchisor (up to a maximum of 4 people) at no additional cost, a minimum of 14 continuous days training in Chinese or English (**Initial Training**). The Initial Training will be conducted at any place designated by Franchisor. Master Franchisee must ensure that the Initial Training is commenced by the designated persons no later than 3 Months prior to the Initial Store Opening Date.
- (2) If deemed necessary by Franchisor, additional training will be provided by Franchisor either immediately following the Initial Training or otherwise at a place and time determined by Franchisor. Franchisor may charge Master Franchisee a reasonable fee for such additional training and Master Franchisee must pay that fee upon receipt of an invoice from Franchisor.
- (3) In relation to the initial training described in clause 3.1(1) or 3.1(2), Master Franchisee agrees to:
 - (a) Ensure that all relevant persons attend the training at such times and places specified by Franchisor and complete their training to Franchisor's satisfaction; and
 - (b) Bear the full costs and risk of all trainees' attendance at such training programs (including their compensation, travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses).

3.2 Store Training

Franchisor will make a representative available to Master Franchisee in the Territory for 7 continuous days to assist with preparations for the opening of the Initial Store. Master Franchisee shall be responsible for the accommodation cost for Franchisor's representative.

3.3 Continuing Training

- (1) Franchisor may require Master Franchisee and/or Guarantor and any senior managers of Master Franchisee to complete a formal training program with Franchisor in Taiwan from time to time during the Initial Term. All such training will be conducted in Chinese or English. At Master Franchisee's request, Franchisor may in its sole discretion conduct additional training programs and provide assistance to Master Franchisee at a location within the Territory or such other location agreed upon by Master Franchisee and Franchisor.
- (2) Master Franchisee must pay all costs associated with:
 - (a) Its employees and Franchisees attending training in accordance with this clause 3 (including travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses);
 - (b) Franchisor providing training in accordance with this clause 3 (including compensation, travel, accommodation, meals); and
 - (c) Any fees levied by Franchisor in relation to such training.

3.4 Continuing Guidance and Support

- (1) Franchisor will provide ongoing advice and guidance to Master Franchisee concerning the development, operation, and franchising of Outlets in the Territory to the extent and in the manner that it deems necessary and appropriate.
- (2) Franchisor will arrange for a representative to visit the Territory and meet with Master Franchisee at least once in each 12-Month period at Franchisor's Cost.

3.5 Operations Manual

- (1) Franchisor must supply, electronically, a soft copy of the Operations Manual to Master Franchisee by way of loan.
- (2) Master Franchisee, at its Cost, must:
 - (a) Upon receipt of the Operations Manual and as required from time to time during the Initial Term, review the Operations Manual for compliance with applicable Legal Requirements, local culture, and local business customs and practices for the Territory; and
 - (b) When changes are required, prepare a written addendum of the changes and provide to Franchisor for its review and approval. The approved addendum of changes will become the **Operations Manual Addendum**.
- (3) Master Franchisee may provide access to the Operations Manual and Operations Manual Addendum to Master Franchisee's key operational employees subject to the employees entering into the approved confidentiality agreement with Franchisor.

3.6 Policies and Procedures

Master Franchisee:

- (1) Must comply with, and must ensure that Franchisees, comply with any Global Policies and Procedures; and
- (2) May issue and enforce compliance with, policies and procedures in respect of the operation of Outlets in the Territory, provided that Franchisor has first approved those policies.

3.7 Changes to Operations Manual

- (1) Franchisor may add to, delete or otherwise modify the specifications, standards, operating procedures, systems, instructions, and any other information set out in the Operations Manual or Operations Manual Addendum by giving notice to Master Franchisee of the change via email.
- (2) A change takes effect and forms part of the Operations Manual and Operations Manual Addendum 7 days after notification to Master Franchisee.
- (3) Master Franchisee must at its Cost adopt, in the conduct of Master Franchisee's Operation, all changes to the Operations Manual and Operations Manual Addendum.

3.8 Master Franchisee Must Keep Operations Manual Secure

- (1) Master Franchisee must:
 - (a) Keep and use reasonable efforts to ensure that all Master Franchisee's employees keep, all hard and soft copies of the Operations Manual (including the Operations Manual Addendum) in a safe and secure place;
 - (b) Return to Franchisor on demand all superseded, replaced, or outdated copies of the Operations Manual and Operations Manual Addendum;
 - (c) Only make copies of the Operations Manual and Operations Manual Addendum insofar as copies are required to be distributed to key operational employees of Master Franchisee;
 - (d) Return to Franchisor all copies of the Operations Manual and Operations Manual Addendum immediately upon the expiry or termination of this Agreement; and
 - (e) Not copy or disclose any part of the Operations Manual or Operations Manual Addendum.
- (2) The Operations Manual and the Operations Manual Addendum and the copyright in the manual and any addendum and in any translations of them are and will remain the property of Franchisor, and Master Franchisee agrees to execute any and all instruments and documents, render such assistance and take such action as may, in the opinion of Franchisor, be necessary or advisable to establish, protect and maintain Franchisor's intellectual property rights in the Operations Manual, the Operations Manual Addendum and any translations.

3.9 Assistance in Opening Outlets

If Franchisor, at Master Franchisee's request, provides on-site advice, guidance and support in connection with the opening and initial operations of any Outlet (excluding any assistance provided by a representative of Franchisor to Master Franchisee under clause 3.2), Master Franchisee must provide reasonable compensation to Franchisor for providing such advice, guidance and support and reimburse Franchisor for all costs and expenses incurred by Franchisor including, without limitation, the cost of travel, accommodation, meals, and other expenses upon receipt of invoice from Franchisor.

4 Master Franchisee's Operational Obligations

4.1 Franchise Arrangements

Master Franchisee:

- (1) Acknowledges and agrees that Franchisor has the right in its sole discretion to approve each Franchisee after reviewing the Franchisee's information as provided by Master Franchisee including, without limitation, the entity formation documents, ownership information, potentially competitive activities, and any other documents and information as reasonably requested by Franchisor;
- (2) Must enter into a Franchise Agreement in a form approved by us directly with each Franchisee and provide to Franchisor a list of all fees payable by the Franchisee to Master Franchisee and the prices of raw materials to be sold to the Franchisee under such Franchise Agreement;
- (3) Must enforce each Franchise Agreement for the Term of the Franchise Agreement, as specified in Item 14 of Schedule 1, regardless of termination or expiration of this Agreement;
- (4) Must itself comply with all Legal Requirements, including, without limitation, regulations affecting the sale of Franchises in the Territory and any laws or regulations relating to occupational health and safety and food safety, and must ensure compliance by all Franchisees with any applicable laws; and
- (5) Must ensure that Franchisor is named as a third party beneficiary of each Franchise Agreement and that Franchisor will have the right, but not the obligation, to assume Master Franchisee's obligations under the Franchise Agreement upon termination or expiration of this Agreement.

4.2 Form of Franchise Agreements

- (1) Master Franchisee acknowledges that it has received a copy of Franchisor's standard franchise agreement (**Standard Franchise Agreement**) to be used as the basis for the Franchise Agreement when granting a Franchise.
- (2) Master Franchisee must submit for Franchisor's review and approval, any modifications to the Franchise Agreement that Master Franchisee believes to be necessary to comply with Legal Requirements or for the commercial success of Outlets in the Territory.
- (3) Franchisor agrees to consider such proposed modifications and reject only those which it concludes will be harmful to, or inconsistent with, the System, the System Standards or the operation of Outlets, and notify Master Franchisee of its acceptance or rejection of

such modifications. The modified Standard Franchise Agreement developed in accordance with this clause will be known as the **Franchise Agreement**.

- (4) Master Franchisee acknowledges and agrees that Franchisor may periodically require Master Franchisee to modify the Franchise Agreement. Master Franchisee agrees that it will not make any other changes to the Standard Franchise Agreement without the prior written consent of Franchisor. Master Franchisee must not enter into a franchise agreement with any Franchisee other than in the form of the Franchise Agreement.
- (5) Master Franchisee must provide Franchisor:
 - (a) With respect to each Outlet opened prior to the date of this Agreement, with a copy of any governing franchise agreement within 90 days of the date of this Agreement; and
 - (b) With respect to each new Outlet opened, with a copy of the executed Franchise Agreement within 30 days of executing the Franchise Agreement.
- (6) With respect to each instance where a Franchisee exercises its option to enter into a Franchise Agreement for a new or further term, Master Franchisee must provide Franchisor with a copy of the executed Franchise Agreement at the same time as it pays, depending on the Franchise Agreement is of a new or further term, the New Outlet Fee, or the Renewal Outlet Fee to Franchisor.

4.3 Training and Support

- (1) Master Franchisee agrees to develop a training program and to provide training support and assistance to Franchisees and their employees in accordance with specifications prescribed by Franchisor.
- (2) All services and assistance provided to Franchisees in connection with the operation of Outlets must be provided by Master Franchisee and such obligations of Master Franchisee must not be transferred, subcontracted or assigned to any other Person (other than Franchisor pursuant to this Agreement) without the prior written approval of Franchisor.
- (3) Master Franchisee must:
 - (a) Visit each Outlet established under this Agreement at least every Month to provide advice, guidance, and support to Franchisees operating each Outlet and complete an evaluation report for each Outlet in the form prescribed by Franchisor. At the request of Franchisor, Master Franchisee must make available and provide to Franchisor the evaluation reports in respect of each Outlet visited by Master Franchisee, within 30 days of such request; and
 - (b) Convene at least bi-annually, meetings of all the Franchisees to discuss issues relevant to the Chatime Network.

4.4 System Standards

- (1) Master Franchisee agrees that, at all times during the Initial Term, Master Franchisee will comply with all System Standards and will cause Franchisees to develop, maintain and operate Outlets in compliance with all System Standards.

- (2) The System Standards may be periodically modified and supplemented by Franchisor in its discretion during the Initial Term. Master Franchisee must comply with any revised System Standards within 7 days of receipt of a notice from Franchisor advising of a change to the System Standards.
- (3) Master Franchisee agrees that System Standards prescribed from time to time in the Operations Manual, or otherwise communicated to Master Franchisee through the issue of Global Policies and Procedures, constitute provisions of this Agreement. Both parties agree and acknowledge that Franchisor does not intend to prescribe System Standards that affect the fundamental right of the Franchisee in this Agreement.

4.5 Compliance with the System

Master Franchisee agrees to diligently and continuously monitor compliance with the System and System Standards, to strictly enforce compliance with the System and System Standards by all Franchisees and to furnish assistance to Franchisees to correct deficiencies in operation. If Master Franchisee terminates a Franchise Agreement, Master Franchisee agrees to enforce all post-termination obligations of Franchisees under their Franchise Agreement.

4.6 Master Franchise Premises

Master Franchisee must at all times during the Initial Term maintain office facilities for operation of the Master Franchise. Such office facilities will have a dedicated telephone line, which must be answered in the Network Name and will otherwise be equipped and furnished and have signage in a manner consistent with the image and minimum standards of Franchisor.

4.7 Customer Complaint System

Master Franchisee must establish a customer complaint system to redress all customer complaints. Such system must be approved by Franchisor.

4.8 Site Selection

- (1) Franchisor may from time to time modify site selection criteria and processes. Master Franchisee may modify Franchisor's site selection criteria and processes, as appropriate for use in the Territory. Any modified site selection criteria and processes must be submitted to Franchisor for its approval. Franchisor must notify Master Franchisee of its approval of Master Franchisee site selection criteria and processes or otherwise of any changes that need to be made. Master Franchisee must use the Territory Site Selection Criteria for the selection of sites in the Territory.
- (2) Master Franchisee must select sites in the Territory that it reasonably believes conform with the Territory Site Selection Criteria.

4.9 Site Approval

- (1) Master Franchisee must not establish, nor permit any Franchisee to establish, an Outlet without first obtaining the written approval of Franchisor. To obtain approval for a given site, Master Franchisee must comply with the process set out in the Operations Manual.
- (2) Subject to a reasonable belief by Franchisor that Master Franchisee will meet all requirements under clause 5.5, Franchisor must provide its approval or non-approval to the proposed Site within 30 days after receiving all the information required by Franchisor. When Franchisor does not approve a proposed Site, it must provide to Master Franchisee a written notice:

- (a) Specifying that approval is withheld; and
 - (b) Setting out why approval is withheld. If any additional information is requested by Franchisor in respect of a proposed Site, the 30 days will begin upon the date of receipt of any such additional information.
- (3) Franchisor may approve a proposed Site for a new Outlet being opened subject to reasonable conditions including, without limitation, renovating and remodelling the interior and exterior of such a new Outlet according to Franchisor's latest design guidelines, as determined in its sole discretion.
- (4) Promptly after receipt by Master Franchisee of written approval from Franchisor to establish a new Outlet at the proposed Site, or after the expiration of the 30 day-period specified in clause 4.9(2), Master Franchisee must itself or must ensure that the relevant Franchisee procures an Occupancy Right in relation to the approved Site. If the Occupancy Right is procured by lease, license or other approved occupancy right, Master Franchisee must do so in accordance with clause 4.10(1). If the Occupancy Right is procured by purchase, Master Franchisee must return to Franchisor the deed evidencing the Franchisee's right to occupy the approved Site 15 days after the purchase has been affected. Master Franchisee must then ensure that construction and operation of the Outlet is undertaken pursuant to the terms of this Agreement.
- (5) Any relocation of an Outlet beyond a 2-km radius of the existing site and beyond 90 days of closing the Outlet at the original location is deemed opening a New Outlet and subject to all applicable provisions under this Agreement, and Franchisor shall be entitled to the New Outlet Fee.

4.10 Lease of Site of Each Outlet

- (1) Master Franchisee must hold the head lease or other Occupancy Right approved by Franchisor for the premises at all Outlets or have step-in rights approved by Franchisor.
- (2) Unless Master Franchisee owns or leases the relevant Site, Master Franchisee must ensure that the Franchisee promptly obtains a lease for each Site in respect of which Franchisor has given its approval for the establishment of an Outlet.
- (3) Unless prohibited by law or commercially impractical (which must be demonstrated to Franchisor) Master Franchisee must ensure that all leases, subleases, licenses, or other documents granting an occupancy right to Franchisees, include a provision which permits Master Franchisee or the Franchisee's rights under such leases, subleases, licenses, or other documents to be assigned or otherwise transferred to Franchisor or its nominee, at Franchisor's option, on termination or expiration of this Agreement.

4.11 Termination of Leases

- (1) If a lease or other Occupancy Right approved by Franchisor is to be terminated, Master Franchisee must, unless impractical to do so, give notice of termination to Franchisor. If:
 - (a) Such termination is not due to the Franchisee's fault prior to the expiration of the Franchise Agreement;
 - (b) Such termination is a result of the Site being destroyed, condemned or otherwise rendered unusable as an Outlet in accordance with this Agreement; or

- (c) In the judgment of Franchisor and Master Franchisee, there is a change in the character of the location of a site sufficiently detrimental to its business potential to warrant its relocation,

Franchisor will not unreasonably withhold permission for relocation of the Outlet from the site in question to a site which meets the then-current Territory Site Selection Criteria, subject to the requirements of this Agreement. Any such relocation will be at Master Franchisee's sole expense. Master Franchisee must seek and obtain Franchisor's approval of the replacement site and development of the new outlet, in accordance with the terms of this Agreement. No New Outlet Fee will be payable to Franchisor provided the replacement site is within a 2 km radius of the existing site and the new Outlet at the replacement site is opened and operated by the same Franchisee within 90 days of closing the Outlet at the original location.

- (2) If a lease or other Occupancy Right approved by Franchisor terminates pursuant to clause 4.11(1), the parties do not agree to relocate the Outlet and such Franchisee continues to occupy the existing site after the end of this Agreement, Master Franchisee must, as soon as reasonably possible and in accordance with any applicable Legal Requirements, ensure that the Franchisee alters the Site and removes or changes any signs, fixtures, fittings, colors, and layout as reasonably requested by Franchisor to ensure that the appearance of the Site cannot be confused with the then-prevailing image for an Outlet or to be in any way associated with Franchisor.

4.12 Construction of an Outlet

- (1) Master Franchisee is responsible for the construction and development of Outlets by Franchisees in accordance with the System Standards. All plans and specifications for Outlets must, if required by Franchisor, be approved by Franchisor.
- (2) Franchisor may, in its sole discretion, approve or not approve an application for designing the interior and exterior of Outlets.
- (3) In the construction of all Outlets in the Territory, Master Franchisee must ensure that Franchisees comply with:
 - (a) Franchisor's System Standards in relation to the construction of Outlets; and
 - (b) All Legal Requirements, including applicable ordinances, building codes and permit requirements and with lease requirements and restrictions.
- (4) Master Franchisee must obtain Franchisor's written approval of any material revision or adaptation of Master Franchisee's plans and specifications, previously approved by Franchisor (**Approved Plans**). Franchisor must approve or disapprove any changes to the Approved Plans within 10 Business Days from receipt of the proposed changes.
- (5) If Franchisor approves any revision or adaptation of the construction plans and specifications, upon completion of construction, Master Franchisee must provide Franchisor with a set of "as built" plans and specifications.
- (6) All construction of Outlets under this Agreement must be undertaken by competent and licensed building contractors and subcontractors.

4.13 Acknowledgment

Master Franchisee acknowledges that Franchisor has the right, but no obligation, to approve architects and other design and construction professionals to help ensure consistency, uniformity, and quality with the System and the Chatime image.

4.14 Franchisor's Inspection Rights

Franchisor, its Affiliates, consultants and agents have the right to inspect each Outlet and the construction work from time to time during the course of construction to verify the progress of construction and Master Franchisee's compliance with the terms of this Agreement.

4.15 Point of Sale System

- (1) Master Franchisee must, and must ensure that all Franchisees, use a point of sale system designated or approved by Franchisor. The supplier of the point of sale system must be approved by Franchisor.
- (2) Master Franchisee must ensure that connectivity at each Outlet is maintained and available at all times to allow all data generated by the point of sale system to be captured by Franchisor's central polling server.
- (3) Master Franchisee will be responsible for the payment of all initial and ongoing costs incurred on behalf of its Franchisees associated with the capture of data by Franchisor's central polling server and must comply with any associated payment procedures specified from time to time in the Operations Manual or Global Policies and Procedures.

5 Other Obligations of Master Franchisee

5.1 Personnel

- (1) Master Franchisee must designate a General Manager and Operations and Training Manager, who must be approved by Franchisor. The General Manager and the Operations and Training Manager must speak, read, and write the English language and the language of the Territory fluently.
- (2) Master Franchisee must ensure that the General Manager and Operations and Training Manager exert their full-time efforts to the franchising, development, and operation of the Chatime Network and do not engage in any other business or other direct or indirect activity that requires any significant management responsibility or time commitments or that may otherwise conflict with Master Franchisee's obligations under this Agreement.
- (3) The General Manager and Operations and Training Manager must attend and complete to Franchisor's satisfaction such training programs as Franchisor prescribes including the initial training referred to in clause 3 (which may be conducted in whole or in part at any place designated by Franchisor).
- (4) Unless otherwise provided in this Agreement, any proposed change or replacement of the General Manager and Operations and Training Manager must be approved by Franchisor in writing.

5.2 Other Management Personnel of Master Franchisee

- (1) No later than by the opening of the tenth Outlet, Master Franchisee must hire a marketing manager who will designate his or her full time efforts to the development and implementation of marketing and promotional programs for the Chatime Network in the Territory.

- (2) Master Franchisee agrees to hire and maintain the number and level of additional management personnel, as may be specified by Franchisor from time to time as part of the System Standards for:
 - (a) The management and supervision of Franchisees; and
 - (b) The development and supervision of operation of the Outlets by Franchisees within the Territory and the conduct of the Initial Store in accordance with this Agreement and the Franchise Agreements.

5.3 Meetings

- (1) Franchisor may convene meetings of and conferences (including regional meetings and conferences) from time to time for Master Franchisee and its key personnel designated by Franchisor whenever Franchisor considers this necessary or appropriate. Master Franchisee must ensure that the General Manager and such other key personnel of Master Franchisee, at Master Franchisee's Cost, attend such meetings and conferences.
- (2) Franchisor must give Master Franchisee a reasonable period of notice of meetings and conferences.
- (3) The location, agenda, duration, and all procedures and formats of each meeting and conference will be determined by Franchisor.

5.4 Insurance

- (1) From the date of this Agreement and at all times during the Initial Term (including, if appropriate, the New Term), Master Franchisee must at its cost take out and maintain in full force and effect the Insurance Policies with reputable insurers which comply with all Legal Requirements and on terms and conditions acceptable to Franchisor.
- (2) Master Franchisee must also maintain in force all other insurance of the types, in the amounts, and with such terms and conditions as Franchisor may from time to time reasonably prescribe, in the Operations Manual or otherwise.
- (3) Each Insurance Policy must:
 - (a) Name Franchisor and its Affiliates that it designates as additional insured parties;
 - (b) Contain a waiver of all subrogation rights against Franchisor, its Affiliates and their successors and assigns;
 - (c) Provide for 30 days' prior written notice to Franchisor of any material modification, cancellation, or expiration of such policy; and
 - (d) Include coverage for a minimum liability of no less than the amount specified by Franchisor.
- (4) Master Franchisee must provide Franchisor at least annually and on request by Franchisor a copy of the certificates of insurance or other evidence requested by Franchisor that each Insurance Policy exists, is current, and is on terms and conditions approved by Franchisor. The maintenance of each Insurance Policy is the responsibility of Master Franchisee. Franchisor may, but will have no obligation to, prescribe types or amounts of insurance coverage and will have no obligation to indemnify Master Franchisee if it does not do so or if the types or amounts of insurance coverage

prescribed by Franchisor are insufficient to fully cover a claim made against Master Franchisee.

- (5) Master Franchisee must promptly and in accordance with the terms of the relevant Insurance Policy, report to both the insurer and Franchisor, any claim or event which may give rise to a claim against Master Franchisee, Franchisor or any of their Affiliates.

5.5 Records and Reports

- (1) Master Franchisee must maintain and preserve at its principal office, full, complete and accurate records and reports pertaining to the development and operation of Outlets and the performance by Master Franchisee of its obligations under this Agreement. Such records must include the information prescribed in the Operations Manual or the Global Policies and Procedures.
- (2) In addition to the reports referred to in clause 5.5(1), Master Franchisee must deliver to Franchisor in the form periodically required by Franchisor, which may include in an electronic format, the following:
 - (a) A notice of Outlet opening on or before the opening date of each Outlet, the lease agreement, if any, for the site where an Outlet is located, and the Franchise Agreement for such Outlet, including the serial number of such Outlet;
 - (b) By the end of each Wednesday for each Outlet, an audited report of Gross Sales for the immediately preceding week;
 - (c) By the tenth day of each Month for each Outlet, an audited report of the daily Gross Sales and an audited profit and loss account in the prior Month together with a report of the number, location and owner of Outlets opened, closed and under development during the immediately preceding Month;
 - (d) Within 90 days after the end of the Financial Year, financial statements of Master Franchisee including an audited Financial Year-end balance sheet for Master Franchisee and an audited profit and loss account for such Financial Year reflecting all year-end adjustments, and an audited statement of changes in financial condition on a basis consistent with generally accepted accounting principles of the Territory (or, at Franchisor's option in accordance with any recognised international accounting principles which may be adopted by appropriate standards-setting bodies during the Initial Term);
 - (e) At least 60 days prior to the end of each Financial Year:
 - (i) A development plan to be implemented by Master Franchisee during Franchisor's next Financial Year, including capital and operating budgets and plans for sales of Franchises and development of Outlets; and
 - (ii) A marketing plan and budget describing the proposed marketing activities and expenditures for the Local Marketing Expenditure for the succeeding Financial Year;
 - (f) Within 60 days following the end of each Financial Year, a report of the receipts and disbursements of advertising, promotion, public relations, market research and other marketing programs and activities undertaken by the Local Marketing Expenditure during the preceding year; and

- (g) Such other data, reports, information, financial statements and supporting records, in relation to Master Franchisee's Operation and Franchisees (including Gross Sales for each Month), as determined and in a format required by Franchisor from time to time, which may include the provision of reports and data in an electronic format.
- (3) Each such report and financial statement furnished by Master Franchisee must be verified as correct and signed by Master Franchisee in the manner prescribed by Franchisor, such as audited by a certified public accountant.
- (4) Master Franchisee must immediately report to Franchisor any events or developments which may have a significant or materially adverse impact on the performance of Master Franchisee under this Agreement or the goodwill associated with the Marks or the Outlets.
- (5) Master Franchisee must also require each Franchisee to submit reports required by Franchisor from time to time, including those reports required by the Franchise Agreements.
- (6) Master Franchisee must fully disclose to Franchisor all information concerning Master Franchisee's Operation as Franchisor may reasonably require.

5.6 Inspections and Audits

- (1) Franchisor and its agents may at any time during normal Business Hours inspect, audit and make copies or extracts of the records and reports described in clauses 5.5(1) and 5.5(2) and any other business records, bookkeeping and accounting records, electronic records and files, value added, sales, use and service and income tax records and returns, and other records of Master Franchisee's Operation and of the Outlets and the books and records of Master Franchisee.
- (2) Franchisor may, at any time, during normal Business Hours and one hour before and one hour after normal Business Hours, inspect the premises of any Outlet for the purpose of:
 - (a) Monitoring compliance by Franchisees of their obligations under their respective Franchise Agreements and for monitoring compliance by Master Franchisee of its operational obligations under the terms of this Agreement; and
 - (b) Ensuring compliance by Master Franchisee of its financial obligations under this Agreement and for the purpose of verifying any financial information provided by Master Franchisee to Franchisor.
- (3) Franchisor may conduct an audit of Master Franchisee's books of account (and, if applicable, the books of account maintained by Franchisees). The audit may be performed by independent accountants appointed by Franchisor. Master Franchisee must fully cooperate and cause all Franchisees to cooperate with representatives of Franchisor and independent accountants appointed by Franchisor to conduct such inspection or audit.
- (4) If any such audit discloses an understatement of the initial and/or recurring fees received by Master Franchisee under the Franchise Agreements, Master Franchisee must pay to Franchisor within 15 days after receipt of the inspection or audit report the fees due on the amount of such understatement plus interest at the rate and on the terms provided for in this Agreement from the date originally due until the date of payment.

- (5) If in Franchisor's opinion an inspection or audit is required because of the failure of Master Franchisee to furnish reports, supporting records, other information or financial statements as required, or to furnish such reports, records, information or financial statements on a timely basis, or if an understatement of fees received by Master Franchisee for the period of any audit is determined by any such audit or inspection to be greater than 2%, Master Franchisee must reimburse Franchisor for the cost of such inspection or audit, including, without limitation, legal fees and accountants fees, and the travel and accommodation expenses applicable per day for employees of Franchisor.
- (6) Master Franchisee must ensure that a clause is included in each Franchise Agreement entered into with Franchisees which gives Franchisor the right to audit and inspect the relevant Franchisee's business provided that the inclusion of such right is not against the applicable law.
- (7) The remedies referred to in this clause 5.6 will be in addition to all other remedies and rights of Franchisor under this Agreement or under any applicable law.

5.7 Governmental Approvals (Including Registration)

- (1) Master Franchisee agrees to execute any and all instruments and documents, render such assistance, and otherwise cooperate with Franchisor, in order to obtain all governmental approvals Franchisor is required to obtain or which, in the opinion of Franchisor, are necessary at any time during the Initial Term, in the opinion of Franchisor, to comply with any Legal Requirements.
- (2) Franchisor has the right exercisable at its option, to submit, or to require Master Franchisee to submit, this Agreement or the Franchise Agreements to any Agency for registration or approval if Franchisor determines such registrations or approvals are necessary in order to comply with any Legal Requirements. If the Agency requires that any amendments be made to this Agreement or the Franchise Agreement as a condition to such approval or registration and such amendments are acceptable to Franchisor, Franchisor will deliver to Master Franchisee for execution an addendum to this Agreement or the Franchise Agreement, or other appropriate documents, to reflect such amendments.

5.8 Compliance with Legal Requirements

- (1) Master Franchisee must secure and maintain in force in its name all required licenses, permits, and certificates relating to Master Franchisee's obligations under this Agreement. Master Franchisee must take all necessary steps to ensure that Franchisees at all times comply with all Legal Requirements. For the avoidance of doubt, Master Franchisee must ensure that it is qualified to import the Products, clear the customs and do anything relating thereto at its Cost.
- (2) All advertising by Master Franchisee and Franchisees must be completely factual and conform to high standards of ethical advertising. Master Franchisee must and must ensure that Franchisees in all dealings with Franchisor, public officials and other third parties adhere to high standards of honesty, integrity, fair dealing and ethical conduct, and refrain from any practice which may be injurious to the reputation of Franchisor or Master Franchisee and the goodwill associated with the Marks and Outlets.
- (3) Master Franchisee must notify Franchisor immediately when it becomes aware of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality,

which may adversely affect the operation or financial condition of Master Franchisee, a Franchisee or an Outlet.

5.9 Products and Supply Arrangements

- (1) Master Franchisee must establish and maintain supply arrangements on competitive terms and conditions for Products, the shop-fitting and signage of Outlets and equipment to be sold by or used in the operation of Outlets. Such suppliers will be subject to Franchisor's prior written approval and, upon approval, will be deemed to be Approved Suppliers. Franchisor may, at any time and in its discretion, revoke its approval of any Approved Supplier. Franchisor may itself be an Approved Supplier.
- (2) Master Franchisee acknowledges that Franchisor may from time to time vary the range of Products.
- (3) Approval of a supplier by Franchisor may be conditional on the supplier meeting Franchisor's quality and standards requirements. Franchisor may require any supplier applying for approval to allow Franchisor to inspect the proposed supplier's facilities to assist Franchisor in determining if the proposed supplier meets Franchisor's criteria.
- (4) Unless otherwise provided in writing by Franchisor, Master Franchisee must purchase all Raw Materials sold in the Outlets from Franchisor on the then-current Terms of Trade. Otherwise, Master Franchisee must purchase all Raw Materials from suppliers approved by Franchisor in writing.
- (5) Master Franchisee must ensure that all Raw Materials and other Products and equipment used in the operation of Outlets comply with the System Standards.
- (6) Franchisor or its Affiliates may receive payments from Approved Suppliers on account of such suppliers' dealings with Master Franchisee or Franchisees and may use all amounts so received without restriction and for any purpose Franchisor or its Affiliates deem appropriate (unless Franchisor or its Affiliates agree otherwise with the supplier).

5.10 Payment and Trading Terms

- (1) Master Franchisee must pay all Approved Suppliers for all Raw Materials and other Products by the due date for payment and in the manner specified by the Approved Suppliers and comply with the terms of any supplier agreements or terms of trade of the Approved Suppliers.
- (2) In the purchase of Raw Materials and other Products and any other miscellaneous goods from Franchisor, Master Franchisee must pay:
 - (a) The total amount owing to Franchisor for Raw Materials, other Products and any other miscellaneous goods provided to Master Franchisee by Franchisor from time to time, in accordance with Franchisor's credit policy and Terms of Trade;
 - (b) All amounts in full, net of any bank charges by direct deposit into Franchisor's bank account, as specified in Item 18 of Schedule 1, or in such other manner as Franchisor notifies Master Franchisee in writing, including direct debit from Master Franchisee's bank or credit account. Master Franchisee must execute any forms or documents required by Franchisor in order to effect payments by way of direct debit or any other electronic method.

5.11 Chatime Menu

- (1) Master Franchisee acknowledges that the Chatime Menu forms a key part of the Chatime brand and image. Accordingly, Master Franchisee must ensure that all Franchisees strictly comply with the requirements of Franchisor relating to:
 - (a) The Chatime Menu; and
 - (b) The areas and manner of preparation of food items for sale from Outlets,
as set out in the Operations Manual or as otherwise specified from time to time by Franchisor.
- (2) Master Franchisee must ensure that all Franchisees:
 - (a) Offer for sale from Outlets the complete range of food and beverages on the Chatime Menu and that such food and beverage items are prepared in accordance with the Chatime Menu;
 - (b) Do not offer, sell or supply any food or beverages that are not specified on the Chatime Menu; and
 - (c) Acquire all products (including Raw Materials) required to prepare Products on the Chatime Menu only from Approved Suppliers.

6 Initial and Continuing Fees

6.1 Initial Territory Fee

Master Franchisee must pay the Initial Territory Fee to Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1.

6.2 New Outlet Fee

With respect to each new Outlet to be opened in the Territory, Master Franchisee must pay the New Outlet Fee to Franchisor no later than 30 days before each such Outlet is opened.

6.3 Royalty

Master Franchisee must pay the Royalty to Franchisor on the tenth day of each Month. The Royalty is calculated based on the Gross Sales of all Outlets for the previous Month.

6.4 Renewal Territory Fee

Where Master Franchisee exercises its option to enter into a new master franchise agreement for the New Term in accordance with clause 2.7, Master Franchisee must pay to Franchisor the Renewal Territory Fee in accordance with Item 15 of Schedule 1.

6.5 International Marketing Fee

Master Franchisee must pay the International Marketing Fee to Franchisor in accordance with clause 7.2(1).

6.6 Renewal Outlet Fee

Where an existing Outlet being renewed for a further term, Master Franchisee must pay the Renewal Outlet Fee to Franchisor no later than 30 days before each such Outlet is opened.

6.7 Calculation of Payments

(1) If Master Franchisee fails to:

- (a) Pay the Royalty or the International Marketing Fee; or
- (b) Supply Franchisor with:
 - (i) The Monthly Gross Sales information for any Outlet as required under clause 5.5(2)(c) within the timeframe specified in 5.5(2)(c); or
 - (ii) Any other reports set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.5(1) to 5.5(6) within the timeframes set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.5(1) to 5.5(6),

such that Franchisor is unable to calculate the Royalty and/or the International Marketing Fee payable by Master Franchisee or issue an invoice to Master Franchisee for payment of the Royalty and/or the International Marketing Fee, then:

- (c) Franchisor may estimate the Royalty and/or the International Marketing Fee for the relevant Month by taking into consideration the total Gross Sales for all Outlets in the Territory for the previous Quarter and dividing this by 3 (**Estimated Fees**);
 - (d) Franchisor will notify Master Franchisee of the Estimated Fees; and
 - (e) Master Franchisee must pay to Franchisor the Estimated Fees in accordance with, and within the time specified in, the notice provided by Franchisor pursuant to clause 6.7(1)(d).
- (2) Franchisor will adjust on Master Franchisee's account every Quarter any overpayment or underpayment of the Estimated Fees provided that Master Franchisee has supplied Franchisor with:
- (a) The Monthly Gross Sales information for any Outlet as required under clause 5.5(2)(b); and
 - (b) Any other reports set out in the Operations Manual or in any Operations Manual Addendum and in clauses 5.5(1) to 5.5(6),

such that Franchisor is able to properly calculate the Royalty and the International Marketing Fee actually payable by Master Franchisee for the relevant Months.

6.8 Interest on Late Payments

- (1) If Master Franchisee fails to pay any amount to Franchisor, Master Franchisee must pay interest on that amount at the Interest Rate, from the time the amount should have been paid until it is paid. Interest accrues daily, may be capitalised by Franchisor and is payable on demand.

- (2) Master Franchisee acknowledges that this clause 6.8 does not constitute any agreement by Franchisor to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Master Franchisee or the Initial Store.

6.9 Withholding

- (1) All withholding taxes shall be borne by Master Franchisee. That is to say, all payments by Master Franchisee must be made without deduction or withholding (including (without limitation) by way of set-off, counterclaim, duty, tax (including goods and services tax, value added tax and other government imposts) or charge) unless Master Franchisee is prohibited by law from doing so, in which case Master Franchisee must:
 - (a) Promptly pay to Franchisor any additional amount necessary to ensure that the net amount received by Franchisor equals the full amount which would have been received by Franchisor if no deduction or withholding had been made;
 - (b) Pay to the relevant authority within the period for payment permitted by law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid under clause 6.9(1)(a));
 - (c) Give Franchisor the official receipt from the authority for the amount paid to it within 7 days after Master Franchisee receives it; and
 - (d) Assist Franchisor with any reasonable requests for information or supporting documents regarding the calculation and/or payment of the amount paid.

6.10 Currency of Payment

- (1) All payments by Master Franchisee to Franchisor under this Agreement will be made in Dollars unless otherwise specified by Franchisor.
- (2) All payments in this Agreement are to be calculated in the currency of the Territory and converted into Dollars for payment to Franchisor and must be converted at a rate equivalent to the measurement notified by Franchisor on the date the payment is due. However, if a payment is remitted after the date payment is due, the currency exchange rate used will be the rate as of:
 - (a) The date the payment was due; or
 - (b) The date the payment is remitted,whichever rate is the greater.
- (3) All payments from Master Franchisee to Franchisor under this Agreement must be made in full, net of any bank charges, by direct deposit into Franchisor's bank account as specified in Item 18 of Schedule 1, or in such other manner as Franchisor notifies Master Franchisee in writing, including direct debit from Master Franchisee's bank or credit account. Master Franchisee must execute any forms or documents required by Franchisor in order to give effect to payments by way of direct debit or any other electronic method.

6.11 Exchange Controls

- (1) Master Franchisee must use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in Dollars of all amounts payable pursuant to this Agreement.
- (2) If at any time, any legal restriction is imposed upon the purchase of Dollars or the transfer to or credit of a non-resident party with payments in Dollars, Master Franchisee must notify Franchisor immediately. While such restrictions are in effect, Franchisor may require payment in any currency designated by Franchisor that is available to Master Franchisee or, at Franchisor's option, may require Master Franchisee to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Territory designated by Franchisor. Franchisor will be entitled to all interest earned on such deposits. Franchisor may also elect to receive payment in the form of products or services available to Master Franchisee, the value of which will be based on the actual cost of such products or services to Master Franchisee. If payment is made in products or services, Master Franchisee agrees to deliver such products or services to Franchisor or its designated agent or shipper within the Territory.

6.12 Stamp Duties

Master Franchisee must pay all stamp duties and comparable duties and taxes (including any penalties for late payment) assessed to be payable on or in respect of this Agreement any Collateral Agreement.

6.13 Set-off

Franchisor may in its sole discretion set-off against any payment due to Master Franchisee by Franchisor any unpaid debts (including contingent debts) of Master Franchisee to Franchisor.

7 Marketing

7.1 Local Marketing Expenditure

- (1) Master Franchisee must:
 - (a) Establish, maintain and administer a Franchisee funded marketing fund to be spent for local marketing, which will be known as the **Local Marketing Expenditure**, as specified in Item 13 of Schedule 1, for each Outlet;
 - (b) Require all Franchisees (including Master Franchisee Affiliates) to pay the Franchisee Marketing Fee for each Outlet in accordance with the terms of their respective Franchise Agreements;
 - (c) Subject to Master Franchisee's obligation to pay Franchisor the International Marketing Fee in accordance with clause 7.2(1) of this Agreement, collect and expend the total Franchisee Marketing Fees paid by the Franchisees in the same year in which those Franchisee Marketing Fees were paid for the benefit of the Chatime Network as a whole and for individual Franchisees;
 - (d) Direct the creation and implementation of advertising, marketing and promotional programs for the Territory;
 - (e) Adapt the marketing materials provided to Master Franchisee by Franchisor for use in the Territory;

- (f) Keep full details and records of all Local Marketing Expenditure receipts and expenditure on a monthly basis;
 - (g) Allow Franchisor full and free access at all reasonable times to all details of the Local Marketing Expenditure and records;
 - (h) Comply with all reasonable directions given by Franchisor from time to time in relation to the administration of the Local Marketing Expenditure and in relation to the content, style, nature or manufacture of any advertising, sales promotion and customer satisfaction surveys;
 - (i) At all times ensure that all marketing, promotion and advertising complies with all applicable laws; and
 - (j) Follow Franchisor's policy on marketing funds as specified in the Operations Manual or the Global Policies and Procedures as amended from time to time. The provisions of such policies and procedures will override this clause to the extent of any inconsistency.
- (2) Master Franchisee agrees to make available to all Franchisees within 90 days after the end of each Financial Year a report of the receipts and expenditures of the advertising, promotion, public relations, market research and other marketing programs and activities of the Local Marketing Expenditure during the preceding Financial Year.

7.2 International Marketing Fee

- (1) Master Franchisee must pay the International Marketing Fee to Franchisor on the tenth day of each Month. The International Marketing Fee will be determined based on the Gross Sales of all Outlets for the previous Month.

7.3 Use of International Marketing Fee

- (1) Franchisor may, in its sole discretion, use the International Marketing Fee to pay the Costs of:
- (a) Developing and conducting international or regional advertising and promotional campaigns, including advertising in international or regional publications;
 - (b) Engaging advertising agencies and marketing and research consultants;
 - (c) Providing Master Franchisee with samples of brochures and marketing materials used by Franchisor or its Affiliates in Taiwan, for amendment and use, subject to clause 7.3(4), by Master Franchisee in the Territory;
 - (d) Coordinating and administering the activities set out in clauses 7.3(1)(a) to 7.3(1)(c), including reasonable overhead and administrative Costs (including employee costs), the Cost of materials and printing Costs; and
 - (e) Any other marketing activity for the purpose of developing the Chatime brand internationally, regionally or in the Territory.
- (2) In applying the International Marketing Fee for the purposes set out above, Franchisor may combine the International Marketing Fee with other international marketing fees provided by other master franchisees.

- (3) If Master Franchisee requests any additional marketing assistance from Franchisor that, in the opinion of Franchisor, is not within the scope of assistance provided for by the International Marketing Fee, then Master Franchisee must pay to Franchisor upon invoice by Franchisor any additional fees and charges levied by Franchisor for such additional marketing assistance.
- (4) Master Franchisee must not use any marketing or promotional materials unless that marketing or promotional material has been first approved in writing by Franchisor.

7.4 Websites

- (1) Master Franchisee must not and must ensure that neither its Franchisees nor any other Person establishes a Website referring to the Marks, Outlets or the System without Franchisor's prior written consent.
- (2) Master Franchisee must not register the Domain Name or any other domain name or internet address incorporating the Network Name or any part of that name or any similar names or any of the Marks or any part of the Marks or any words or names similar to the Marks. Master Franchisee acknowledges that Franchisor has a prior and superior right to registration of any such domain names. If a domain name or Internet address is to be used in Master Franchisee's Operation, it must be registered in the name of Franchisor or any other nominee of Franchisor. However, all fees must be paid by Master Franchisee.
- (3) Franchisor may, but is not obliged to, designate one or more web pages to describe Master Franchisee and/or the Outlets, such web pages to be located within Franchisor's Website. If Franchisor approves a separate Website to be established by Master Franchisee, then:
 - (a) Before establishing the Website, Master Franchisee must submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, metatags) in the form and manner that Franchisor may reasonably require; and Master Franchisee must not use or modify such Website without Franchisor's prior written approval as to such proposed use or modification;
 - (b) In addition to any other applicable requirements, Master Franchisee must comply with Franchisor's standards, policies and procedures and specifications for Websites as prescribed by Franchisor from time to time in the Operations Manual or otherwise in writing;
 - (c) If required by Franchisor, Master Franchisee must at its Cost update the Website from time to time so that it is consistent with the then-current image, standards and specifications as notified by Franchisor;
 - (d) Master Franchisee must ensure that none of Franchisor's Confidential Information, such as the Operations Manual and any Operations Manual Addendum is accessible to the public via any Website;
 - (e) Master Franchisee must not offer any products or services on the Website without Franchisor's prior written consent. If Franchisor permits Master Franchisee to sell products or services on the Website, Master Franchisee must use the web hosting company designated by Franchisor and any shopping cart software specified by Franchisor;

- (f) If required by Franchisor Master Franchisee must establish such hyperlinks to Franchisor's Website and others as Franchisor may request in writing; and
 - (g) Franchisor may revoke its approval at any time, in writing, and require that Master Franchisee discontinue use of a separate Website. If Franchisor revokes its approval under this clause Master Franchisee must if required by Franchisor, immediately take all steps and execute all documents reasonably necessary to assign or transfer any domain name license to Franchisor or its nominee or if necessary, cancel any domain name used in connection with Master Franchisee's Operation.
- (4) If Master Franchisee becomes aware of any Person using or referring to the Marks on their Website, then it must immediately notify Franchisor.
 - (5) Franchisor may require Master Franchisee to offer and sell certain Products and services on Master Franchisee's Website.

8 Confidential Information

8.1 Obligation to Maintain Confidentiality

- (1) Master Franchisee and Guarantor acknowledge and agree that neither Master Franchisee nor any Guarantor will acquire any interest in the Confidential Information, other than the right to utilise the Confidential Information in performing their obligations under this Agreement, and that the use or duplication of any Confidential Information would constitute an unfair method of competition.
- (2) Master Franchisee and Guarantor hereby agree that during the term of this Agreement and following the expiration or termination of this Agreement that they:
 - (a) Will not use the Confidential Information in any other business operation or capacity;
 - (b) Will maintain the absolute confidentiality of the Confidential Information;
 - (c) Will not make unauthorized copies of any portion of the Confidential Information;
 - (d) Will adopt and implement all reasonable procedures that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on the disclosure of the Confidential Information to Franchisees, Outlet personnel and others; and
 - (e) Will impose all of the abovementioned restrictions and obligations on all Franchisees.
- (3) Notwithstanding anything to the contrary contained in this Agreement, the restrictions set out in clause 8.1(2) will not apply to information that:
 - (a) Is or becomes publically available, other than by breach of this Agreement;
 - (b) Master Franchisee or Guarantor (as applicable) is legally compelled to disclose, provided Master Franchisee/Guarantor must have used its best efforts and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be disclosed; or

- (c) Is otherwise permitted under the terms of this Agreement.
- (4) If required by Franchisor, Master Franchisee must ensure that Master Franchisee's Owner managers, directors, shareholders, agents, employees and any Interested Party enter into a confidentiality agreement in a form that is acceptable to Franchisor.

9 Protection of Goodwill

9.1 Acknowledgements and Restriction

Master Franchisee Parties acknowledge that:

- (1) The System used in connection with Master Franchisee's conduct of Master Franchisee's Operation, the Marks, the Raw Materials and other Products is unique and has been developed by Franchisor at great effort and expense;
- (2) Franchisor has considerable and recognised goodwill in the conduct of its business of developing and promoting the System;
- (3) Franchisor should be entitled to protect that goodwill for its own benefit by restricting Master Franchisee's and Guarantor's ability to damage that goodwill by competing with Franchisor; and
- (4) Each of the restraints imposed upon Master Franchisee and Guarantor under clause 9.2 is fair and reasonable and is no greater than is reasonably necessary to protect this goodwill.

9.2 No Other Business Interests

Master Franchisee Parties jointly and severally agree with Franchisor that neither Master Franchisee nor any Guarantor will:

- (1) During the Initial Term or any New Term finance, invest in or have a financial interest in any business other than Master Franchisee's Operation without the prior written consent of Franchisor; or
- (2) During the Restraint Period, directly or indirectly do any of the following things:
 - (a) Within the Restraint Area engage or be concerned or interested in any business that:
 - (i) Supplies products or services the same as or similar to those at any time supplied in Master Franchisee's Operation (including any Outlet); or
 - (ii) Could be reasonably regarded as a market competitor of the Network or any Outlet;
 - (b) Canvass or solicit with a view to supplying any product or service the same as or similar to those at any time supplied in the conduct of Master Franchisee's Operation, any person who is or has been in the 12 Months before the end of the Master Franchise a client, customer, employee, prospective franchisee, prospective master franchisee or Franchisee of Franchisor or Master Franchisee's Operation (including any Outlet); or

- (c) Employ or engage any person who is or has been in the 12 Months before the end of the Master Franchise employed by Franchisor, a Franchisee or any other of Franchisor's master franchisees, without first obtaining Franchisor's written consent.

9.3 Restraint Applies to Conduct in Any Capacity

The agreement by Master Franchisee Parties in clause 9.2 applies to any of them, the Interested Parties, and those acting:

- (1) In partnership or association with another person;
- (2) As principal, agent, representative, director, officer, employee, or financier;
- (3) As member, shareholder, debenture holder, note holder, or holder of any other security;
- (4) As trustee of or as a consultant or adviser to any person; or
- (5) In any other capacity.

9.4 Separate Restraint Agreements

Clauses 9.2 and 9.3 have effect as comprising each of the separate provisions which results from each combination of a capacity referred to in clause 9.3, a category of conduct referred to in clause 9.2, a geographical area specified in Item 8 of Schedule 1 and a period of time specified in Item 9 of Schedule 1. Each of these separate provisions operates concurrently and independently. If any separate provision is unenforceable, illegal or void that provision is severed and the other separate provisions remain in force.

9.5 Directors, Manager, and Key Employees

Master Franchisee must ensure that any of its directors who are not a party to this Agreement, any Interested Party, manager and any of its key employees designated by Franchisor enter into service or employment contracts before they receive or are granted access to any of the Confidential Information. The service or employment contracts must contain a similar reasonable restraint as imposed pursuant to clause 8.

9.6 Other Interested Parties

Master Franchisee must procure that any Interested Party specified by Franchisor enters into a non-compete and confidentiality agreement with Franchisor that contains:

- (1) Similar reasonable restraints as imposed on Master Franchisee and Guarantor pursuant to clause 9.2; and
 - (2) Similar confidentiality obligations to the obligations imposed pursuant to clause 8,
- as and when required by Franchisor.

9.7 Acceptable Conduct

Nothing in this clause prevents Master Franchisee or Guarantor from:

- (1) Owning less than 5%, by value, of securities in a listed corporation;

- (2) Engaging or being concerned or interested in Master Franchisee's Operation in accordance with this Agreement; or
- (3) Engaging or being concerned or interested in any business or activity pursuant to which Franchisor has given its prior written consent.

9.8 Disgorgement

In addition to all other remedies and rights of Franchisor under this Agreement, if any of Master Franchisee, Master Franchisee Affiliate, Franchisee, Guarantor or their Interested Parties breaches clause 9.2 or 9.3, Master Franchisee must account for and pay to Franchisor all compensation, profits, monies, accruals, increments or other benefits derived or received as a result of any such breach.

10 Indemnity and Limitation of Liability

10.1 Indemnity

- (1) Master Franchisee Parties indemnify Franchisor and each of its Affiliates (**Chatime Group**) against all:

- (a) Losses incurred by the Chatime Group;
- (b) Liabilities incurred by the Chatime Group; and
- (c) All Legal Costs and other Costs and expenses incurred by the Chatime Group in connection with a demand, action, arbitration or other proceeding (including mediation, compromise, out of court settlement or appeal),

arising directly or indirectly as a result of or in connection with:

- (d) A breach by Master Franchisee Parties of this Agreement or any Collateral Agreement;
 - (e) Any injury to, or loss of property of, any person in or on premises from which the business is conducted;
 - (f) Master Franchisee's taxes, liabilities or Costs of Master Franchisee's Operation;
 - (g) Any negligent or wilful act or omission of Master Franchisee, its employees, agents, servants, or contractors; and
 - (h) Any warranty, promise or representation made by Master Franchisee Parties or any employee, agent, or other person acting on behalf of Master Franchisee Parties being incomplete, inaccurate, or misleading.
- (2) Franchisor's rights at law and under this Agreement, including its right to be indemnified under this clause, are not affected by:
 - (a) Franchisor ending the Franchise or the termination of any Collateral Agreement;
 - (b) Franchisor accepting Master Franchisee's repudiation of this Agreement or any related Agreement; or
 - (c) Anything else.

10.2 Limitation of Liability

To the extent permitted by law, Franchisor will have no liability in relation to:

- (1) Any approval of premises or a site for an Outlet provided by Franchisor to Master Franchisee pursuant to the terms of this Agreement;
- (2) Any other approvals provided by Franchisor to Master Franchisee in connection with Master Franchisee's Operation pursuant to the terms of this Agreement;
- (3) The conduct of Master Franchisee's Operation by Master Franchisee, the success or failure of which largely depends upon the business abilities and efforts of Master Franchisee; and
- (4) The location, design, construction, or renovation of any Outlet or the furnishings, fixtures and equipment to be required, notwithstanding the right of Franchisor to approve any plans, and to inspect the construction and/or renovation work and such Outlet. Such rights of Franchisor are exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

11 Intellectual Property

11.1 License to Use Intellectual Property

Franchisor grants Master Franchisee a license to use the Intellectual Property in the Territory only during the Initial Term.

11.2 Use of Intellectual Property

- (1) Master Franchisee must:
 - (a) Only use the Intellectual Property as authorized by Franchisor;
 - (b) Not alter the Intellectual Property, except with Franchisor's prior written consent; and
 - (c) Not do anything which may prejudice Franchisor's ownership of, or the goodwill associated with, the Intellectual Property.
- (2) Master Franchisee must not use any other trademarks, corporate or business names, trade names, slogans, domain names or other items of Intellectual Property without the prior written consent of Franchisor.

11.3 Ownership of Intellectual Property

Master Franchisee acknowledges that by its use of the Intellectual Property, it does not acquire any right to, title or interest in the Intellectual Property. All rights to, and interests in, the Intellectual Property reside with Franchisor.

11.4 Protection of Intellectual Property

(1) Master Franchisee must:

- (a) Provide all reasonable assistance to Franchisor to register and enforce Franchisor's intellectual property rights in the Territory;
- (b) Take all reasonable steps to protect the Intellectual Property against any action or infringement by any person;
- (c) Immediately notify Franchisor of any actual or potential threat or claim of infringement with respect to the Intellectual Property.

(2) Franchisor, at its absolute discretion, will determine whether to commence or defend legal proceedings relating to the Intellectual Property.

(3) Payment of all Costs incurred in commencing or defending legal proceedings relating to the Intellectual Property will be made by Franchisor, provided that Franchisor has authorized the taking of any such action.

(4) Master Franchisee must co-operate fully with Franchisor in relation to any actions conducted under this clause 11.4 and must not bring any actions itself relating to the Intellectual Property.

(5) Save for remittance of Costs under clause 11.4(3) (if any), Franchisor will be entitled to receive the proceeds of all actions conducted under this clause 11.4.

11.5 Goodwill

Master Franchisee acknowledges that:

- (1) Franchisor is the owner of all goodwill in the Intellectual Property;
- (2) All goodwill associated with Master Franchisee's use of the Intellectual Property, and its activities under this Agreement, inures to the benefit of Franchisor; and
- (3) When this Agreement ends, Master Franchisee is not entitled to any payment from Franchisor for goodwill which may exist in relation to Master Franchisee's Operation.

11.6 Master Franchisee and Guarantor Must Not Register Similar Intellectual Property

Master Franchisee and Guarantor must:

- (1) If it is the owner of any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Territory, immediately upon execution of this Agreement, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Master Franchisee's cost;
- (2) If, during the Initial Term, either Master Franchisee or any Guarantor registers any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Territory, the relevant party must immediately upon such registration, take all steps necessary to transfer ownership of that intellectual property to Franchisor at Master Franchisee's cost; and

- (3) Not, except as otherwise agreed or directed by Franchisor in writing, register any intellectual property (e.g., business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property or that contains or consists of any Intellectual Property or anything that is substantially identical or deceptively similar thereto or otherwise relates to the Chatime brand or the System. In particular, if Master Franchisee or Guarantor is a corporation, each must not use the word “Chatime” or any other similar word or derivatives of that word in its corporate name, with acknowledgement that the factors determining similarity of trademarks as stated above include, without limitation, the appearances, concepts, pronunciations, designated classes, and designated goods and services of trademarks.

11.7 Master Franchisee’s Improvements

- (1) If any Master Franchisee’s Improvements are developed by or on behalf of Master Franchisee during the Initial Term from which Master Franchisee obtains any intellectual property rights, Master Franchisee assigns all of Master Franchisee’s rights to and intellectual property in Master Franchisee’s Improvements to Franchisor or its nominee as and when the intellectual property rights are created, free of all encumbrances.
- (2) If Master Franchisee’s rights to or intellectual property rights in Master Franchisee’s Improvements are not capable of assignment to Franchisor, Master Franchisee grants to Franchisor or its nominee as and when the intellectual property rights are created an exclusive, worldwide, royalty free, fully assignable perpetual license in respect of Master Franchisee’s Improvements, which may only be terminated by Franchisor, for Franchisor to use Master Franchisee’s Improvements and grant others the right to use Master Franchisee’s Improvements.
- (3) If Franchisor wishes to register the intellectual property rights in any of Master Franchisee’s Improvements and Master Franchisee is the owner, or a necessary applicant for that registration, Master Franchisee must immediately upon the request by Franchisor apply in Master Franchisee’s own name for registration and then sign all documents and deeds, perform all acts and do all things necessary to assign that registration or application to Franchisor or its nominee.

12 Transfer and Other Dealings by Franchisor

12.1 Assignment or Novation

Franchisor may transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by assignment or novation.

12.2 Refinancing and restructuring

Franchisor may, in addition to or as part of an assignment or novation pursuant to clause 12.1:

- (1) Sell itself, its assets, and any of the Intellectual Property which it owns to a third party;
- (2) Issue additional shares or other securities in itself;
- (3) Engage in a private placement of some or all of its securities; and
- (4) Undertake a refinancing, recapitalisation, leveraged buyout, or other economic or financial restructuring.

12.3 Acknowledgment and Agreement

If Franchisor elects to:

- (1) Assign all or any part of its rights, interests, obligations, or liabilities under this Agreement, Master Franchisee Parties must, upon request by Franchisor, execute any deed, agreement or notice of assignment acknowledging and agreeing to the assignment by Franchisor; or
- (2) Transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by novation to a third party, Master Franchisee Parties must, upon request by Franchisor, execute a deed or agreement of novation, in a form prepared by Franchisor, substituting in place of Franchisor a third party as being entitled to the benefits, and responsible for the rights, obligations and liabilities, of Franchisor under this Agreement.

12.4 Merger

Franchisor may purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business and operate, franchise, or license those businesses to operate using the Marks and Intellectual Property of Franchisor from premises wherever located.

12.5 Consent

Master Franchisee Parties consent to Franchisor at any time assigning or novating any of its rights, interests, obligations, or liabilities under this Agreement or undertaking any of the actions outlined in clauses 12.1, 12.2, and 12.4 and waive any requirement for prior notice to Master Franchisee Parties of the action.

13 Transfer and Other Dealings by Master Franchisee

13.1 Acknowledgements by Master Franchisee

Master Franchisee acknowledges that:

- (1) The Franchise has been granted to Master Franchisee following a consideration by Franchisor of the character, business experience, and capability and financial capacity of Master Franchisee Parties; and
- (2) Because of this there are important restrictions in this clause 13 on Master Franchisee's ability to deal with the Franchise and Master Franchisee's Operation.

13.2 Prohibition Against Transfer by Master Franchisee

- (1) Master Franchisee must not sell or otherwise Dispose of its interest in the Franchise or Master Franchisee's Operation without first offering to sell the Ownership Interest of Outlets (**Business**) to Franchisor in accordance with clause 13.4.
- (2) If an offer made by Master Franchisee pursuant to clause 13.2(1) is not accepted, Master Franchisee may sell or otherwise Dispose of its interest in the Franchise or Master Franchisee's Operation subject to obtaining Franchisor's written consent which must not be unreasonably withheld if all of the conditions mentioned in clause 13.3 have been satisfied.
- (3) A request for Franchisor's consent under clause 13.2(2) must be made in writing.

13.3 Conditions to be Satisfied Before Assignment can be Approved

Franchisor must not unreasonably withhold its consent under clause 13.2(2) if the sale, assignment, or other Disposal is of the whole of Master Franchisee's interest in the Franchise and Master Franchisee's Operation and each of the following conditions are satisfied:

- (1) Master Franchisee establishes to Franchisor's reasonable satisfaction that the proposed assignee (and its directors and shareholders if the assignee is a company):
 - (a) Possesses the financial resources necessary to conduct and operate Master Franchisee's Operation as a master franchisee and to service any borrowings it makes in order to acquire Master Franchisee's Operation;
 - (b) Is a reputable and responsible and has the business experience and capabilities necessary to operate Master Franchisee's Operation successfully; and
 - (c) Otherwise meets Franchisor's criteria for the selection of new Chatime master franchisees;
- (2) Master Franchisee pays to Franchisor the Transfer Fee;
- (3) Master Franchisee, both when seeking consent to the assignment and when the assignment is to occur, is not in default under this Agreement or any Collateral Agreement;
- (4) At the option of Franchisor:
 - (a) The assignee executes Franchisor's then-standard form master franchise agreement for the balance remaining of the Initial Term (including any existing option for a New Term); or
 - (b) Master Franchisee and the assignee execute a deed of assignment of Master Franchisee's rights and obligations under this Agreement to the assignee in a form required by Franchisor,and Master Franchisee and the assignee execute any other documents then used by Franchisor for the grant of Chatime master franchises;
- (5) When the assignee is a company, those directors and shareholders or other Affiliates of the assignee designated by Franchisor each:
 - (a) Give a guarantee and indemnity and undertake similar personal restraints to those given by Guarantor under this Agreement in favor of, and in a form required by, Franchisor; and
 - (b) Execute the new master franchise agreement or deed of assignment in their personal capacities;
- (6) The assignee's proposed manager is approved by Franchisor and successfully completes Franchisor's required training program;
- (7) Master Franchisee:
 - (a) Gives to Franchisor all details of the proposed assignment including a copy of the applicable contract (which must comply with Franchisor's requirements) and any

other agreements between Master Franchisee and the assignee. Master Franchisee acknowledges that:

- (i) These documents must be provided to Franchisor so that Franchisor can ensure that its interests are protected (for example, that the contract of sale does not purport to sell the Intellectual Property); and
 - (ii) Franchisor will not sell Master Franchisee's Operation on behalf of Master Franchisee or negotiate the sale on behalf of Master Franchisee and does not hold itself out as performing these functions; and
- (b) Sells to the assignee all of Master Franchisee's essential assets used in the business;
- (8) Master Franchisee establishes to Franchisor's reasonable satisfaction that the proposed assignment will not have a significantly adverse effect on the System or the Network; and
- (9) Master Franchisee pays all of Franchisor's Costs in connection with or incidental to the request for Franchisor's consent to the transfer of the Franchise and the sale of the Business, whether or not the assignment or sale is actually completed or the consent is granted.

13.4 Franchisor's Right of First Refusal

- (1) If Master Franchisee wants to:
- (a) Sell Master Franchisee's Operation; or
 - (b) Allow the Disposal of shares or units,

Master Franchisee must first offer to sell Master Franchisee's Operation to Franchisor on the same terms as any offer Master Franchisee has received from an arm's length third party (**Third Party Offer**) by giving to Franchisor a written notice (**Offer Notice**) setting out the terms and conditions of the Third Party Offer.

- (2) Franchisor may accept the offer contained in the Offer Notice by giving notice of acceptance (**Acceptance Notice**) to Master Franchisee before the end of the Offer Period.
- (3) For the purpose of this clause 13.4, "**Offer Period**" means the period of 45 days after Franchisor receives the Offer Notice.
- (4) The Acceptance Notice may contain terms which vary the terms of the Offer Notice if the terms upon which Franchisor agrees to buy the Business are not commercially less favourable to Master Franchisee than those contained in the Offer Notice. For example, if the consideration, terms and/or conditions offered by a third party are such that Franchisor is not reasonably able to furnish the same types of consideration, terms and/or conditions, then Franchisor may purchase the interests proposed to be transferred for the reasonable equivalent in cash.
- (5) If Master Franchisee receives the Acceptance Notice during the Offer Period Master Franchisee must sell and Franchisor must purchase the Business upon the terms and conditions contained in the Offer Notice as may be varied by the Acceptance Notice.

- (6) If Franchisor does not accept the offer contained in the Offer Notice within the Offer Period Master Franchisee is entitled to sell the Business or allow the Disposal of shares or units to a third party within 60 days after the end of the Offer Period as long as the:
 - (a) Master Franchisee complies with clause 13.3; and
 - (b) Sale or Disposal is not made for less than the price specified in the Offer Notice or on terms and conditions more favourable to the third party than those contained in the Offer Notice.
- (7) If Master Franchisee does not sell the Business or allow the Disposal of shares or units within the period referred to in clause 13.4(6) the rights of Franchisor are revived and Master Franchisee must not permit any sale or Disposal without first offering the Business to Franchisor in accordance with this clause 13.4.

13.5 No Encumbrances

Master Franchisee must not create or allow the creation of any encumbrance over this Agreement, the Franchise or Master Franchisee's Operation without first obtaining Franchisor's written consent.

13.6 No Subfranchises

Master Franchisee must not lease, license, franchise, or part with possession of Master Franchisee's Operation or the Franchise without first obtaining Franchisor's written consent.

14 Temporary Operation by Franchisor

14.1 Circumstances of Operation by Franchisor

If Master Franchisee ceases to conduct Master Franchisee's Operation or abandons the Master Franchise, Franchisor or its nominee may, but does not have to, enter Master Franchisee's business premises and operate and manage Master Franchisee's Operation (including directing the Franchisees) until Master Franchisee complies with any direction or notice of Franchisor requiring Master Franchisee to recommence operation of the Master Franchise in accordance with its obligations under this Agreement.

14.2 Management Fees and Income Received

- (1) Master Franchisee must pay to Franchisor a reasonable management fee prescribed by Franchisor for operating and managing the Master Franchise and any travelling, accommodation or other expenses in relation to such operation and management.
- (2) Franchisor must account to Master Franchisee for all net income received by Franchisor while operating and managing the Master Franchise less a reasonable management fee prescribed by Franchisor for operating and managing the Master Franchise and any travelling, accommodation or other expenses in relation to such operation and management. Master Franchisee must bear any losses incurred during Franchisor's operation and management of the Master Franchise and pay or reimburse such losses to Franchisor upon demand.

14.3 Liability of Temporary Operation

Franchisor will not be liable to Master Franchisee in any way for anything done by Franchisor while it operates and manages the Master Franchise in accordance with this clause 14, except for

acts or omissions arising from the gross negligence or wilful misconduct of Franchisor. Master Franchisee indemnifies Franchisor and its employees and agents against all damages, sums of money, costs, charges, expenses, actions, claims, liabilities, injuries and demands made against or suffered by Franchisor, its employees and agents for the period Franchisor operates and manages the Master Franchise pursuant to this clause 14.

15 Termination of Agreement

15.1 Master Franchisee May Terminate During Cooling Off Period

- (1) Master Franchisee may terminate this Agreement by giving written notice to Franchisor within 7 days of the date of this Agreement.
- (2) If Master Franchisee terminates this Agreement in accordance with clause 15.1(1), Franchisor must, within 14 days after receiving the notice of termination, return all payments (whether of money or other valuable consideration) made by Master Franchisee to Franchisor under this Agreement less the following amounts which constitute the reasonable Costs of Franchisor in connection with the grant of this Agreement:
 - (a) 20% of the Initial Territory Fee representing the reasonable Costs of Franchisor in relation to the selection and induction of Master Franchisee;
 - (b) The amount of \$5,000 representing the reasonable Costs of Franchisor in connection with the instructions for and the negotiation, preparation and execution of this Agreement and the Collateral Agreements; and
 - (c) All reasonable Costs of Franchisor in connection with the training of Master Franchisee, including all payments made to Master Franchisee by Franchisor during the course of training.

15.2 Termination by Master Franchisee

- (1) If:
 - (a) Master Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement;
 - (b) Master Franchisee gives written notice of such breach to Franchisor (which such notice must include details of the breach and what is required by Franchisor to rectify the breach) and gives Franchisor a reasonable period (of no less than 60 days) to remedy the breach; and
 - (c) Franchisor does not remedy the breach within the time set out in the breach notice or, in a case where Franchisor's breach cannot reasonably be remedied within 60 days after Franchisor receives written notice of its breach, fails to provide Master Franchisee with reasonable evidence of Franchisor's continuing efforts to correct its breach within a reasonable time,then Master Franchisee may terminate this Agreement by providing 60 days' written notice of termination to Franchisor.
- (2) Master Franchisee does not have a separate right to terminate the Development Rights alone. It only has the right to terminate this Agreement in its entirety. Any termination of

this Agreement by Master Franchisee other than as provided in clause 15.2(1) will be deemed a termination by Master Franchisee without cause.

15.3 Termination by Franchisor

- (1) Franchisor may terminate this Agreement if:
 - (a) Master Franchisee or Guarantor (**Defaulting Party**) breaches any provision of this Agreement or any Collateral Agreement;
 - (b) Franchisor gives to the Defaulting Party a written notice that:
 - (i) Specifies the breach;
 - (ii) Tells the Defaulting Party what Franchisor wants the Defaulting Party to do to remedy the breach;
 - (iii) Gives the Defaulting Party a reasonable time (which can be any number of days between 3 days and 30 days) to remedy the breach; and
 - (iv) States that Franchisor proposes to terminate this Agreement and the Franchise if the breach is not remedied within that time; and
 - (c) The Defaulting Party does not remedy the breach within the time allowed by a notice issued under clause 15.3(1)(b).
- (2) If the breach is remedied in accordance with, and within the time allowed by, a notice issued under clause 15.3(1)(b), Franchisor cannot terminate this Agreement because of that breach.
- (3) If Master Franchisee does not perform or observe any obligation under this Agreement Franchisor may, but does not have to, remedy that default. In doing so, Franchisor is entitled to rely on the power of attorney in clause 24.
- (4) Notwithstanding any other provision in this clause 15, Franchisor may terminate this Agreement immediately upon written notice to Master Franchisee if:
 - (a) The Defaulting Party breaches any provision under clause 6 (Initial and Continuing Fees), 9.2 (No other business interests) or 9.3 (Restraint applies to conduct in any capacity).
 - (b) A force majeure event (as referred to in clause 23) continues for more than 180 days;
 - (c) Master Franchisee no longer holds a license that Master Franchisee must hold to carry on Master Franchisee's Operation;
 - (d) Master Franchisee voluntarily abandons Master Franchisee's Operation;
 - (e) Master Franchisee or a Guarantor is convicted of a serious offense;
 - (f) Master Franchisee's Operation is operated in a way that endangers public health or safety;

- (g) Master Franchisee is fraudulent in connection with the operation of Master Franchisee's Operation;
- (h) Master Franchisee files a voluntary petition in bankruptcy, files any pleading seeking any reorganisation, liquidation, or dissolution under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent;
- (i) A receiver, manager, liquidator, or other Person acting in a comparable capacity is appointed for a substantial part of the assets of Master Franchisee; or
- (j) Master Franchisee fails to procure an approved site for the Initial Store within 270 days of the date of the Agreement.

16 Dispute Resolution

- 16.1 If a dispute arises in connection with this Agreement, a party to the dispute must give to the other party or parties to the dispute notice specifying the dispute and requiring its resolution under this clause 16 (**Notice of Dispute**).
- 16.2 The dispute is by this clause 16 agreed to be referred to arbitration as specified in Item 26 of Schedule 1. The arbitration must be conducted in Taipei by a single arbitrator.
- 16.3 If the parties have not agreed upon the arbitrator within 7 days after the Notice of Dispute is given, the arbitrator is the person appointed by the Chairperson of the Chinese Arbitration Association, Taipei (**Principal Appointor**) or the Principal Appointor's nominee, acting on the request of any party to the dispute.
- 16.4 The arbitrator must not be a present or former member, officer, employee or agent of a party to the dispute or a person who has acted as a mediator or advised any party in connection with the dispute.
- 16.5 The arbitration must be conducted in accordance with the Arbitration Law of the Republic of China and the Arbitration Rules of the Chinese Arbitration Association, Taipei (English version) except that:
- (1) The arbitrator must only accept evidence which would be accepted in a court of law;
 - (2) A party may be represented by a qualified legal practitioner or other representative; and
 - (3) The arbitrator must include in the arbitration award the findings on material questions of law and of fact, including references to the evidence on which the findings of fact were based.
- 16.6 After accepting the appointment and during the arbitration the arbitrator may:
- (1) Require the parties to lodge security or further security towards the arbitrator's fees and expenses; and
 - (2) Apply any security towards those fees and expenses,
- but the arbitrator may not direct a party to the dispute to provide security for the costs of the arbitration to be incurred by any other party.

- 16.7 Subject only to clause 16.8, this clause 16 is intended to be an agreement in writing to refer present or future disputes to arbitration.
- 16.8 Despite anything in this clause 16, a party at any time may commence court proceedings in relation to any dispute or claim arising under or in connection with this Agreement where that party seeks urgent interlocutory relief.
- 16.9 Despite the reference of a dispute to arbitration under this clause 16, the parties must continue to perform their obligations under this Agreement. In the award, the arbitrator may make any appropriate adjustment for the performance of obligations under this Agreement since the Notice of Dispute was given.
- 16.10 Subject to clause 16.8, a party must not commence or maintain a court action or proceeding upon a dispute in connection with this Agreement if the dispute is referred to arbitration under this clause 16.
- 16.11 This clause 16 continues in force even where the Agreement has been fully performed, terminated, or rescinded or where the parties or any of them have been discharged from the obligation to further perform the Agreement for any reason.
- 16.12 This clause 16 applies even where the Agreement is otherwise void or voidable.

17 Rights and Obligations Upon Termination or Expiration

17.1 Consequences of Termination

Master Franchisee agrees that upon the termination or expiration of this Agreement, it will:

- (1) Not directly or indirectly identify itself as a current or former master franchisee of, or as otherwise associated with, Franchisor;
- (2) Immediately deliver to Franchisor:
 - (a) All copies of the Operations Manual, Operations Manual Addendum and Global Policies and Procedures (contained in any medium) and once delivered to Franchisor, uninstall, and permanently delete any copies of the Operations Manual, Operations Manual Addendum and Global Policies and Procedures electronically stored by Master Franchisee;
 - (b) All forms, stationery, business cards, advertising material, and any other printed matter and signs used by Master Franchisee which bear the Network Name or any of the Marks;
 - (c) The original and all copies of databases and all lists held by Master Franchisee of suppliers to the Network; and
 - (d) All other property of Franchisor;
- (3) Immediately discontinue use of and forever cease to use:
 - (a) The Network Name;
 - (b) Any trade name, trade mark or commercial symbol that suggests or indicates a connection or association with Franchisor;

- (c) The Marks, Confidential Information and other Intellectual Property and remove all signs containing any Marks or any marks deceptively similar to the Marks (including from any Outlets) and promptly return to Franchisor or destroy all forms and materials containing any Mark in accordance with Franchisor's instructions; and
 - (d) Any Mark, or any trade name, trade mark, or commercial symbol that is deceptively similar to any Mark in any manner or for any purpose;
- (4) Not register the Marks or the Network Name or the Domain Name or any part of the Marks or Network Name or any words or names similar to the Network Name or Marks or any combination of those names;
- (5) Do everything necessary and execute all documents required by Franchisor to transfer, assign or, if necessary, cancel any trademarks, service marks, domain names, or other commercial symbols or Intellectual Property applied or registered by Master Franchisee in the Territory;
- (6) Immediately cease to use any Confidential Information of Franchisor disclosed to or otherwise learned or acquired by Master Franchisee and return to Franchisor all Confidential Information which has been loaned or made available to it by Franchisor pursuant to this Agreement without itself retaining any copies of the same in any medium;
- (7) Provide to Franchisor:
 - (a) All agreements, records, files, and any other materials or information reasonably requested by Franchisor pertaining to the Franchise Agreements which are assigned to Franchisor or its nominee; and
 - (b) All agreements, records, files, and any other materials or information reasonably requested by Franchisor pertaining to the Local Marketing Expenditure;
- (8) Within 10 Business Days of the effective date of termination or expiration of the Agreement, pay all money owed to Franchisor or any Affiliate and Master Franchisee's employees, contractors and material trade creditors which are then unpaid; and
- (9) No longer have any Development Rights whatsoever.

17.2 Bank Accounts

If Master Franchisee has established a bank or other account for the electronic or direct deposit of fees that Franchisees owe to Master Franchisee, then upon termination or expiration of this Agreement, and at the option of Franchisor, Master Franchisee must assign such account to Franchisor or its nominee to allow Franchisor or its nominee to continue using the existing payment mechanism.

17.3 Transfer of Franchise Agreements

- (1) Upon termination or expiration of this Agreement:
 - (a) Master Franchisee agrees to assign, or otherwise transfer, to Franchisor or its nominee, at the option of Franchisor, all of its rights and obligations under those Franchise Agreements designated by Franchisor and Franchisor may exercise its right to require an assignment or other transfer of any Franchise Agreement at any time after termination or expiration of this Agreement. Such assignment or

other transfer will take effect automatically and immediately upon transmittal by Franchisor of a written notice to the relevant Franchisees stating that the applicable Franchise Agreement is assigned or otherwise transferred from Master Franchisee to Franchisor or its nominee and Master Franchisee must do all things necessary to formalise any such assignment; and

- (b) Immediately upon request by Franchisor, Master Franchisee must take all necessary steps (including signing any document) to assign or otherwise transfer its rights under the documents granting the relevant Occupancy Right to Franchisees to Franchisor or its nominee.
- (2) If Franchisor does not require an assignment or other transfer of all Franchise Agreements then any Franchise Agreements that are not designated by Franchisor for assignment or other transfer may, as directed by Franchisor to continue for the remainder of their respective terms, in which case Master Franchisee will be entitled to continue to collect from Franchisees, the fees and other payments due under such Franchise Agreements from the Franchisees, provided that Master Franchisee continues to perform the obligations of Franchisor under such Franchise Agreements and all obligations under this Agreement other than in relation to any continued development.
- (3) If upon termination or expiration of this Agreement, Franchisor exercises its right to take an assignment of all of the Franchise Agreements pursuant to clause 17.3(1), Master Franchisee will not be entitled to receive payment under any Franchise Agreement from the date of the assignment of the Franchise Agreement.

17.4 No Compensation Payable on Termination

No compensation is payable by Franchisor to Master Franchisee or any other person for the termination or expiration of this Agreement and Master Franchisee will have no right of indemnity against Franchisor.

18 Guarantee and Indemnity

18.1 Interested Party's Guarantee

Master Franchisee must ensure that:

- (1) Each Interested Party give a guarantee and indemnity on the terms set out in this clause 18; and
- (2) Any new Interested Party, upon becoming an Interested Party, sign a guarantee and indemnity in respect of Master Franchisee's obligations under this Agreement on the then-current terms used by Franchisor.

18.2 Consideration

Guarantor has requested Franchisor to enter into this Agreement with Master Franchisee and Franchisor does so in consideration of this guarantee and indemnity.

18.3 Guarantee

Guarantor unconditionally and irrevocably guarantees to Franchisor prompt performance of all of the obligations of Master Franchisee contained or implied in this Agreement. If the obligation is to pay money, Franchisor may recover the money from Guarantor as a liquidated debt.

18.4 Indemnity

- (1) If Master Franchisee is not bound by some or all of its obligations under this Agreement, Guarantor agrees, by way of indemnity and principal obligation, to pay to Franchisor the amount which would have been payable by Guarantor to Franchisor under the guarantee in clause 18.3 had Master Franchisee been bound.
- (2) Guarantor indemnifies Franchisor and agrees to hold it harmless in respect of any failure by Master Franchisee to perform any of its obligations under this Agreement including any obligation to pay money to Franchisor.

18.5 Continuing Security

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release is given by Franchisor.

18.6 Matters Not Affecting Guarantor's Liability

Guarantor's liability under clauses 18.3 and 118.4 is not affected by:

- (1) The granting of time, forbearance, or other concession by Franchisor to Master Franchisee or any Guarantor;
- (2) An absolute or partial release of Master Franchisee or any Guarantor or a compromise with Master Franchisee or any Guarantor;
- (3) A variation of this Agreement;
- (4) A transfer of this Agreement by Master Franchisee;
- (5) The termination of this Agreement;
- (6) Any disputes or differences between Master Franchisee and Franchisor;
- (7) The fact that this Agreement is wholly or partially void, voidable, or unenforceable;
- (8) The non-execution of this Agreement by one or more of the persons named as Guarantor or the unenforceability of the guarantee or indemnity against one or more Guarantors; or
- (9) The exercise or purported exercise by Franchisor of its rights under this Agreement.

18.7 Payment Later Avoided

Guarantor's liability is not discharged by a payment to Franchisor which is later avoided by law. If that happens, the parties are restored to their respective rights and obligations as if the payment had not been made.

18.8 Indemnity on Disclaimer

If a liquidator or trustee in bankruptcy disclaims this Agreement, Guarantor indemnifies Franchisor against any resulting loss.

18.9 Guarantor Not to Prove in Liquidation or Bankruptcy

Until Franchisor has received all money payable to it by Master Franchisee, Guarantor must:

- (1) Not prove or claim in any liquidation, bankruptcy, composition, arrangement, or assignment for the benefit of creditors; and
- (2) Hold any claim it has and any dividend it receives on trust for Franchisor.

18.10 Guarantee to Continue on Transfer of Rights

If Franchisor transfers its rights under this Agreement, the benefit of the guarantee and indemnity in this clause 18 extends to the transferee and continues concurrently for the benefit of Franchisor regardless of the transfer unless Franchisor releases Guarantor in writing.

18.11 Certificate as to Liability

A certificate signed by Franchisor or its solicitors about a matter or about a sum payable to Franchisor in connection with this Agreement is sufficient evidence of the matter or sum stated in the certificate unless the matter or sum is proved to be false.

19 Corporate Master Franchisee

19.1 Application of Clause

This clause 19 applies if Master Franchisee is a corporation.

19.2 Constitution

- (1) Before the Commencement Date, Master Franchisee must give to Franchisor a certified copy of Master Franchisee's constitution and certified copies of any other documents requested by Franchisor from Master Franchisee's company register.
- (2) Master Franchisee warrants that the constitution does not preclude Master Franchisee from being granted the Franchise or otherwise from exercising its rights and performing its obligations under this Agreement.

19.3 Directorship and Ownership of Master Franchisee

Master Franchisee:

- (1) Warrants that the directors of Master Franchisee as at the date of execution are as notified to Franchisor by Master Franchisee; and
- (2) Must provide to Franchisor immediately upon request details of the shareholders of Master Franchisee, including the number and class of shares held by each shareholder as at:
 - (a) The date of execution of this Agreement; and
 - (b) Any other date specified by Franchisor.

19.4 No Changes Without Franchisor's Consent

- (1) Master Franchisee must not allow any of the following to occur without first obtaining Franchisor's written consent:
 - (a) Any change in the composition of Master Franchisee's directors;
 - (b) Any alteration to Master Franchisee's constitution;
 - (c) Any Disposal of shares in Master Franchisee; or
 - (d) Any reduction or alteration of Master Franchisee's capital.
- (2) Franchisor must not withhold consent unreasonably if:
 - (a) In the case of a Disposal of shares, the requirements of clause 19.5 are met; or
 - (b) In any other case, the change does not adversely affect Master Franchisee's ability to perform its obligations under this Agreement.

19.5 Transfer of Shares

Any Disposal of shares in Master Franchisee must be treated as a Disposal by Master Franchisee of the Franchise and clause 13 will apply to that Disposal.

20 Trust Provisions

20.1 Warranty if Master Franchisee Not a Trustee

If Master Franchisee is not described in this Agreement as trustee of a trust, Master Franchisee Parties warrant that Master Franchisee enters into this Agreement in its own right and not as a trustee for any person.

20.2 Application of Clause if Master Franchisee is a Trustee

The remainder of this clause applies if Master Franchisee enters into this Agreement as trustee of any trust.

20.3 Warranties as to Trusts

Master Franchisee Parties warrant that:

- (1) Master Franchisee enters into this Agreement as trustee for the trust;
- (2) Master Franchisee is the sole trustee of the Trust;
- (3) Master Franchisee enters into this Agreement for the purposes and benefit of the Trust and has obtained the consent or approval of any person which is needed to ensure that the property of the Trust is bound upon the execution of this Agreement;
- (4) Master Franchisee has given to Franchisor a certified copy of the Trust Deed and certified copies of any other documents relating to the Trust;
- (5) Master Franchisee has power under the Trust Deed to enter into this Agreement, to undertake the obligations and liabilities in the manner and the extent contemplated by this

Agreement and to apply the assets of the Trust in satisfaction of any money payable under this Agreement;

- (6) Master Franchisee has an unrestricted right to be fully indemnified out of the assets of the Trust;
- (7) The vesting date for the Trust occurs after the Franchise is expected to end by effluxion of time; and
- (8) All information or documents supplied to Franchisor or to any person on Franchisor's behalf for the purposes of the Franchise are true and accurate and leave no material facts undisclosed.

20.4 No Changes Without Franchisor's Consent

- (1) Master Franchisee must not allow any of the following to occur without first obtaining Franchisor's written consent:
 - (a) Any alteration to the Trust Deed;
 - (b) Any Disposal of units in the Trust (in the case of a unit trust);
 - (c) The vesting or distribution of the assets of the Trust other than income;
 - (d) The appointment of any person as a new or substitute trustee under the Trust Deed;
 - (e) The delegation of any power or duty conferred upon Master Franchisee under the Trust Deed other than as expressly authorized by this Agreement; or
 - (f) Anything which will or may harm Master Franchisee.
- (2) Franchisor must not unreasonably withhold consent to a Disposal of units if the requirements of clause 20.5 are met.
- (3) If Master Franchisee contravenes clause 20.4(1)(d) and appoints any new or substitute trustee of the Trust, Master Franchisee:
 - (a) Acknowledges that this Agreement will bind the new trustee; and
 - (b) Must arrange for the new trustee to enter into a deed prepared by Franchisor's solicitors at Master Franchisee's Cost by which the new trustee agrees to be bound by the terms of this Agreement.

20.5 Transfer of Units

Any Disposal of units in the Trust must be treated as a Disposal by Master Franchisee of the Franchise and clause 13 will apply to that Disposal.

20.6 Recourse Against Trust and Other Assets

Master Franchisee:

- (1) Agrees that the assets of the Trust and also those beneficially held by Master Franchisee on its own behalf will be available to satisfy Master Franchisee's obligations under this Agreement; and
- (2) Must, if Franchisor requires, exercise its rights of indemnity against the assets of the Trust to satisfy any of its obligations under this Agreement.

21 Acknowledgements, Representations, and Warranties

21.1 Acknowledgements and Representations

- (1) Master Franchisee and Guarantor each acknowledge that:
 - (a) They have relied upon their own investigations and judgment in entering this Agreement;
 - (b) Before signing this Agreement, they have undertaken their own due diligence and sought such professional advice and assistance as they consider appropriate in relation to Franchisor and all other matters relevant to this Agreement;
 - (c) They are not entering into this Agreement on the basis of any financial or other information provided by Franchisor or any express or implied statement or representation by Franchisor or any Affiliate of Franchisor or any of their officers, employees, agents, or representatives; and
 - (d) They have not been introduced to Franchisor by any broker or agent acting or purporting to act on behalf of Franchisor.
- (2) Master Franchisee acknowledges that Franchisor has agreed to grant the Master Franchise to Master Franchisee in reliance on the character, skills and financial capacity of Master Franchisee, the Owners and the General Manager, that the establishment and operation of Master Franchisee's Operation will involve significant financial risks, and that the success of Master Franchisee's Operation will depend upon the skills and financial capacity of Master Franchisee and the Owners and also upon changing economic and market conditions.
- (3) Master Franchisee acknowledges and agrees that it has conducted an independent investigation of the business contemplated by this Agreement and recognises that it involves business risks making the success of the venture largely dependent on the business abilities of Master Franchisee. Franchisor expressly disclaims the making of, and Master Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee expressed or implied as to the potential volume, profits or success of the business venture contemplated by this Agreement.
- (4) Master Franchisee and Guarantor represent that all information provided to Franchisor in support of Master Franchisee's application to acquire the Master Franchise including in relation to its financial capacity, resources, business experience and skills are complete, true and correct.
- (5) Franchisor makes no representation or warranty as to the suitability or otherwise of any premises or the site for an Outlet approved by it or that the operation of an Outlet will necessarily be profitable or successful.
- (6) Franchisor is not responsible for the acts or omissions of any person involved in the design of any Outlet, including any architects or consultants engaged by Franchisor.

21.2 Warranties

- (1) If Master Franchisee is a corporate entity, Master Franchisee represents and warrants that it is duly organised and validly existing in good standing under the laws of the jurisdiction of its incorporation.
- (2) Master Franchisee warrants that it has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on, and has the power to enter into and perform this Agreement and has obtained all necessary consents and fulfilled all necessary Legal Requirements to enable it to do so.
- (3) Master Franchisee and Guarantor represent and warrant that the terms and conditions of this Agreement have been explained to each of them by an independent legal adviser and an independent business adviser and that they understand and accept the terms and conditions of this Agreement.
- (4) If Master Franchisee and Guarantor are corporate entities, they represent and warrant that the execution of this Agreement is in accordance with the requirements of their respective articles of incorporation and creates a binding obligation on them in accordance with the terms of this Agreement.

22 Notices

- 22.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.
- 22.2 In addition to any other method of service provided by law, the Notice may be:
- (1) Sent by prepaid priority post to the address of the addressee set out in this Agreement or subsequently notified;
 - (2) Sent by email to the email address of the addressee set out, respectively, in Item 19 - Item 21 of Schedule 1, or subsequently notified; or
 - (3) Delivered at the address of the addressee set out in this Agreement or subsequently notified.
- 22.3 If the Notice is sent or delivered in a manner provided by clause 22.2, it must be treated as given to and received by the party to which it is addressed:
- (1) If sent by post, on the third Business Day (at the address to which it is posted) after posting;
 - (2) If sent by email before 5:00pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
 - (3) If otherwise delivered before 5:00pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

23 Force Majeure

- 23.1 A party (**Affected Party**) is not liable for any delay or failure to perform an obligation (other than to pay money) under this Agreement caused by:
- (1) Act of God;

- (2) War, terrorism, riot, insurrection, vandalism, or sabotage;
- (3) Strike, lockout, ban, limitation of work, or other industrial disturbance; or
- (4) Law, rule, or regulation of any government or governmental agency and executive or administrative order or act of general or particular application.

23.2 The Affected Party must notify each other party as soon as practical of any anticipated delay or failure caused by an event referred to in clause 23.1 (**Event**).

23.3 The performance of the Affected Party's obligation is suspended for the period of delay caused by the Event.

24 Power of Attorney

- (1) To secure performance by Master Franchisee of its obligations under this Agreement, Master Franchisee Parties irrevocably appoint Franchisor and each of its officers severally to be their attorney (**Attorney**) to exercise the powers described in this clause 24.
- (2) If Master Franchisee Parties breach any provision of this Agreement or any Collateral Agreement or at the end of the Master Franchise the Attorney may, in the name and at the Cost of either Master Franchisee or Guarantor, do anything required to be done by Master Franchisee Parties that Master Franchisee Parties have not done or have not done promptly or properly. This includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices or other instruments, specifically relating to the Marks and the Website.
- (3) The powers granted under this clause 24 commence when this Agreement is executed and continue despite the end of the Master Franchise.
- (4) Master Franchisee Parties:
 - (a) Ratify and confirm anything an Attorney lawfully does under this clause 24; and
 - (b) Must pay on demand all the Costs or other liabilities incurred by or on behalf of Franchisor or the Attorney under this clause 24.

25 Changes in Laws

25.1 Taxes and Charges

If any laws are changed or new laws are introduced or courts or any relevant authority interpret laws differently which results in Franchisor having to pay a tax, duty, excise or levy (**Impost**) on amounts received from Master Franchisee, Master Franchisee Affiliate and the Franchisee under this Agreement (other than income tax) or on goods or services supplied by Franchisor under this Agreement, Master Franchisee, Master Franchisee Affiliate and the Franchisee must pay to Franchisor an additional amount so that after Franchisor has paid the Impost its yield under this Agreement is unchanged.

25.2 Amend Agreement to Comply with Future Laws

The parties agree that if any laws are changed or introduced or any relevant authority publishes or issues any statement, rules, code or requirement which in the reasonable opinion of Franchisor or its legal representatives renders or is likely to render all or part of this Agreement

unenforceable, illegal, or void, the parties will immediately amend this Agreement and do all things (including executing documents) necessary or desirable to ensure that this Agreement is not unenforceable, illegal, or void.

26 Miscellaneous

26.1 Taxes

Franchisor will have no liability for any sales, value added, use, service, stamp duty, occupation, excise, gross receipts, income, property, payroll, or other taxes, whether levied upon this Agreement, Master Franchisee, one or more Outlets, Franchisees or Master Franchisee's property, or upon Franchisor, in connection with operations conducted by Master Franchisee (except any taxes that Franchisor is required by law to collect from Master Franchisee with respect to purchases from Franchisor or taxes described in clause 6.9(1)). Payment of all such taxes will be the responsibility of Master Franchisee.

26.2 Subcontracting and Agency

- (1) Franchisor is entitled to subcontract the performance of any of its obligations to be performed in the Territory under this Agreement and exercise any of its rights in the Territory under this Agreement to any person designated by Franchisor, and any notice required to be given by Franchisor shall be validly given if given by such person.
- (2) Master Franchisee must not subcontract the performance of any of its obligations to be performed in the Territory under this Agreement without the prior consent of Franchisor.

26.3 Exercise of Rights

A party may exercise a right, power, or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power, or remedy by a party does not prevent a further exercise of that or of any other right, power, or remedy. Failure by a party to exercise or delay in exercising a right, power, or remedy does not prevent its exercise.

26.4 Approvals and Consents

Franchisor may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion unless this Agreement expressly provides otherwise.

26.5 Indemnities

Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the parties and survives termination of this Agreement. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement. Any indemnities and assumptions of liabilities or obligations under this Agreement survive termination or expiration of this Agreement.

26.6 Translations and English Language

- (1) Master Franchisee must at its Cost:
 - (a) Translate the Franchise Agreement from English into the language of the Territory and submit a copy of such translations to Franchisor for its approval prior to delivering the Franchise Agreement to prospective Franchisees; and

- (b) Translate the Operations Manual and the Operations Manual Addendum for use in the Territory from English into the main languages used in the Territory.
- (2) Master Franchisee must pay all Franchisor's Costs of translating or verifying any translation of this Agreement and any related documents or agreements into the language or languages of the Territory if such translation is required to comply with the Legal Requirements in the Territory.
- (3) If this Agreement is translated into a language other than English, the English version of this Agreement shall alone govern all matters of interpretation of this Agreement.

26.7 Survival of Obligation After Termination and Expiration

Termination or expiration of this Agreement does not release any party from that party's obligations which expressly survive of or are capable of survival of this Agreement and specifically clauses 3.8(2), 4.11(2), 5.10(1), 5.10(2), 6.8(1), 6.10(2), 7.4(1), 7.4(2), 8.1(1), 8.1(2), 9.2, 17.3(1), and 17.4.

26.8 Costs and Expenses

- (1) Master Franchisee must pay, or reimburse Franchisor on demand for, all Franchisor's Costs (including legal Costs on a solicitor and own client or full indemnity basis, whichever is the greater) in connection with or incidental to:
 - (a) Any default by Master Franchisee in observing or performing any of its obligations under this Agreement;
 - (b) Any termination of this Agreement; and
 - (c) The contemplated, attempted, or actual enforcement, preservation, or exercise of any right under this Agreement including the obtaining by Franchisor of any advice or information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by Master Franchisee.

26.9 Authority to Complete

By their execution of this Agreement, Master Franchisee Parties authorize Franchisor to complete any items in Schedule 1 that are blank on the date of execution, with the details that Franchisor determines.

26.10 Severability

- (1) If any provision in this Agreement is unenforceable, illegal, or void or makes this Agreement or any part of it unenforceable, illegal, or void, then that provision is severed and the rest of this Agreement remains in force.
- (2) If any provision in this Agreement is unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction or makes this Agreement or any part of it unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction, then that provision is severed only in respect of the operation of this Agreement in the jurisdiction where it is unenforceable, illegal, or void.

26.11 Entire Understanding

Subject to the provisions of any written material entered into and approved by Franchisor and to which Franchisor and Master Franchisee are parties, this Agreement:

- (1) Is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) Supersedes any prior agreement or understanding on anything connected with that subject matter.

Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Master Franchise Disclosure Document, its exhibits and amendments.

26.12 Variation

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

26.13 Waiver

- (1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.
- (3) A waiver is not effective unless it is in writing.
- (4) Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

26.14 Adverse Effect

In exercising, or deciding not to exercise, any right or discretion under this Agreement, a party is not required to take into account any adverse effect on another party.

26.15 Further Assurance

Each party must promptly at its own Cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

26.16 Governing Law and Jurisdiction

The law of the jurisdiction set out in Item 25 of Schedule 1 governs this Agreement.

26.17 Non-merger

Each obligation which expressly survives or is capable of surviving the end of the Master Franchise, continues in force despite the termination of this Agreement and the end of the Master Franchise.

26.18 Time of the Essence

- (1) Time is of the essence of this Agreement.
- (2) If the parties agree to vary a time requirement the time requirement so varied is of the essence of this Agreement.
- (3) An agreement to vary a time requirement must be in writing.

26.19 Execution of Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.
- (2) This Agreement is binding on the parties on the exchange of executed counterparts. A copy of an original executed counterpart sent by facsimile machine or by email:
 - (a) Must be treated as an original counterpart;
 - (b) Is sufficient evidence of the execution of the original; and
 - (c) May be produced in evidence for all purposes in place of the original.

26.20 Special Conditions

Any conditions set out in Item 29 of Schedule 1 form part of this Agreement. If there is any inconsistency between a provision of the Special Conditions and a provision of this Agreement, the provision of the Special Conditions prevails to the extent of the inconsistency.

[Signatures on the following page.]

EXECUTED as a deed and delivered on the date shown on the first page.

FRANCHISOR

Signed, sealed, and delivered for and on behalf of **Chatime USA, LLC** by its authorized representative:

Signature of authorized signatory

Name of authorized signatory
(BLOCK LETTERS)

MASTER FRANCHISEE

Signed, sealed, and delivered for and on behalf of **#insert name of Master Franchisee#** by its authorized representative in the presence of:

Signature of witness

Signature of authorized representative

Name of witness
(BLOCK LETTERS)

Name of authorized representative
(BLOCK LETTERS)

Address of witness

GUARANTOR

Signed, sealed, and delivered for and on behalf of **#insert name of Guarantor#** by its authorized representative in the presence of:

Signature of witness

Signature of **#insert name of Guarantor#**

Name of witness (BLOCK LETTERS)

Address of witness

Schedule 1

Item 1 Master Franchisee

Name: #insert#
Company Number: #insert#
Address: #insert#

Item 2 Owner(s)

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Item 3 Guarantor(s)

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Item 4 Initial Term

#insert#

Item 5 New Term

#insert#

Item 6 Territory

#insert#

Item 7 Development Quota and Development Period

Development Period (By month)	Development Quota (Number of New Outlets opened in each Development Period)	Development Quota (Cumulative number of Outlets in operation by end of each Development Period)
	#	#
	#	#
	#	#
	#	#
	#	#
	#	#
	#	#

Item 8	Restraint Area	
		Means (a) the Territory, (b) any area within twelve (12) miles from any Outlet operated by Master Franchisee, Master Franchisee Affiliate and Franchisee, and (c) any area within twelve (12) miles of any Chatime Store.
Item 9	Restraint Period	
		A period of two (2) years commencing on and from the expiration or termination date of this Agreement, or if that period is held to be unreasonable, a period of one (1) year commencing on and from the expiration or termination date of this Agreement.
Item 10	Initial Territory Fee	
		\$250,000
Item 11	New Outlet Fee	
		\$8,000 to \$12,000
Item 12	Royalty	
		3.5% of Gross Sales
Item 13	International Marketing Fee (IMF) & Local Marketing Expenditure (LME)	
		IMF: 0.5% of Gross Sales (payable by Master Franchisee to Franchisor)
		LME: 2.5% of Gross Sales (required to be used for local marketing)
Item 14	Term of Franchise Agreements	
		Three (3) years
Item 15	Renewal Territory Fee	
		\$125,000
Item 16	Renewal Outlet Fee	
		80% of the New Outlet Fee
Item 17	Transfer Fee	
		\$3,000
Item 18	Franchisor's Bank Account	
	Name of Bank:	#insert#
	Address of Bank:	#insert#
	SWIFT CODE:	#insert#
	Account name:	#insert#
	Account Number:	#insert#

Item 19 **Franchisor's Address for Service**

Address: #insert#
Attn: #insert#
Email address: #insert#
Contact no.: #insert#

Item 20 **Master Franchisee's Address for Service**

Address: #insert#
Attn: #insert#
Email address: #insert#
Contact no.: #insert#

Item 21 **Guarantor's Address for Service**

Address: #insert#
Attn: #insert#
Email address: #insert#
Contact no.: #insert#

Item 22 **Insurance Policies**

- (a) Comprehensive general liability insurance to cover all claims for bodily and personal injury, death and property damages arising in respect of or caused by or occurring in connection with the conduct of Master Franchisee's duties, and product liability in relation to the Sale of Raw Materials and all other Products.
- (b) Professional indemnity protection for damages arising in respect of or caused by or occurring in connection with the conduct of Master Franchisee's duties.

Item 23 **Financial Year**

A year commencing on January 1 and finishing on December 31.

Item 24 **Initial Store Opening Date**

#insert#

Item 25 **Governing Law**

Taiwan, Republic of China

Item 26 **Arbitration Jurisdiction**

Taiwan, Republic of China

Item 27 **Terms of Trade**

Trading condition: FOB Taiwan

Payment term: T/T in advance (without any bank charges)

Item 28 **Additional Requirements Before Granting Franchises**

Master Franchisee must maintain at least five (5) Outlets of its own, one (1) training Outlet, and one (1) training centre to Franchisor's satisfaction.

Item 29 **Special Condition(s)**

- (a) If a Franchise Agreement is duly executed by a Franchisee through substantial assistance of Franchisor, Master Franchisee agrees that Franchisor is entitled to 50% of all fees payable by the Franchisee to Master Franchisee under the Franchise Agreement.

Schedule 2 – Marks and Websites

Marks – Registered

Trademark	Registered Owner	Registration Number	Jurisdiction	Date of Registration
Chatime	La Kaffa International Co., Ltd.	5321339	United States	October 31, 2017
	La Kaffa International Co., Ltd.	4178239	United States	July 24, 2012
	La Kaffa International Co., Ltd.	6817092	United States	August 16, 2022
	La Kaffa International Co., Ltd.	6310008	United States	March 30, 2021

Websites

Meta: #insert#

Instagram: #insert#

Twitter: #insert#

Other: #insert#

Schedule 3 – Standard Franchise Agreement



Date: [_____]

Chatime Sample Unit Franchise Agreement (United States of America)

Parties

[_____] (Master Franchisee)

Franchisee specified in Schedule 1 (Franchisee)

Guarantor specified in Schedule 1 (Guarantor)

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Agreement is made and entered into by and between:

Parties [_____] (**"Master Franchisee"**)

The party identified as Franchisee in Item 1 of Schedule 1 (**"Franchisee"**)

The party identified as Guarantor in Item 3 of Schedule 1 (**"Guarantor"**)

Introduction

- A** The parent company of Chatime USA, LLC (**"Franchisor"**), La Kaffa International Co, Ltd., has developed a business and proprietary know-how, information, systems, and procedures including distinctive business formats, specifications, and the Marks for the establishment and operation of retail businesses offering for sale of gourmet coffees, teas, other beverages, and certain complementary products (including food products), accessories, and services.
- B** Master Franchisee has been licensed by La Kaffa International Co., Ltd. to use the System and has the right to grant third parties the right to establish and operate Outlets. Master Franchisee has a license from Franchisor to use the Marks and is authorized to sublicense the Marks to third parties.
- C** Franchisee and Guarantor have requested, and Master Franchisee has agreed, to grant Franchisee a Franchise on the terms and conditions set out in this Agreement.
- D** In consideration of Master Franchisee complying with Guarantor's request, Guarantor has agreed to give a guarantee and indemnity to Master Franchisee for the performance of Franchisee's obligations under this Agreement.

It is Agreed

1 Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Agreement unless the contrary intention appears:

- (1) **Affiliate** means any Person that directly or indirectly Controls, that is directly or indirectly Controlled by, or that is under Common Control or Controlling Interest with a specified Person.
- (2) **Agency** means any governmental entity or agency.
- (3) **Agreement** means this document, including any schedule or annexure to it.
- (4) **Approved Supplier** means Master Franchisee or a supplier or suppliers approved in writing by Master Franchisee for the supply of Products and equipment to Franchisee.
- (5) **Business Day** means a day that is not a Saturday or Sunday or any other day which is a public holiday in the place where an act is to be performed or a payment is to be made.

- (6) **Business Hours** means the hours of operation of each Outlet pursuant to any Legal Requirements and/or the terms of any lease or other document conferring a right to occupy the premises at which an Outlet is located.
- (7) **Chatime Menu** means the food and beverage items specified in the Operations Manual or otherwise in writing by Master Franchisee which must be offered for sale by Franchisee from the Outlet and includes, as relevant, any specifications in relation to those products.
- (8) **Chatime Network** means the network of Chatime Outlets in the Territory.
- (9) **Chatime Store** means a full service retail store that:
- (a) Offers Products listed on the Chatime Menu for sale;
 - (b) Meets Master Franchisee's and Franchisor's standards and specifications;
 - (c) Operates under the Marks and the System; and
 - (d) Is operated pursuant to a valid franchise agreement.
- (10) **Collateral Agreement** means any agreement between Master Franchisee and Franchisee or any agreement between Franchisee and an Affiliate of Master Franchisee in connection with this Agreement and Franchisee's Operation.
- (11) **Confidential Information** means:
- (a) Plans and specifications for the development of the Outlet;
 - (b) Recipes, training materials, programs and systems, methods, techniques, formats, specifications, standards, procedures, sales and marketing techniques, computer software programs, statistical data, and knowledge of and experience relating to the development and operation of the Outlet;
 - (c) Marketing and advertising programs;
 - (d) Knowledge of specifications for and suppliers of Raw Materials and certain other Products, materials, supplies, equipment, fixtures, furnishings, and services and knowledge of operating results and financial performance of the Outlet;
 - (e) The Operations Manual (as applicable from time to time), the Operations Manual Addendum, and all other materials;
 - (f) Global Policies and Procedures;
 - (g) Information concerning the business and financial affairs of Master Franchisee and their Affiliates including, without limitation, the identity of prospective franchisees and Franchisee;
 - (h) The System Standards;
 - (i) Any information which is provided by Master Franchisee or any of its Affiliates and marked "confidential" or any information which is provided by Master Franchisee or any of its Affiliates pursuant to this Agreement or which Franchisee learns or gains access to by reason of this Agreement; and

- (j) Any information that would at law be considered secret or confidential information of Master Franchisee or any Affiliate of Master Franchisee.
- (12) **Control, Controlled by, or under Common Control or Controlling Interest** means direct or indirect possession of the power to direct or cause the direction of the management or policies of any other Person, whether through more than 50% of the ownership of voting interest, by contract, or otherwise.
- (13) **Cost** means any cost charge, expense, outgoing payment, or other expenditure of any nature and where appropriate includes fees and disbursements payable to contractors, consultants, lawyers, and other advisers (including Legal Costs).
- (14) **Dispose** includes, in relation to a share or a unit, entering into a transaction in relation to the share or the unit (or any interest in the share or the unit), which results in a person other than the registered holder of the share or the unit:
- (a) Acquiring any legal or equitable interest in the share or the unit, including an equitable interest arising from a declaration of trust, an agreement for sale and purchase, an option agreement, or an agreement creating a charge or other encumbrance in the share or the unit;
 - (b) Acquiring any right to receive directly or indirectly any dividends payable in respect of the share or the unit;
 - (c) Acquiring any rights of pre-emption, first refusal or like control over the disposal of the share or the unit;
 - (d) Acquiring any rights of control over the exercise of any voting rights or rights to appoint directors attaching to the share or the unit; or
 - (e) Otherwise acquiring legal or equitable rights against the registered holder of the share or the unit which have the effect of placing the person in the same position as if the person had acquired a legal or equitable interest in the share or the unit itself.
- (15) **Dollars** means the legal currency of United States of America unless the contrary intention appears.
- (16) **Domain Name** means the domain name and controlled or under license by Master Franchisee for which registration has been applied for, or which is specified for use by Master Franchisee and which Master Franchisee authorizes Franchisee to use.
- (17) **Financial Year** means the financial year of Franchisee set out in Item 19 of Schedule 1.
- (18) **Franchise** means the right to develop and operate an Outlet at a specified location within the Territory and to use the Marks and the System in the operation of that Outlet pursuant to a franchise agreement.
- (19) **Franchisee Parties** means Franchisee and Guarantor.
- (20) **Franchisee's Improvements** means any works, marks, designs, ideas, know-how, or trade secrets developed by Franchisee which are derived from or incorporate the Intellectual Property or which are otherwise developed by Franchisee during the operation of Franchisee's Operation from which Franchisee obtains any intellectual property rights.

- (21) **Franchisee's Operation** means the business conducted by Franchisee under this Agreement of developing, coordinating, supporting, and administering the Chatime Network in the Territory in accordance with the terms of this Agreement.
- (22) **General Manager** means the sufficiently experienced, skilled, and qualified person employed by Franchisee who, after attending and successfully completing to Master Franchisee's satisfaction, the training referred to in clause 5.1(3) is responsible for the day-to-day supervision and management of Franchisee's Operation.
- (23) **Global Policies and Procedures** means the written policies and procedures issued by Master Franchisee from time to time in relation to the conduct of Franchisee's Operation or operational issues concerning the Outlet.
- (24) **Gross Sales** means the total actual gross charges for all products (including the Products), merchandise, and services sold to customers of each Outlet, for cash or credit, whether such sales are made at or from the premises of an Outlet or any other location or other channels of distribution if approved in writing in advance by Master Franchisee but excluding:
- (a) Sales, use, service, or excise taxes collected from customers and paid to the appropriate taxing authority; and
 - (b) All customer refunds, adjustments, and promotional discounts including any senior citizen's discount.
- (25) **Initial Term** means the term specified in Item 4 of Schedule 1.
- (26) **Insurance Policies** means the insurance policies specified in Item 18 of Schedule 1.
- (27) **Intellectual Property** means:
- (a) The Marks, the Network Name, copyright in the Operations Manual, the Operations Manual Addendum, and any advertising or promotional materials provided by Master Franchisee to Franchisee, data collected via any point of sale system used by Franchisee in the Territory and includes all intellectual property rights in the software, records, documents, specifications, plans, programs, menus, recipes, or drawings;
 - (b) Any trade secrets, proprietary processes or know-how relating to the System, Franchisee's Operation or Franchises;
 - (c) All Confidential Information necessary for, or which may be used in connection with, the administration, operation and marketing of Franchisee's Operation or Franchises; and
 - (d) The Domain Name.
- (28) **Interest Rate** means interest at the rate of 4% above the base rate fixed by the Bank of Taiwan.
- (29) **Interested Party** means any of the following persons designated by Master Franchisee:
- (a) Any person with a direct or indirect legal or beneficial interest in Franchisee, including an interest in any entity directly or indirectly controlling Franchisee (**Controlling Entity**), or in Franchisee's assets and any person who is an officer,

as defined in the applicable domestic legislation, of Franchisee or any Controlling Entity; and

- (b) A spouse, child or person with an existing or former relationship of cohabitation, lineal relatives by blood or by marriage, or collateral relatives by blood or by marriage of any person specified in clause 1.1(30)(a).
- (30) **International Marketing Fee** means the marketing fee payable by Franchisee to Master Franchisee in the amount specified in Item 11 of Schedule 1.
- (31) **Legal Costs** means all fees, costs, and disbursements actually paid or payable by Master Franchisee or its Affiliates to its own legal representatives (whether or not assessed under a retainer or costs agreement in place between Master Franchisee and its legal representatives) and other expenses incurred by Master Franchisee or its Affiliates in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement, or appeal).
- (32) **Legal Requirements** means all applicable laws, ordinances, regulations, rules, administrative orders, decrees, and policies of any government, governmental agency, or department including, without limitation, the governments of the Territory and Taiwan, unless otherwise stated in this Agreement.
- (33) **Local Marketing Expenditure** means the marketing expenditure to be spent by Franchisee, as described in clause 7.1(1).
- (34) **Marks** means the trademarks, service marks, logos, and other commercial symbols or indicia owned or controlled under license by Master Franchisee, which Master Franchisee authorizes Franchisee to use in accordance with this Agreement including those marks listed in Schedule 2.
- (35) **Month** means a calendar month.
- (36) **Network Name** means the name “Chatime” and “日出茶太” or such variation to “Chatime” and “日出茶太” or such additional or replacement name as Master Franchisee may from time to time use as the name under which Outlets are operated.
- (37) **New Outlet Fee** means the fee payable by Franchisee to Master Franchisee for each new Outlet opened in the Territory in the amount specified in Item 9 of Schedule 1.
- (38) **New Term** means the term specified in Item 5 of Schedule 1.
- (39) **Occupancy Right** means any right to occupy the premises of an Outlet including as lessee, sublessee, licensee, or as the holder of some other interest in the premises conferring an enforceable right to use or occupy them.
- (40) **Opening Date** means the date of opening of the Outlet which is anticipated to be the date specified in Item 20 of Schedule 1.
- (41) **Operations and Training Manager** means the sufficiently experienced, skilled and qualified person employed by Franchisee on a full-time basis, who after attending and successfully completing to Master Franchisee’s satisfaction, the training referred to in clause 5.1(3), must oversee all aspects of the operation of the Outlet and ensure the Outlet complies with the operational standards of the System and that the staff of the Outlet are fully trained.

- (42) **Operations Manual** means individually and collectively Master Franchisee's manuals and written materials (as amended from time to time) including, without limitation, papers, books, binders, videos, CD-ROMs, and other methods of transfer of information such as electronic formats containing specifications, standards, and operating procedures prescribed by Master Franchisee from time to time for Outlets.
- (43) **Operations Manual Addendum** means an addendum to the Operations Manual including specific operating procedures, standards, and specifications relevant for the Territory.
- (44) **Outlets** means Chatime Stores located in the Territory and such other concepts as developed by Master Franchisee from time to time.
- (45) **Owners** means all Persons holding Ownership Interests exceeding 10% of the total Ownership Interests in Franchisee and all Persons who have other direct or indirect interests in Franchisee or this Agreement (the Persons or entities who are Owners as at the date of this Agreement are listed in Item 2 of Schedule 1 to this Agreement).
- (46) **Ownership Interest** means a direct or indirect, disclosed or undisclosed, legal or beneficial ownership interest or voting right including, without limitation:
- (a) In relation to a company, the ownership of shares or other equity interests in the company;
 - (b) In relation to a partnership, the ownership of a general or limited partnership interest;
 - (c) In relation to a trust, the ownership of the beneficial interest of such trust; or
 - (d) The right to cast some or all of the votes associated with such shares or interests.
- (47) **Person** means an individual, corporation, general or limited partnership, limited liability company, trust, association, or other legal entity.
- (48) **Products** means all Raw Materials, products, food items, and merchandise which Master Franchisee from time to time authorizes for sale by Franchisee at the Outlet, and includes products on the Chatime Menu and all products ancillary to the supply and service of products on the Chatime Menu such as cups, utensils, and ingredients as specified in the Operations Manual or any Operations Manual Addendum. This clause specifically exclude those Master Franchisee does not authorize for sale by Franchisee at the Outlet and those for sale outside of the Outlet including, without limitation, instant drink mix packets.
- (49) **Quarter** means 3 successive months commencing on each of January 1, April 1, July 1, and October 1 of the respective year.
- (50) **Raw Materials** means the raw materials used to produce Products included on the Chatime Menu and include coffee beans, tea, non-dairy creamer, Chatime exclusive concentrated juices, and other raw materials for the Products that are produced and packaged under the Marks.
- (51) **Renewal Outlet Fee** means the fee payable by Franchisee to Master Franchisee upon an existing Outlet being renewed for a further term, as specified in Item 12 of Schedule 1.
- (52) **Restraint Area** means the restraint area specified in Item 7 of Schedule 1.

- (53) **Restraint Period** means the restraint period specified in Item 8 of Schedule 1.
- (54) **Royalty** means a royalty in the amount specified in Item 10 of Schedule 1.
- (55) **Special Conditions** means the special conditions (if any) specified in Item 23 of Schedule 1.
- (56) **Special Distribution Channel** means a distribution channel designated by Franchisor and requiring Franchisee obtain the prior written consent from Franchisor before selling the Products, such as airports and gas stations.
- (57) **System** means the distinctive business formats and methods for the development and operation of Outlets including color schemes, signs, equipment, layouts, systems, methods, procedures, designs, marketing and advertising standards, and formats which Master Franchisee may improve, further develop, or otherwise modify from time to time.
- (58) **System Standards** means the specifications, standards, operating procedures, and rules of the System that Master Franchisee prescribes for the operation of Outlets included in the Operations Manual and any Operations Manual Addendum or Global Policies and Procedures, all of which Master Franchisee may improve, further develop, or otherwise modify from time to time.
- (59) **Terms of Trade** means Master Franchisee's standard trading terms and conditions specified in Item 23 of Schedule 1 and as amended by Master Franchisee from time to time and notified either in writing by Master Franchisee to Franchisee or specified in the Operations Manual.
- (60) **Territory** means the geographic area or areas specified in Item 6 of Schedule 1.
- (61) **Territory Site Selection Criteria** means the site selection criteria and processes as approved by Master Franchisee for the selection of sites in the Territory.
- (62) **Transfer Fee** means the fee set out in Item 13 of Schedule 1.
- (63) **Website** means an interactive electronic document contained in a network of computers linked by communicative software including, without limitation, social media such as Meta, Instagram, and Twitter, and Internet homepages including those listed in Schedule 2.

1.2 Interpretation

- (1) Reference to:
 - (a) One gender includes the others;
 - (b) The singular includes the plural and the plural includes the singular;
 - (c) A person includes a body corporate;
 - (d) A party includes the party's executors, administrators, successors, and assigns;
 - (e) Law includes any common law and the requirements of any present or future statute, rule, regulation, proclamation, ordinance, or by law whether state, federal, or otherwise;

- (f) A thing includes the whole and each part of it separately;
 - (g) A statute, regulation, or provision of a statute or regulation includes:
 - (i) Any amendment or replacement of it; and
 - (ii) Another regulation or other statutory instrument made under it, or made under it as amended or replaced;
 - (h) Dollars means United States dollars unless otherwise stated.
- (2) “Including: and similar expressions are not words of limitation.
 - (3) When a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
 - (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.
 - (5) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
 - (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.
 - (7) A reference to the “end of the Franchise” means the expiry by effluxion of time or sooner termination of the Franchise.

1.3 Parties

- (1) If a party consists of more than one person, this Agreement binds each of them separately and any two or more of them jointly.
- (2) An obligation, representation, or warranty in favor of more than one person is for the benefit of them separately and jointly.
- (3) A party which is a trustee is bound both personally and in its capacity as a trustee.

1.4 Relationship of Parties

- (1) Nothing in this Agreement constitutes a partnership, joint venture, agency, or other form of fiduciary relationship between Franchisee and Master Franchisee or between Franchisee and Franchisor.
- (2) Neither party has the power to bind any other party except as authorized by this Agreement.

2 Grant of Rights and Development Obligations

2.1 Grant of Rights for Initial Term

- (1) Master Franchisee grants to Franchisee and Franchisee accepts the right to use the Intellectual Property in the conduct of Franchisee's Operation in the Territory for the Initial Term, subject to the terms and conditions of this Agreement.

- (2) Franchisee may itself own or operate one and only one Outlet in the Territory.
- (3) The rights granted to Franchisee pursuant to this Agreement are limited to the Territory and apply only for the Initial Term. Franchisee acknowledges and agrees that it is not being granted any rights to franchise, and that it will not operate or grant Franchises for Outlets in locations outside the Territory, nor solicit prospective franchisees from outside the Territory.

2.2 No Exclusivity

- (1) Notwithstanding as provided in this clause 2, Master Franchisee will be free to operate or grant Franchises or other development rights for Outlets to any other party within the Territory during the Initial Term.
- (2) Upon the termination of this Agreement or expiration of the Initial Term (unless the parties enter into a new agreement which prohibits Master Franchisee from operating or granting Franchises), Master Franchisee and its Affiliates will be free to operate and grant Franchises for Outlets within the Territory.

2.3 Rights Retained by Master Franchisee

- (1) Master Franchisee retains all rights with respect to Outlets, the Intellectual Property, and the sale of Raw Materials and other Products and any other products and services anywhere in the world including, without limitation:
 - (a) The right to operate or grant others the right to operate Outlets under or in association with the Marks or any other trademarks or service marks at such locations outside the Territory, and on such terms and conditions as Master Franchisee, in its sole discretion, deems appropriate; and
 - (b) Except for the rights granted to Franchisee under clause 2.1(1), the right to develop, manufacture, distribute, and/or sell Raw Materials and other Products through any channel of distribution (including, without limitation, via the Internet) under or in association with the Marks or any other trademark.

2.4 Development Obligations

Franchisee agrees that during the Initial Term, it will at all times faithfully, honestly, and diligently perform its obligations under this Agreement and will continuously use its best efforts to promote and enhance the development of the Chatime Network and operation of the Outlet within the Territory.

2.5 Subcontracting

This Agreement is predicated on the ongoing, direct, and exclusive involvement of Franchisee in Franchisee's Operation. No person other than an employee of Franchisee or a professional or other advisor appointed on normal commercial terms is to be involved in Franchisee's Operation without the prior written consent of Master Franchisee. In addition, Franchisee must not sub-franchise, sub-license, subcontract, share, or divide or partition rights under this Agreement without the prior written consent of Master Franchisee. Master Franchisee may in its absolute discretion withhold such consent.

2.6 Option for New Term

- (1) Master Franchisee grants to Franchisee the option to:

- (a) Operate as Franchisee in the Territory; and
- (b) Enter into a new franchise agreement with Master Franchisee (based on Master Franchisee's then-current franchise agreement),

for the New Term subject to the conditions set out in these clauses 2.6(1) to 2.6(4) (**the Option**).

- (2) Franchisee must notify Master Franchisee in writing of its intention to exercise the Option not more than 12 Months and not less than 8 Months prior to the end of the Initial Term.
- (3) Franchisee's Option pursuant to clause 2.6(2) is subject to all of the following conditions being satisfied:
 - (a) Franchisee has substantially complied with all material provisions of this Agreement throughout the Initial Term.
 - (b) At the date of giving Master Franchisee notice of its intention to exercise the Option and as at the end of the Initial Term, there is no outstanding breach of this Agreement or any Collateral Agreement which has not been remedied.
 - (c) Franchisee pays the Renewal Outlet Fee to Master Franchisee in accordance with clause 6.4.
 - (d) Franchisee undertakes to the satisfaction of Master Franchisee any additional training required by Master Franchisee (which such training may take place in Taiwan). Franchisee must bear the full cost of attendance at such training including all travel, accommodation, and meal expenses and payment of any training fee charged by Master Franchisee.
 - (e) Franchisee and all guarantors required by Master Franchisee executing and returning to Master Franchisee Master Franchisee's current franchise agreement together with all other documents reasonably required by Master Franchisee, within 28 days of delivery to Franchisee.
 - (f) If required by Master Franchisee, Franchisee, Owners, and Guarantor execute general releases on terms satisfactory to Master Franchisee in its discretion, of any and all claims against Master Franchisee and its Affiliates and their respective shareholders, directors, officers, employees, agents, successors, and assigns.
 - (g) Franchisee ensures that the Outlet which has been in operations for 3 or more years is renovated and refurbished (including replacing or upgrading any plant, equipment, fixtures, fittings and signs as Master Franchisee may reasonably require) in order to bring the Outlet up to the then-current standards and specifications of Master Franchisee for all new Outlets and to comply with any Legal Requirements.
 - (h) Master Franchisee confirming in writing to Franchisee that each of the conditions in these clauses 2.6(3)(a) to 2.6(3)(g) have been satisfied.
- (4) If the conditions specified in clauses 2.6(3)(a) to 2.6(3)(g) are not satisfied by the parties or waived by Master Franchisee prior to the expiration date of the Initial Term, then this Agreement will expire the expiration date of the Initial Term and Master Franchisee will be free to operate and grant franchises and development rights for Outlets in the Territory.

2.7 Collateral Agreements

Franchisee must comply with all terms and conditions of any Collateral Agreement and acknowledges that a breach of any Collateral Agreement constitutes a breach of this Agreement.

3 Training and Operating Assistance

3.1 Initial Training

- (1) Master Franchisee will provide to Franchisee, Guarantor, and any senior managers designated by Master Franchisee (up to a maximum of 4 people) at no additional cost, a minimum of 14 continuous days training in Chinese or English (**Initial Training**). The Initial Training will be conducted at any place designated by Master Franchisee. Franchisee must ensure that the Initial Training is commenced by the designated persons no later than 3 Months prior to the Opening Date.
- (2) If deemed necessary by Master Franchisee, additional training will be provided by Master Franchisee either immediately following the Initial Training or otherwise at a place and time determined by Master Franchisee. Master Franchisee may charge Franchisee a reasonable fee for such additional training and Franchisee must pay that fee upon receipt of an invoice from Master Franchisee.
- (3) In relation to the initial training described in clause 3.1(1) or 3.1(2), Franchisee agrees to:
 - (a) Ensure that all relevant persons attend the training at such times and places specified by Master Franchisee and complete their training to Master Franchisee's satisfaction; and
 - (b) Bear the full costs and risk of all trainees' attendance at such training programs (including their compensation, travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses).

3.2 Store Training

Master Franchisee will make a representative available to Franchisee in the Territory for 7 continuous days to assist with preparations for the opening of the Outlet at no additional cost to Franchisee.

3.3 Continuing Training

- (1) Master Franchisee may require Franchisee and/or Guarantor and any senior managers of Franchisee to complete a formal training program with Master Franchisee in Taiwan from time to time during the Initial Term. All such training will be conducted in Chinese or English. At Franchisee's request, Master Franchisee may in its sole discretion conduct additional training programs and provide assistance to Franchisee at a location within the Territory or such other location agreed upon by Franchisee and Master Franchisee.
- (2) Franchisee must pay all costs associated with:
 - (a) Its employees attending training in accordance with this clause 3 (including travel, accommodation, meals, employee wages and entitlements, uniforms, workers' compensation insurance, and personal expenses);

- (b) Master Franchisee providing training in accordance with this clause 3 (including compensation, travel, accommodation, meals); and
- (c) Any fees levied by Master Franchisee in relation to such training.

3.4 Continuing Guidance and Support

- (1) Master Franchisee will provide ongoing advice and guidance to Franchisee concerning the development and operation of the Outlet in the Territory to the extent and in the manner that it deems necessary and appropriate.
- (2) Master Franchisee will arrange for a representative to visit the Territory and meet with Franchisee at least once in each 12-Month period at Master Franchisee's Cost.

3.5 Operations Manual

- (1) Master Franchisee must supply, electronically, a soft copy of the Operations Manual to Franchisee by way of loan.
- (2) Franchisee, at its Cost, must:
 - (a) Upon receipt of the Operations Manual and as required from time to time during the Initial Term, review the Operations Manual for compliance with applicable Legal Requirements, local culture, and local business customs and practices for the Territory; and
 - (b) When changes are required, prepare a written addendum of the changes and provide to Master Franchisee for its review and approval. The approved addendum of changes will become the **Operations Manual Addendum**.
- (3) Franchisee may provide access to the Operations Manual and Operations Manual Addendum to Franchisee's key operational employees subject to the employees entering into the approved confidentiality agreement with Master Franchisee.

3.6 Policies and Procedures

Franchisee:

- (1) Must comply with any Global Policies and Procedures; and
- (2) May issue and enforce compliance with policies and procedures for the operation of the Outlet in the Territory, provided that Master Franchisee has first approved those policies.

3.7 Changes to Operations Manual

- (1) Master Franchisee may add to, delete, or otherwise modify the specifications, standards, operating procedures, systems, instructions, and any other information set out in the Operations Manual or the Operations Manual Addendum by giving notice to Franchisee of the change via email.
- (2) A change takes effect and forms part of the Operations Manual and Operations Manual Addendum 7 days after notification to Franchisee.
- (3) Franchisee must at its Cost adopt, in the conduct of Franchisee's Operation, all changes to the Operations Manual and Operations Manual Addendum.

3.8 Franchisee Must Keep Operations Manual Secure

- (1) Franchisee must:
 - (a) Keep, and use reasonable efforts to ensure that all Franchisee's employees keep, all hard and soft copies of the Operations Manual (including the Operations Manual Addendum) in a safe and secure place;
 - (b) Return to Master Franchisee on demand all superseded, replaced, or outdated copies of the Operations Manual and Operations Manual Addendum;
 - (c) Only make copies of the Operations Manual and Operations Manual Addendum insofar as copies are required to be distributed to key operational employees of Franchisee;
 - (d) Return to Master Franchisee all copies of the Operations Manual and Operations Manual Addendum immediately upon the expiry or termination of this Agreement; and
 - (e) Not copy or disclose any part of the Operations Manual or Operations Manual Addendum.
- (2) The Operations Manual and the Operations Manual Addendum and the copyright in the manual and the addendum and in any translations of them are and will remain the property of Master Franchisee, and Franchisee agrees to execute any and all instruments and documents, render such assistance and take such action as may, in the opinion of Master Franchisee, be necessary or advisable to establish, protect, and maintain Master Franchisee's intellectual property rights in the Operations Manual, the Operations Manual Addendum, and any translations.

3.9 Assistance in Opening the Outlet

If Master Franchisee, at Franchisee's request, provides on-site advice, guidance, and support in connection with the opening and initial operations of the Outlet (excluding any assistance provided by a representative of Master Franchisee to Franchisee under clause 3.2), Franchisee must provide reasonable compensation to Master Franchisee for providing such advice, guidance, and support and reimburse Master Franchisee for all costs and expenses incurred by Master Franchisee including, without limitation, the cost of travel, accommodation, meals, and other expenses upon receipt of invoice from Master Franchisee.

4 Franchisee's Operational Obligations

4.1 Franchise Arrangements

Franchisee:

- (1) Must itself comply with all Legal Requirements including, without limitation, any laws or regulations relating to occupational health and safety and food safety; and
- (2) Must ensure that Master Franchisee and Franchisor are named as third party beneficiaries of this Agreement and that Master Franchisee and/or Franchisor will have the right, but not the obligation, to assume Franchisee's obligations under this Agreement in accordance with clause 17, and have the right to independently enforce its rights hereunder.

4.2 Training and Support

- (1) Franchisee agrees to develop a training program and to provide training support and assistance to its employees in accordance with specifications prescribed by Master Franchisee.
- (2) All services and assistance provided to Franchisee in connection with the operation of the Outlet must be provided by Franchisee and such obligations of Franchisee must not be transferred, subcontracted, or assigned to any other Person (other than Master Franchisee pursuant to this Agreement) without the prior written approval of Master Franchisee.
- (3) Franchisee must visit the Outlet established under this Agreement at least every Month to provide advice, guidance, and support and complete an evaluation report for the Outlet in the form prescribed by Master Franchisee. At the request of Master Franchisee, Franchisee must make available and provide to Master Franchisee, the evaluation reports for the Outlet visited by Franchisee, within 30 days of such request.

4.3 System Standards

- (1) Franchisee agrees that, at all times during the Initial Term, Franchisee will comply with all System Standards.
- (2) The System Standards may be periodically modified and supplemented by Master Franchisee in its discretion during the Initial Term. Franchisee must comply with any revised System Standards within 7 days of receipt of a notice from Master Franchisee advising of a change to the System Standards.
- (3) Franchisee agrees that System Standards prescribed from time to time in the Operations Manual, or otherwise communicated to Franchisee through the issue of Global Policies and Procedures, constitute provisions of this Agreement. Both parties agree and acknowledge that Franchisor does not intend to prescribe System Standards that affect the fundamental rights of Franchisee in this Agreement.

4.4 Compliance With the System

Franchisee agrees to diligently and continuously monitor compliance with the System and System Standards, to strictly enforce compliance with the System and System Standards by Franchisee, and to furnish assistance to Franchisee to correct deficiencies in operation.

4.5 Franchise Premises

Franchisee must at all times during the Initial Term maintain office facilities for operation of the Franchise. Such office facilities will have a dedicated telephone line, which must be answered in the Network Name and will otherwise be equipped and furnished and have signage in a manner consistent with the image and minimum standards of Master Franchisee.

4.6 Customer Complaint System

Franchisee must establish a customer complaint system to redress all customer complaints. Such system must be approved by Master Franchisee.

4.7 Site Selection

- (1) Master Franchisee may from time to time modify site selection criteria and processes. Franchisee may modify Master Franchisee's site selection criteria and processes, as appropriate for use in the Territory. Any modified site selection criteria and processes must be submitted to Master Franchisee for its approval. Master Franchisee must notify Franchisee of its approval of Franchisee's site selection criteria and processes or otherwise of any changes that need to be made. Franchisee must use the Territory Site Selection Criteria for the selection of sites in the Territory.
- (2) Franchisee must select sites in the Territory that it reasonably believes conform with the Territory Site Selection Criteria.

4.8 Site Approval

- (1) Franchisee must not establish nor permit any others to establish an Outlet without first obtaining the written approval of Master Franchisee. To obtain approval for a given site, Franchisee must comply with the process set out in the Operations Manual.
- (2) Subject to a reasonable belief by Master Franchisee that Franchisee will meet all requirements under clause 5.5, Master Franchisee must provide its approval or non-approval to the proposed Site within 30 days after receiving all the information required by Master Franchisee. When Master Franchisee does not approve a proposed Site, it must provide to Franchisee a written notice:
 - (a) Specifying that approval is withheld; and
 - (b) Setting out why approval is withheld. If any additional information is requested by Master Franchisee regarding a proposed Site, the 30 days will begin upon the date of receipt of any such additional information.
- (3) Master Franchisee may approve a proposed Site for the Outlet being opened subject to reasonable conditions including, without limitation, renovating and remodelling the interior and exterior of the Outlet according to Master Franchisee's latest design guidelines, as determined in its sole discretion.
- (4) Promptly after receipt by Franchisee of written approval from Master Franchisee to establish the Outlet at the proposed Site, or after the expiration of the 30-day period specified in clause 4.8(2), Franchisee must procure an Occupancy Right in relation to the approved Site. If the Occupancy Right is procured by lease, license, or other approved occupancy right, Franchisee must do so in accordance with clause 4.9(1). If the Occupancy Right is procured by purchase, Franchisee must return to Master Franchisee the deed evidencing Franchisee's right to occupy the approved Site 15 days after the purchase has been affected. Franchisee must then ensure that construction and operation of the Outlet is undertaken pursuant to the terms of this Agreement.
- (5) Any relocation of the Outlet beyond a 2-km radius of the existing site and beyond 90 days of closing the Outlet at the original location is deemed opening a new Outlet and subject to all applicable provisions under this Agreement, and Master Franchisee shall be entitled to the New Outlet Fee.
- (6) If Franchisee is unable to procure an approved site for the Outlet within 270 days of execution of this Agreement, Master Franchisee may terminate the Agreement with no refund of any amounts paid by Franchisee.

4.9 Lease of Site of the Outlet

- (1) Franchisee must hold the head lease or other Occupancy Right approved by Master Franchisee for the premises at the Outlet, or have step-in rights approved by Master Franchisee.
- (2) Unless Franchisee owns or leases the relevant Site, Franchisee must ensure that it promptly obtains a lease for the Site for which Master Franchisee has given its approval for the establishment of the Outlet.
- (3) Unless prohibited by law or commercially impractical (which must be demonstrated to Master Franchisee), Franchisee must ensure that all leases, subleases, licenses, or other documents granting an occupancy right to Franchisee include a provision which permits Master Franchisee's or Franchisee's rights under such leases, subleases, licenses, or other documents to be assigned or otherwise transferred to Franchisor or its nominee, at Franchisor's option, on termination or expiration of this Agreement.

4.10 Termination of Leases

- (1) If a lease or other Occupancy Right approved by Master Franchisee is to be terminated, Franchisee must, unless impractical to do so, give notice of termination to Master Franchisee. If:
 - (a) Such termination is not due to Franchisee's fault prior to the expiration of this Agreement;
 - (b) Such termination is a result of the Site being destroyed, condemned, or otherwise rendered unusable as an Outlet in accordance with this Agreement; or
 - (c) In the judgment of Master Franchisee and Franchisee, there is a change in the character of the location of a site sufficiently detrimental to its business potential to warrant its relocation,

Master Franchisee will not unreasonably withhold permission for relocation of the Outlet from the site in question to a site which meets the then-current Territory Site Selection Criteria, subject to the requirements of this Agreement. Any such relocation will be at Franchisee's sole expense. Franchisee must seek and obtain Master Franchisee's approval of the replacement site and development of the new outlet, in accordance with the terms of this Agreement. No New Outlet Fee will be payable to Master Franchisee provided the replacement site is within a 2-km radius of the existing site and the new Outlet at the replacement site is opened and operated by the same Franchisee within 90 days of closing the Outlet at the original location.

- (2) If a lease or other Occupancy Right approved by Master Franchisee terminates pursuant to clause 4.10(1), the parties do not agree to relocate the Outlet, and such Franchisee continues to occupy the existing site after the end of this Agreement, Franchisee must, as soon as reasonably possible and in accordance with any applicable Legal Requirements, ensure that Franchisee alters the Site and removes or changes any signs, fixtures, fittings, colors, and layout as reasonably requested by Master Franchisee to ensure that the appearance of the Site cannot be confused with the then-prevailing image for an Outlet or to be in any way associated with Master Franchisee.

4.11 Construction of the Outlet

- (1) Franchisee is responsible for the construction and development of the Outlet in accordance with the System Standards. All plans and specifications for the Outlet must, if required by Master Franchisee, be approved by Master Franchisee.
- (2) Master Franchisee may, in its sole discretion, approve or not approve an application for designing the interior and exterior of the Outlet.
- (3) In the construction of the Outlet in the Territory, Franchisee must ensure that it complies with:
 - (a) Master Franchisee's System Standards in relation to the construction of the Outlet; and
 - (b) All Legal Requirements including applicable ordinances, building codes, and permit requirements and with lease requirements and restrictions.
- (4) Franchisee must obtain Master Franchisee's written approval of any material revision or adaptation of Franchisee's plans and specifications, previously approved by Master Franchisee (**Approved Plans**). Master Franchisee must approve or disapprove any changes to the Approved Plans within 10 Business Days from receipt of the proposed changes.
- (5) If Master Franchisee approves any revision or adaptation of the construction plans and specifications, upon completion of construction, Franchisee must provide Master Franchisee with a set of "as built" plans and specifications.
- (6) All construction of the Outlet under this Agreement must be undertaken by competent and licensed building contractors and subcontractors.

4.12 Acknowledgment

Franchisee acknowledges that Master Franchisee has the right, but no obligation, to approve architects and other design and construction professionals to help ensure consistency, uniformity, and quality with the System and the Chatime image.

4.13 Master Franchisee's Inspection Rights

Master Franchisee, its Affiliates, consultants and agents have the right to inspect the Outlet and the construction work from time to time during the course of construction to verify the progress of construction and Franchisee's compliance with the terms of this Agreement.

4.14 Point of Sale System

- (1) Franchisee must use a point of sale system designated or approved by Master Franchisee. The supplier of the point of sale system must be approved by Master Franchisee.
- (2) Franchisee must ensure that connectivity at the Outlet is maintained and available at all times to allow all data generated by the point of sale system to be captured by Master Franchisee's central polling server.
- (3) Franchisee will be responsible for the payment of all initial and ongoing costs associated with the capture of data by Master Franchisee's central polling server and must comply

with any associated payment procedures specified from time to time in the Operations Manual or Global Policies and Procedures.

5 Other Obligations of Franchisee

5.1 Personnel

- (1) Franchisee must designate a General Manager and Operations and Training Manager, who must be approved by Master Franchisee. The General Manager and the Operations and Training Manager must speak, read, and write the English language and the language of the Territory fluently.
- (2) Franchisee must ensure that the General Manager and Operations and Training Manager exert their full-time efforts to the franchising, development, and operation of the Chatime Network and do not directly or indirectly engage in any other business or other activity that requires any significant management responsibility or time commitments or that may otherwise conflict with Franchisee's obligations under this Agreement.
- (3) The General Manager and Operations and Training Manager must attend and complete to Master Franchisee's satisfaction such training programs as Master Franchisee prescribes including the initial training referred to in clause 3 (which may be conducted in whole or in part at any place designated by Master Franchisee).
- (4) Unless otherwise provided in this Agreement, any proposed change or replacement of the General Manager and Operations and Training Manager must be approved by Master Franchisee in writing.

5.2 Other Management Personnel of Franchisee

- (1) No later than by the opening of the Outlet, Franchisee must hire a marketing manager who will designate his or her full-time efforts to the development and implementation of marketing and promotional programs for the Chatime Network in the Territory.
- (2) Franchisee agrees to hire and maintain the number and level of additional management personnel, as may be specified by Master Franchisee from time to time as part of the System Standards for the development and supervision of operation of the Outlet within the Territory in accordance with this Agreement.

5.3 Meetings

- (1) Master Franchisee may convene meetings of and conferences (including regional meetings and conferences) from time to time for Franchisee and its key personnel designated by Master Franchisee whenever Master Franchisee considers this necessary or appropriate. Franchisee must ensure that the General Manager and such other key personnel of Franchisee, at Franchisee's Cost, attend such meetings and conferences.
- (2) Master Franchisee must give Franchisee a reasonable period of notice of meetings and conferences.
- (3) The location, agenda, duration, and all procedures and formats of each meeting and conference will be determined by Master Franchisee.

5.4 Insurance

- (1) From the date of this Agreement and at all times during the Initial Term (including, if appropriate, the New Term), Franchisee must at its cost take out and maintain in full force and effect the Insurance Policies with reputable insurers which comply with all Legal Requirements and on terms and conditions acceptable to Master Franchisee.
- (2) Franchisee must also maintain in force all other insurance of the types, in the amounts, and with such terms and conditions as Master Franchisee may from time to time reasonably prescribe, in the Operations Manual or otherwise.
- (3) The Insurance Policy must:
 - (a) Name Master Franchisee and its Affiliates that it designates as additional insured parties;
 - (b) Contain a waiver of all subrogation rights against Master Franchisee, its Affiliates, and their successors and assigns;
 - (c) Provide for 30 days' prior written notice to Master Franchisee of any material modification, cancellation, or expiration of such policy; and
 - (d) Include coverage for a minimum liability of no less than the amount specified by Master Franchisee.
- (4) Franchisee must provide Master Franchisee at least annually and on request by Master Franchisee a copy of the certificates of insurance or other evidence requested by Master Franchisee that the Insurance Policy exists, is current, and is on terms and conditions approved by Master Franchisee. The maintenance of the Insurance Policy is the responsibility of Franchisee. Master Franchisee may, but will have no obligation to, prescribe types or amounts of insurance coverage and will have no obligation to indemnify Franchisee if it does not do so or if the types or amounts of insurance coverage prescribed by Master Franchisee are insufficient to fully cover a claim made against Franchisee.
- (5) Franchisee must promptly and in accordance with the terms of the relevant Insurance Policy, report to both the insurer and Master Franchisee, any claim or event which may give rise to a claim against Franchisee, Master Franchisee or any of their Affiliates.

5.5 Records and Reports

- (1) Franchisee must maintain and preserve at its principal office, full, complete and accurate records and reports pertaining to the development and operation of the Outlet and the performance by Franchisee of its obligations under this Agreement. Such records must include the information prescribed in the Operations Manual and the Global Policies and Procedures.
- (2) In addition to the reports referred to in clause 5.5(1), Franchisee must deliver to Master Franchisee in the form periodically required by Master Franchisee, which may include in an electronic format, the following:
 - (a) A notice of Outlet opening on or before the opening date of the Outlet and the lease agreement, if any, for the site where the Outlet is located;

- (b) By the end of each Wednesday, an audited report of Gross Sales for the immediately preceding week;
 - (c) By the tenth day of each Month, an audited report of the daily Gross Sales and an audited profit and loss account in the prior Month;
 - (d) Within 90 days after the end of the Financial Year, financial statements of Franchisee including an audited Financial Year-end balance sheet for Franchisee and an audited profit and loss account for such Financial Year reflecting all year-end adjustments, and an audited statement of changes in financial condition on a basis consistent with generally accepted accounting principles of the Territory (or, at Master Franchisee's option in accordance with any recognised international accounting principles which may be adopted by appropriate standards-setting bodies during the Initial Term);
 - (e) At least 60 days prior to the end of each Financial Year:
 - (i) A development plan to be implemented by Franchisee during Master Franchisee's next Financial Year including capital and operating budgets; and
 - (ii) A marketing plan and budget describing the proposed marketing activities and expenditures for the Local Marketing Expenditure for the succeeding Financial Year;
 - (f) Within 60 days following the end of each Financial Year, a report of the receipts and disbursements of advertising, promotion, public relations, market research, and other marketing programs and activities undertaken by the Local Marketing Expenditure during the preceding year; and
 - (g) Such other data, reports, information, financial statements, and supporting records, in relation to Franchisee's Operation (including Gross Sales for each Month), as determined and in a format required by Master Franchisee from time to time, which may include the provision of reports and data in an electronic format.
- (3) Each such report and financial statement furnished by Franchisee must be verified as correct and signed by Franchisee in the manner prescribed by Master Franchisee, such as audited by a certified public accountant.
 - (4) Franchisee must immediately report to Master Franchisee any events or developments which may have a significant or materially adverse impact on the performance of Franchisee under this Agreement or the goodwill associated with the Marks or the Outlet.
 - (5) Franchisee must fully disclose to Master Franchisee all information concerning Franchisee's Operation as Master Franchisee may reasonably require.

5.6 Inspections and audits

- (1) Master Franchisee and its agents may at any time during normal Business Hours inspect, audit, and make copies or extracts of the records and reports described in clauses 5.5(1) and 5.5(2) and any other business records, bookkeeping and accounting records, electronic records and files, value added, sales, use and service records, income tax records and returns, and other records of Franchisee's Operation.

- (2) Master Franchisee may, at any time, during normal Business Hours and one hour before and one hour after normal Business Hours, inspect the premises of the Outlet for the purpose of:
 - (a) Monitoring compliance by Franchisee of its obligations under this Agreement; and
 - (b) Ensuring compliance by Franchisee of its financial obligations under this Agreement and for the purpose of verifying any financial information provided by Franchisee to Master Franchisee.
- (3) Master Franchisee may conduct an audit of Franchisee's books of account. The audit may be performed by independent accountants appointed by Master Franchisee. Franchisee must fully cooperate with representatives of Master Franchisee and independent accountants appointed by Master Franchisee to conduct such inspection or audit.
- (4) If any such audit discloses an understatement of the initial and/or recurring fees received by Franchisee under this Agreement, Franchisee must pay to Master Franchisee within 15 days after receipt of the inspection or audit report the fees due on the amount of such understatement plus interest at the rate and on the terms provided for in this Agreement from the date originally due until the date of payment.
- (5) If in Master Franchisee's opinion, an inspection or audit is required because of the failure of Franchisee to furnish reports, supporting records, other information, or financial statements as required, or to furnish such reports, records, other information, or financial statements on a timely basis, or if an understatement of fees received by Franchisee for the period of any audit is determined by any such audit or inspection to be greater than 2%, Franchisee must reimburse Master Franchisee for the cost of such inspection or audit including, without limitation, legal fees and accountants fees, and the travel and accommodation expenses applicable per day for employees of Master Franchisee.
- (6) The remedies referred to in this clause 5.6 will be in addition to all other remedies and rights of Master Franchisee under this Agreement or under any applicable law.

5.7 Governmental Approvals (Including Registration)

- (1) Franchisee agrees to execute any and all instruments and documents, render such assistance, and otherwise cooperate with Master Franchisee in order to obtain all governmental approvals Master Franchisee is required to obtain or which, in the opinion of Master Franchisee, are necessary at any time during the Initial Term, in the opinion of Master Franchisee, to comply with any Legal Requirements.
- (2) Master Franchisee has the right exercisable at its option, to submit, or to require Franchisee to submit, this Agreement to any Agency for registration or approval in the event Master Franchisee determines such registrations or approvals are necessary in order to comply with any Legal Requirements. If the Agency requires that any amendments be made to this Agreement as a condition to such approval or registration and such amendments are acceptable to Master Franchisee, Master Franchisee will deliver to Franchisee for execution an addendum to this Agreement, or other appropriate documents, to reflect such amendments.

5.8 Compliance with Legal Requirements

- (1) Franchisee must secure and maintain in force in its name all required licenses, permits, and certificates relating to Franchisee's obligations under this Agreement. For the

avoidance of doubt, Franchisee must ensure that it is qualified to import the Products, clear the customs, and do anything relating thereto at its Cost.

- (2) All advertising by Franchisee must be completely factual and conform to high standards of ethical advertising. Franchisee must adhere to high standards of honesty, integrity, fair dealing, and ethical conduct, and refrain from any practice which may be injurious to the reputation of Master Franchisee and the goodwill associated with the Marks and Outlets.
- (3) Franchisee must notify Master Franchisee immediately when it becomes aware of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of Franchisee or the Outlet.

5.9 Products and Supply Arrangements

- (1) Franchisee must establish and maintain supply arrangements on competitive terms and conditions for Products, the shop-fitting and signage of the Outlet, and equipment to be sold by or used in the operation of the Outlet. Such suppliers will be subject to Master Franchisee's prior written approval and, upon approval, will be deemed to be Approved Suppliers. Master Franchisee may, at any time and in its discretion, revoke its approval of any Approved Supplier. Master Franchisee may itself be an Approved Supplier.
- (2) Franchisee acknowledges that Master Franchisee may from time to time vary the range of Products.
- (3) Approval of a supplier by Master Franchisee may be conditional on the supplier meeting Master Franchisee's quality and standards requirements. Master Franchisee may require any supplier applying for approval to allow Master Franchisee to inspect the proposed supplier's facilities to assist Master Franchisee in determining if the proposed supplier meets Master Franchisee's criteria.
- (4) Unless otherwise provided in writing by Master Franchisee, Franchisee must purchase all Raw Materials sold in the Outlet from Master Franchisee on the then-current Terms of Trade. Otherwise, Franchisee must purchase all Raw Materials from suppliers approved by Master Franchisee in writing.
- (5) Franchisee must ensure that all Raw Materials and other Products and equipment used in the operation of the Outlet comply with the System Standards.
- (6) Master Franchisee or its Affiliates may receive payments from Approved Suppliers on account of such suppliers' dealings with Franchisee and may use all amounts so received without restriction and for any purpose Master Franchisee or its Affiliates deem appropriate (unless Master Franchisee or its Affiliates agree otherwise with the supplier).

5.10 Payment and Trading Terms

- (1) Franchisee must pay all Approved Suppliers for all Raw Materials and other Products by the due date for payment and in the manner specified by the Approved Suppliers and comply with the terms of any supplier agreements or terms of trade of the Approved Suppliers.
- (2) In the purchase of Raw Materials and other Products and any other miscellaneous goods from Master Franchisee, Franchisee must pay:

- (a) The total amount owing to Master Franchisee for Raw Materials, other Products, and any other miscellaneous goods provided to Franchisee by Master Franchisee from time to time, in accordance with Master Franchisee's credit policy and Terms of Trade;
- (b) All amounts in full, net of any bank charges by direct deposit into Master Franchisee's bank account, as specified in Item 14 of Schedule 1, or in such other manner as Master Franchisee notifies Franchisee in writing, including direct debit from Franchisee's bank or credit account. Franchisee must execute any forms or documents required by Master Franchisee in order to effect payments by way of direct debit or any other electronic method.

5.11 Chatime Menu

- (1) Franchisee acknowledges that the Chatime Menu forms a key part of the Chatime brand and image. Accordingly, Franchisee must ensure that it strictly complies with the requirements of Master Franchisee relating to:
 - (a) The Chatime Menu; and
 - (b) The areas and manner of preparation of food items for sale from the Outlet,
 as set out in the Operations Manual or as otherwise specified from time to time by Master Franchisee.
- (2) Franchisee must ensure that it:
 - (a) Offers for sale from the Outlet the complete range of food and beverages on the Chatime Menu and that such food and beverage items are prepared in accordance with the Chatime Menu;
 - (b) Does not offer, sell, or supply any food or beverages that are not specified on the Chatime Menu; and
 - (c) Acquires all products (including Raw Materials) required to prepare Products on the Chatime Menu only from Approved Suppliers.

6 Initial and Continuing Fees

6.1 New Outlet Fee

With respect to each new Outlet to be opened in the Territory, Franchisee must pay the New Outlet Fee to Master Franchisee no later than 30 days before each such Outlet is opened.

6.2 Royalty

Franchisee must pay the Royalty to Master Franchisee on the tenth day of each Month. The Royalty is calculated based on the Gross Sales of the Outlet for the previous Month.

6.3 International Marketing Fee

Franchisee must pay the International Marketing Fee to Master Franchisee in accordance with clause 7.2(1).

6.4 Renewal Outlet Fee

When an existing Outlet being renewed for a further term, Franchisee must pay the Renewal Outlet Fee to Master Franchisee no later than 30 days before each such Outlet is opened.

6.5 Calculation of Payments

(1) If Franchisee fails to:

(a) Pay the Royalty or the International Marketing Fee; or

(b) Supply Master Franchisee with:

(i) The Monthly Gross Sales information for the Outlet as required under clause 5.5(2)(c) within the timeframe specified in 5.5(2)(c); or

Any other reports set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.5(1) to 5.5(5) within the timeframes set out in the Operations Manual or in any Operations Manual Addendum and as specified in clauses 5.5(1) to 5.5(5),

such that Master Franchisee is unable to calculate the Royalty and/or the International Marketing Fee payable by Franchisee or issue an invoice to Franchisee for payment of the Royalty and/or the International Marketing Fee, then:

(c) Master Franchisee may estimate the Royalty and/or the International Marketing Fee for the relevant Month by taking into consideration the total Gross Sales for all Outlets in the Territory for the previous Quarter and dividing this by 3 (**Estimated Fees**);

(d) Master Franchisee will notify Franchisee of the Estimated Fees; and

(e) Franchisee must pay to Master Franchisee the Estimated Fees in accordance with, and within the time specified in, the notice provided by Master Franchisee pursuant to clause 6.5(1)(d).

(2) Master Franchisee will adjust on Franchisee's account every Quarter any overpayment or underpayment of the Estimated Fees provided that Franchisee has supplied Master Franchisee with:

(a) The Monthly Gross Sales information for the Outlet as required under clause 5.5(2)(b); and

(b) Any other reports set out in the Operations Manual or in any Operations Manual Addendum and in clauses 5.5(1) to 5.5(5),

such that Master Franchisee is able to properly calculate the Royalty and the International Marketing Fee actually payable by Franchisee for the relevant Months.

6.6 Interest on Late Payments

(1) If Franchisee fails to pay any amount to Master Franchisee, Franchisee must pay interest on that amount at the Interest Rate, from the time the amount should have been paid until it is paid. Interest accrues daily, may be capitalized by Master Franchisee, and is payable on demand.

- (2) Franchisee acknowledges that this clause 6.6 does not constitute any agreement by Master Franchisee to accept such payments after they are due or a commitment by Master Franchisee to extend credit to, or otherwise finance Franchisee or the Outlet.

6.7 Withholding

- (1) All withholding taxes shall be borne by Franchisee. That is to say, all payments by Franchisee must be made without deduction or withholding (including, without limitation, by way of set-off, counterclaim, duty, and taxes (including goods and services tax, value added tax, and other government imposts), or charge) unless Franchisee is prohibited by law from doing so, in which case Franchisee must:
 - (a) Promptly pay to Master Franchisee any additional amount necessary to ensure that the net amount received by Master Franchisee equals the full amount which would have been received by Master Franchisee if no deduction or withholding had been made;
 - (b) Pay to the relevant authority within the period for payment permitted by law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid under clause 6.7(1)(a));
 - (c) Give Master Franchisee the official receipt from the authority for the amount paid to it within 7 days after Franchisee receives it; and
 - (d) Assist Master Franchisee with any reasonable requests for information or supporting documents regarding the calculation and/or payment of the amount paid.

6.8 Currency of Payment

- (1) All payments by Franchisee to Master Franchisee under this Agreement will be made in Dollars unless otherwise specified by Master Franchisee.
- (2) All payments in this Agreement are to be calculated in the currency of the Territory and converted into Dollars for payment to Master Franchisee and must be converted at a rate equivalent to the measurement notified by Master Franchisee on the date the payment is due. However, if a payment is remitted after the date payment is due, the currency exchange rate used will be the rate as of:
 - (a) The date the payment was due; or
 - (b) The date the payment is remitted,whichever rate is the greater.
- (3) All payments from Franchisee to Master Franchisee under this Agreement must be made in full, net of any bank charges, by direct deposit into Master Franchisee's bank account as specified in Item 14 of Schedule 1, or in such other manner as Master Franchisee notifies Franchisee in writing, including direct debit from Franchisee's bank or credit account. Franchisee must execute any forms or documents required by Master Franchisee in order to give effect to payments by way of direct debit or any other electronic method.

6.9 Exchange Controls

- (1) Franchisee must use its best efforts to obtain any consents or authorizations which may be necessary in order to permit timely payments in Dollars of all amounts payable pursuant to this Agreement.
- (2) If at any time, any legal restriction is imposed upon the purchase of Dollars or the transfer to or credit of a non-resident party with payments in Dollars, Franchisee must notify Master Franchisee immediately. While such restrictions are in effect, Master Franchisee may require payment in any currency designated by Master Franchisee that is available to Franchisee or, at Master Franchisee's option, may require Franchisee to deposit all amounts due but unpaid as a result of such a restriction in any type of account, in any bank or institution in the Territory designated by Master Franchisee. Master Franchisee will be entitled to all interest earned on such deposits. Master Franchisee may also elect to receive payment in the form of products or services available to Franchisee, the value of which will be based on the actual cost of such products or services to Franchisee. If payment is made in products or services, Franchisee agrees to deliver such products or services to Master Franchisee or its designated agent or shipper within the Territory.

6.10 Stamp Duties

Franchisee must pay all stamp duties and comparable duties and taxes (including any penalties for late payment) assessed to be payable on or in respect of this Agreement any Collateral Agreement.

6.11 Set-off

Master Franchisee may in its sole discretion set-off against any payment due to Franchisee by Master Franchisee any unpaid debts (including contingent debts) of Franchisee to Master Franchisee.

7 Marketing

7.1 Local Marketing Expenditure

- (1) Franchisee must:
 - (a) Establish, maintain, and administer a Franchisee-funded marketing fund to be spent for local marketing, which will be known as the **Local Marketing Expenditure**, as specified in Item 11 of Schedule 1 for the Outlet;
 - (b) Direct the creation and implementation of advertising, marketing, and promotional programs for the Territory;
 - (c) Adapt the marketing materials provided to Franchisee by Master Franchisee for use in the Territory;
 - (d) Keep full details and records of all Local Marketing Expenditure receipts and expenditure on a monthly basis;
 - (e) Allow Master Franchisee full and free access at all reasonable times to all details of the Local Marketing Expenditure and records;
 - (f) Comply with all reasonable directions given by Master Franchisee from time to time in relation to the administration of the Local Marketing Expenditure and in

relation to the content, style, nature, or manufacture of any advertising, sales promotion, and customer satisfaction surveys;

- (g) At all times ensure that all marketing, promotion, and advertising complies with all applicable laws; and
- (h) Follow Master Franchisee's policy on marketing funds as specified in the Operations Manual or the Global Policies and Procedures as amended from time to time. The provisions of such policies and procedures will override this clause to the extent of any inconsistency.

7.2 International Marketing Fee

- (1) Franchisee must pay the International Marketing Fee to Master Franchisee on the tenth day of each Month. The International Marketing Fee will be determined based on the Gross Sales of the Outlet for the previous Month.

7.3 Use of International Marketing Fee

- (1) Master Franchisee may, in its sole discretion, use the International Marketing Fee to pay the Costs of:
 - (a) Developing and conducting international or regional advertising and promotional campaigns, including advertising in international or regional publications;
 - (b) Engaging advertising agencies and marketing and research consultants;
 - (c) Providing Franchisee with samples of brochures and marketing materials used by Master Franchisee or its Affiliates in Taiwan, for amendment and use, subject to clause 7.3(4), by Franchisee in the Territory;
 - (d) Coordinating and administering the activities set out in clauses 7.3(1)(a) to 7.3(1)(c), including reasonable overhead and administrative Costs (including employee costs), the Cost of materials and printing Costs; and
 - (e) Any other marketing activity for the purpose of developing the Chatime brand internationally, regionally, or in the Territory.
- (2) In applying the International Marketing Fee for the purposes set out above, Master Franchisee may combine the International Marketing Fee with other international marketing fees provided by other franchisees.
- (3) If Franchisee requests any additional marketing assistance from Master Franchisee that, in the opinion of Master Franchisee, is not within the scope of assistance provided for by the International Marketing Fee, then Franchisee must pay to Master Franchisee upon invoice by Master Franchisee any additional fees and charges levied by Master Franchisee for such additional marketing assistance.
- (4) Franchisee must not use any marketing or promotional materials unless that marketing or promotional material has been first approved in writing by Master Franchisee.

7.4 Websites

- (1) Franchisee must not establish a website referring to the Marks, the Outlet, or the System without Master Franchisee's prior written consent.

- (2) Franchisee must not register the Domain Name or any other domain name or Internet address incorporating the Network Name or any part of that name or any similar names or any of the Marks or any part of the Marks or any words or names similar to the Marks. Franchisee acknowledges that Master Franchisee has a prior and superior right to registration of any such domain names. If a domain name or Internet address is to be used in Franchisee's Operation, it must be registered in the name of Master Franchisee or any other nominee of Master Franchisee. However, all fees must be paid by Franchisee.
- (3) Master Franchisee may, but is not obliged to, designate one or more webpages to describe Franchisee and/or the Outlet, such webpages to be located within Master Franchisee's Website. If Master Franchisee approves a separate Website to be established by Franchisee, then:
- (a) Before establishing the Website, Franchisee must submit to Master Franchisee, for Master Franchisee's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, metatags) in the form and manner that Master Franchisee may reasonably require; and Franchisee must not use or modify such Website without Master Franchisee's prior written approval as to such proposed use or modification;
 - (b) In addition to any other applicable requirements, Franchisee must comply with Master Franchisee's standards, policies, and procedures and specifications for Websites as prescribed by Master Franchisee from time to time in the Operations Manual or otherwise in writing;
 - (c) If required by Master Franchisee, Franchisee must at its Cost update the Website from time to time so that it is consistent with the then-current image, standards, and specifications as notified by Master Franchisee;
 - (d) Franchisee must ensure that none of Master Franchisee's Confidential Information, such as the Operations Manual and any Operations Manual Addendum is accessible to the public via any Website;
 - (e) Franchisee must not offer any products or services on the Website without Master Franchisee's prior written consent and if Master Franchisee permits Franchisee to sell products or services on the Website, Franchisee must use the web hosting company designated by Master Franchisee and any shopping cart software specified by Master Franchisee;
 - (f) If required by Master Franchisee, Franchisee must establish such hyperlinks to Master Franchisee's Website and others as Master Franchisee may request in writing; and
 - (g) Master Franchisee may revoke its approval at any time, in writing, and require that Franchisee discontinue use of a separate Website. If Master Franchisee revokes its approval under this clause Franchisee must if required by Master Franchisee, immediately take all steps and execute all documents reasonably necessary to assign or transfer any domain name license to Master Franchisee or its nominee or if necessary, cancel any domain name used in connection with Franchisee's Operation.
- (4) If Franchisee becomes aware of any Person using or referring to the Marks on their Website, then it must immediately notify Master Franchisee.

- (5) Master Franchisee may require Franchisee to offer and sell certain Products and services on Franchisee's Website.

8 Confidential Information

8.1 Obligation to Maintain Confidentiality

- (1) Franchisee and Guarantor acknowledge and agree that neither Franchisee nor any Guarantor will acquire any interest in the Confidential Information, other than the right to utilize the Confidential Information in performing their obligations under this Agreement, and that the use or duplication of any Confidential Information would constitute an unfair method of competition.
- (2) Franchisee and Guarantor hereby agree that during the term of this Agreement and following the expiration or termination of this Agreement that they:
 - (a) Will not use the Confidential Information in any other business operation or capacity;
 - (b) Will maintain the absolute confidentiality of the Confidential Information;
 - (c) Will not make unauthorized copies of any portion of the Confidential Information;
 - (d) Will adopt and implement all reasonable procedures that Master Franchisee prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information including, without limitation, restrictions on the disclosure of the Confidential Information to Outlet personnel and others; and
- (3) Notwithstanding anything to the contrary contained in this Agreement, the restrictions set out in clause 8.1(2) will not apply to information that:
 - (a) Is or becomes publically available, other than by breach of this Agreement;
 - (b) Franchisee or Guarantor (as applicable) is legally compelled to disclose, provided Franchisee/Guarantor must have used its best efforts and afforded Master Franchisee the opportunity to obtain an appropriate protective order or other assurance satisfactory to Master Franchisee of confidential treatment for the information required to be disclosed; or
 - (c) Is otherwise permitted under the terms of this Agreement.
- (4) If required by Master Franchisee, Franchisee must ensure that Franchisee's Owner managers, directors, shareholders, agents, employees and any Interested Party enter into a confidentiality agreement in a form that is acceptable to Master Franchisee.

9 Protection of Goodwill

9.1 Acknowledgements and Restriction

Franchisee Parties acknowledge that:

- (1) The System used in connection with Franchisee's conduct of Franchisee's Operation, the Marks, the Raw Materials, and other Products is unique and has been developed by Master Franchisee at great effort and expense;

- (2) Master Franchisee has considerable and recognised goodwill in the conduct of its business of developing and promoting the System;
- (3) Master Franchisee should be entitled to protect that goodwill for its own benefit by restricting Franchisee's and Guarantor's ability to damage that goodwill by competing with Master Franchisee; and
- (4) Each of the restraints imposed upon Franchisee and Guarantor under clause 9.2 is fair and reasonable and is no greater than is reasonably necessary to protect this goodwill.

9.2 No Other Business Interests

Franchisee Parties jointly and severally agree with Master Franchisee that neither Franchisee nor any Guarantor will:

- (1) During the Initial Term or any New Term finance, invest in or have a financial interest in any business other than Franchisee's Operation without the prior written consent of Master Franchisee; or
- (2) During the Restraint Period, directly or indirectly do any of the following things:
 - (a) Within the Restraint Area engage or be concerned or interested in any business that:
 - (i) Supplies products or services the same as or similar to those at any time supplied in Franchisee's Operation (including any Outlet); or
 - (ii) Could be reasonably regarded as a market competitor of the Network or any Outlet; or
 - (b) Canvass or solicit with a view to supplying any product or service the same as or similar to those at any time supplied in the conduct of Franchisee's Operation, any person who is or has been in the 12 Months before the end of the Franchise a client, customer, prospective franchisee, or prospective master franchisee of Franchisor or Franchisee's Operation (including any Outlet).

9.3 Restraint Applies to Conduct in Any Capacity

The agreement by Franchisee Parties in clause 9.2 applies to any of them, the Interested Parties, and those acting:

- (1) Either alone or in partnership or association with another person;
- (2) As principal, agent, representative, director, officer, employee, or financier;
- (3) As member, shareholder, debenture holder, note holder, or holder of any other security;
- (4) As trustee of or as a consultant or adviser to any person; or
- (5) In any other capacity.

9.4 Separate Restraint Agreements

Clauses 9.2 and 9.3 have effect as comprising each of the separate provisions which results from each combination of a capacity referred to in clause 9.3, a category of conduct referred to in

clause 9.2, a geographical area specified in Item 7 of Schedule 1 and a period of time specified in Item 8 of Schedule 1. Each of these separate provisions operates concurrently and independently. If any separate provision is unenforceable, illegal, or void, that provision is severed and the other separate provisions remain in force.

9.5 Directors, Manager, and Key Employees

Franchisee must ensure that any of its directors who are not a party to this Agreement, any Interested Party, manager, and any of its key employees designated by Master Franchisee enter into service or employment contracts before they receive or are granted access to any of the Confidential Information. The service or employment contracts must contain a similar reasonable restraint as imposed pursuant to clause 8.

9.6 Other Interested Parties

Franchisee must ensure that any Interested Party specified by Master Franchisee enters into a non-compete and confidentiality agreement with Franchisor that contains:

- (1) Similar reasonable restraints as imposed on Franchisee and Guarantor pursuant to clause 9.2; and
 - (2) Similar confidentiality obligations to the obligations imposed pursuant to clause 8,
- as and when required by Master Franchisee.

9.7 Acceptable Conduct

Nothing in this clause prevents Franchisee or Guarantor from:

- (1) Owning less than 5%, by value, of securities in a listed corporation;
- (2) Engaging or being concerned or interested in Franchisee's Operation in accordance with this Agreement; or
- (3) Engaging or being concerned or interested in any business or activity pursuant to which Master Franchisee has given its prior written consent.

9.8 Disgorgement

In addition to all other remedies and rights of Master Franchisee under this Agreement, if any of Franchisee, Franchisee's Affiliate, Guarantor, or their Interested Parties breaches clause 9.2 or 9.3, Franchisee must account for and pay to Master Franchisee all compensation, profits, monies, accruals, increments, or other benefits derived or received as a result of any such breach.

10 Indemnity and Limitation of Liability

10.1 Indemnity

- (1) Franchisee Parties indemnify Master Franchisee and each of its Affiliates (**Chatime Group**) against all:
 - (a) Losses incurred by the Chatime Group;
 - (b) Liabilities incurred by the Chatime Group; and

- (c) All Legal Costs and other Costs and expenses incurred by the Chatime Group in connection with a demand, action, arbitration, or other proceeding (including mediation, compromise, out of court settlement, or appeal),

arising directly or indirectly as a result of or in connection with:

- (d) A breach by Franchisee Parties of this Agreement or any Collateral Agreement;
 - (e) Any injury to, or loss of property of, any person in or on premises from which the business is conducted;
 - (f) Franchisee's taxes, liabilities or Costs of Franchisee's Operation;
 - (g) Any negligent or wilful act or omission of Franchisee, its employees, agents, servants, or contractors; and
 - (h) Any warranty, promise or representation made by Franchisee Parties or any employee, agent, or other person acting on behalf of Franchisee Parties being incomplete, inaccurate, or misleading.
- (2) Master Franchisee's rights at law and under this Agreement, including its right to be indemnified under this clause, are not affected by:
- (a) Master Franchisee ending the Franchise or the termination of any Collateral Agreement;
 - (b) Master Franchisee accepting Franchisee's repudiation of this Agreement or any related Agreement; or
 - (c) Anything else.

10.2 Limitation of Liability

To the extent permitted by law, Master Franchisee will have no liability in relation to:

- (1) Any approval of premises or a site for the Outlet provided by Master Franchisee to Franchisee pursuant to the terms of this Agreement;
- (2) Any other approvals provided by Master Franchisee to Franchisee in connection with Franchisee's Operation pursuant to the terms of this Agreement;
- (3) The conduct of Franchisee's Operation by Franchisee, the success or failure of which largely depends upon the business abilities and efforts of Franchisee; and
- (4) The location, design, construction, or renovation of the Outlet or the furnishings, fixtures, and equipment to be required, notwithstanding the right of Master Franchisee to approve any plans, and to inspect the construction and/or renovation work and such Outlet. Such rights of Master Franchisee are exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

11 Intellectual Property

11.1 License to Use Intellectual Property

Master Franchisee grants Franchisee a license to use the Intellectual Property in the Territory only during the Initial Term.

11.2 Use of Intellectual Property

- (1) Franchisee must:
 - (a) Only use the Intellectual Property as authorized by Master Franchisee;
 - (b) Not alter the Intellectual Property, except with Master Franchisee's prior written consent; and
 - (c) Not do anything which may prejudice Master Franchisee's ownership of, or the goodwill associated with, the Intellectual Property.
- (2) Franchisee must not use any other trademarks, corporate or business names, trade names, slogans, domain names, or other items of Intellectual Property without the prior written consent of Master Franchisee.

11.3 Ownership of Intellectual Property

Franchisee acknowledges that by its use of the Intellectual Property, it does not acquire any right to, title or interest in the Intellectual Property. All rights to, and interests in, the Intellectual Property reside with Master Franchisee.

11.4 Protection of Intellectual Property

- (1) Franchisee must:
 - (a) Provide all reasonable assistance to Master Franchisee to register and enforce Master Franchisee's intellectual property rights in the Territory;
 - (b) Take all reasonable steps to protect the Intellectual Property against any action or infringement by any person;
 - (c) Immediately notify Master Franchisee of any actual or potential threat or claim of infringement with respect to the Intellectual Property.
- (2) Master Franchisee, at its absolute discretion, will determine whether to commence or defend legal proceedings relating to the Intellectual Property.
- (3) Payment of all Costs incurred in commencing or defending legal proceedings relating to the Intellectual Property will be made by Master Franchisee, provided that Master Franchisee has authorized the taking of any such action.
- (4) Franchisee must cooperate fully with Master Franchisee in relation to any actions conducted under this clause 11.4 and must not bring any actions itself relating to the Intellectual Property.
- (5) Save for remittance of Costs under clause 11.4(3) (if any), Master Franchisee will be entitled to receive the proceeds of all actions conducted under this clause 11.4.

11.5 Goodwill

Franchisee acknowledges that:

- (1) Master Franchisee is the owner of all goodwill in the Intellectual Property;
- (2) All goodwill associated with Franchisee's use of the Intellectual Property, and its activities under this Agreement, inures to the benefit of Master Franchisee; and
- (3) When this Agreement ends, Franchisee is not entitled to any payment from Master Franchisee for goodwill which may exist in relation to Franchisee's Operation.

11.6 Franchisee and Guarantor must not register similar Intellectual Property

Franchisee and Guarantor must:

- (1) If it is the owner of any intellectual property (e.g. business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Territory, immediately upon execution of this Agreement, take all steps necessary to transfer ownership of that intellectual property to Master Franchisee at Franchisee's cost;
- (2) If, during the Initial Term, either Franchisee or any Guarantor registers any intellectual property (e.g. business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property in the Territory, the relevant party must immediately upon such registration, take all steps necessary to transfer ownership of that intellectual property to Master Franchisee at Franchisee's cost; and
- (3) Not, except as otherwise agreed or directed by Master Franchisee in writing, register any intellectual property (e.g. business or corporate names, trademarks, or domain names) similar or identical to the Intellectual Property or that contains or consists of any Intellectual Property or anything that is substantially identical or deceptively similar thereto or otherwise relates to the Chatime brand or the System. In particular, if Franchisee or Guarantor is a corporation, each must not use the word "Chatime" or any other similar word or derivatives of that word in its corporate name, with acknowledgement that the factors determining similarity of trademarks as stated above include, without limitation, the appearances, concepts, pronunciations, designated classes, and designated goods and services of trademarks.

11.7 Franchisee's Improvements

- (1) If any Franchisee's Improvements are developed by or on behalf of Franchisee during the Initial Term from which Franchisee obtains any intellectual property rights, Franchisee assigns all of Franchisee's rights to and intellectual property in Franchisee's Improvements to Master Franchisee or its nominee as and when the intellectual property rights are created, free of all encumbrances.
- (2) If Franchisee's rights to or intellectual property rights in Franchisee's Improvements are not capable of assignment to Master Franchisee, Franchisee grants to Master Franchisee or its nominee as and when the intellectual property rights are created an exclusive, worldwide, royalty free, fully assignable perpetual license for Franchisee's Improvements, which may only be terminated by Master Franchisee, for Master Franchisee to use Franchisee's Improvements and grant others the right to use Franchisee's Improvements.
- (3) If Master Franchisee wishes to register the intellectual property rights in any of Franchisee's Improvements and Franchisee is the owner, or a necessary applicant for

that registration, Franchisee must immediately upon the request by Master Franchisee apply in Franchisee's own name for registration and then sign all documents and deeds, perform all acts and do all things necessary to assign that registration or application to Master Franchisee or its nominee.

12 Transfer and Other Dealings by Master Franchisee

12.1 Assignment or Novation

Master Franchisee may transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by assignment or novation.

12.2 Refinancing and Restructuring

Master Franchisee may, in addition to or as part of an assignment or novation pursuant to clause 12.1:

- (1) Sell itself, its assets, and any of the Intellectual Property which it owns to a third party;
- (2) Issue additional shares or other securities in itself;
- (3) Engage in a private placement of some or all of its securities; and
- (4) Undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

12.3 Acknowledgment and Agreement

If Master Franchisee elects to:

- (1) Assign all or any part of its rights, interests, obligations, or liabilities under this Agreement Franchisee Parties must, upon request by Master Franchisee, execute any deed, agreement, or notice of assignment acknowledging and agreeing to the assignment by Master Franchisee; or
- (2) Transfer all or any part of its rights, interests, obligations, or liabilities under this Agreement by novation to a third party, Franchisee Parties must upon request by Master Franchisee execute a deed or agreement of novation, in a form prepared by Master Franchisee, substituting in place of Master Franchisee a third party as being entitled to the benefits, and responsible for the rights, obligations, and liabilities, of Master Franchisee under this Agreement.

12.4 Merger

Master Franchisee may purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business and operate, franchise, or license those businesses to operate using the Marks and Intellectual Property of Master Franchisee from premises wherever located.

12.5 Consent

Franchisee Parties consent to Master Franchisee at any time assigning or novating any of its rights, interests, obligations, or liabilities under this Agreement or undertaking any of the actions outlined in clauses 12.1, 12.2 and 12.4 and waive any requirement for prior notice to Franchisee Parties of the action.

13 Transfer and Other Dealings by Franchisee

13.1 Acknowledgements by Franchisee

Franchisee acknowledges that:

- (1) The Franchise has been granted to Franchisee following a consideration by Master Franchisee of the character, business experience, and capability and financial capacity of Franchisee Parties; and
- (2) Because of this there are important restrictions in this clause 13 on Franchisee's ability to deal with the Franchise and Franchisee's Operation.

13.2 Prohibition Against Transfer by Franchisee

- (1) Franchisee must not sell or otherwise Dispose of its interest in the Franchise or Franchisee's Operation without first offering to sell the Ownership Interest of the Outlet (**Business**) to Master Franchisee in accordance with clause 13.4.
- (2) If an offer made by Franchisee pursuant to clause 13.2(1) is not accepted, Franchisee may sell or otherwise Dispose of its interest in the Franchise or Franchisee's Operation subject to obtaining Master Franchisee's written consent which must not be unreasonably withheld if all of the conditions mentioned in clause 13.3 have been satisfied.
- (3) A request for Master Franchisee's consent under clause 13.2(2) must be made in writing.

13.3 Conditions to be Satisfied Before Assignment Can be Approved

Master Franchisee must not unreasonably withhold its consent under clause 13.2(2) if the sale, assignment, or other Disposal is of the whole of Franchisee's interest in the Franchise and Franchisee's Operation and each of the following conditions are satisfied:

- (1) Franchisee establishes to Master Franchisee's reasonable satisfaction that the proposed assignee (and its directors and shareholders if the assignee is a company):
 - (a) Possesses the financial resources necessary to conduct and operate Franchisee's Operation as a franchisee and to service any borrowings it makes in order to acquire Franchisee's Operation;
 - (b) Is a reputable and responsible party and has the business experience and capabilities necessary to operate Franchisee's Operation successfully; and
 - (c) Otherwise meets Master Franchisee's criteria for the selection of new Chatime franchisees;
- (2) Franchisee pays to Master Franchisee the Transfer Fee;
- (3) Franchisee, both when seeking consent to the assignment and when the assignment is to occur, is not in default under this Agreement or any Collateral Agreement;
- (4) At the option of Master Franchisee:
 - (a) The assignee executes Master Franchisee's then-standard form franchise agreement for the balance remaining of the Initial Term (including any existing option for a New Term); or

- (b) Franchisee and the assignee execute a deed of assignment of Franchisee's rights and obligations under this Agreement to the assignee in a form required by Master Franchisee,

and Franchisee and the assignee execute any other documents then used by Master Franchisee for the grant of Chatime franchises;

- (5) When the assignee is a company, those directors and shareholders or other Affiliates of the assignee designated by Master Franchisee each:
 - (a) Give a guarantee and indemnity and undertake similar personal restraints to those given by Guarantor under this Agreement, in favor of, and in a form required by, Master Franchisee; and
 - (b) Execute the new franchise agreement or deed of assignment in their personal capacities;
- (6) The assignee's proposed manager is approved by Master Franchisee and successfully completes Master Franchisee's required training program;
- (7) Franchisee:
 - (a) Gives to Master Franchisee all details of the proposed assignment including a copy of the applicable contract (which must comply with Master Franchisee's requirements) and any other agreements between Franchisee and the assignee. Franchisee acknowledges that:
 - (i) These documents must be provided to Master Franchisee so that Master Franchisee can ensure that its interests are protected (for example, that the contract of sale does not purport to sell the Intellectual Property); and
 - (ii) Master Franchisee will not sell Franchisee's Operation on behalf of Franchisee or negotiate the sale on behalf of Franchisee and does not hold itself out as performing these functions; and
 - (b) Sells to the assignee all of Franchisee's essential assets used in the business;
- (8) Franchisee establishes to Master Franchisee's reasonable satisfaction that the proposed assignment will not have a significantly adverse effect on the System or the Network; and
- (9) Franchisee pays all Master Franchisee Costs in connection with or incidental to the request for Master Franchisee's consent to the transfer of the Franchise and the sale of the Business, whether or not the assignment or sale is actually completed or the consent is granted.

13.4 Master Franchisee's Right of First Refusal

- (1) If Franchisee wants to:
 - (a) Sell Franchisee's Operation; or
 - (b) allow the Disposal of shares or units,

Franchisee must first offer to sell Franchisee's Operation to Master Franchisee on the same terms as any offer Franchisee has received from an arm's length third party (**Third**

Party Offer) by giving to Master Franchisee a written notice (**Offer Notice**) setting out the terms and conditions of the Third Party Offer.

- (2) Master Franchisee may accept the offer contained in the Offer Notice by giving notice of acceptance (**Acceptance Notice**) to Franchisee before the end of the Offer Period.
- (3) For the purpose of this clause 13.4, "**Offer Period**" means the period of 45 days after Master Franchisee receives the Offer Notice.
- (4) The Acceptance Notice may contain terms which vary the terms of the Offer Notice so long as the terms upon which Master Franchisee agrees to buy the Business are not commercially less favorable to Franchisee than those contained in the Offer Notice. For example, if the consideration, terms, and/or conditions offered by a third party are such that Master Franchisee is not reasonably able to furnish the same types of consideration, terms, and/or conditions, then Master Franchisee may purchase the interests proposed to be transferred for the reasonable equivalent in cash.
- (5) If Franchisee receives the Acceptance Notice during the Offer Period Franchisee must sell and Master Franchisee must purchase the Business upon the terms and conditions contained in the Offer Notice as may be varied by the Acceptance Notice.
- (6) If Master Franchisee does not accept the offer contained in the Offer Notice within the Offer Period, Franchisee is entitled to sell the Business or allow the Disposal of shares or units to a third party within 60 days after the end of the Offer Period as long as the:
 - (a) Franchisee complies with clause 13.3; and
 - (b) Sale or Disposal is not made for less than the price specified in the Offer Notice or on terms and conditions more favorable to the third party than those contained in the Offer Notice.
- (7) If Franchisee does not sell the Business or allow the Disposal of shares or units within the period referred to in clause 13.4(6), the rights of Master Franchisee are revived and Franchisee must not permit any sale or Disposal without first offering the Business to Master Franchisee in accordance with this clause 13.4.

13.5 No Encumbrances

Franchisee must not create or allow the creation of any encumbrance over this Agreement, the Franchise, or Franchisee's Operation without first obtaining Master Franchisee's written consent.

13.6 No Subfranchises

Franchisee must not lease, license, franchise, or part with possession of Franchisee's Operation or the Franchise without first obtaining Master Franchisee's written consent.

14 Temporary Operation by Master Franchisee

14.1 Circumstances of Operation by Master Franchisee

If Franchisee ceases to conduct Franchisee's Operation or abandons the Franchise, Master Franchisee or its nominee may, but does not have to, enter Franchisee's business premises and operate and manage Franchisee's Operation until Franchisee complies with any direction or notice of Master Franchisee requiring Franchisee to recommence operation of the Franchise in accordance with its obligations under this Agreement.

14.2 Management Fees and Income Received

- (1) Franchisee must pay to Master Franchisee a reasonable management fee prescribed by Master Franchisee for operating and managing the Franchise and any travelling, accommodation, or other expenses in relation to such operation and management.
- (2) Master Franchisee must account to Franchisee for all net income received by Master Franchisee while operating and managing the Franchise less a reasonable management fee prescribed by Master Franchisee for operating and managing the Franchise and any travelling, accommodation, or other expenses in relation to such operation and management. Franchisee must bear any losses incurred during Master Franchisee's operation and management of the Franchise and pay or reimburse such losses to Master Franchisee upon demand.

14.3 Liability for Temporary Operation

Master Franchisee will not be liable to Franchisee in any way for anything done by Master Franchisee while it operates and manages the Franchise in accordance with this clause 14, except for acts or omissions arising from the gross negligence or willful misconduct of Master Franchisee. Franchisee indemnifies Master Franchisee and its employees and agents against all damages, sums of money, costs, charges, expenses, actions, claims, liabilities, injuries, and demands made against or suffered by Master Franchisee, its employees and agents for the period Master Franchisee operates and manages the Franchise pursuant to this clause 14.

15 Termination of Agreement

15.1 Franchisee may terminate during the cooling off period as follows:

- (1) Franchisee may terminate this Agreement by giving written notice to Master Franchisee within 7 days of the date of this Agreement.
- (2) If Franchisee terminates this Agreement in accordance with clause 15.1(1), Master Franchisee must, within 14 days after receiving the notice of termination, return all payments (whether of money or other valuable consideration) made by Franchisee to Master Franchisee under this Agreement less the following amounts which constitute the reasonable Costs of Master Franchisee in connection with the grant of this Agreement:
 - (a) 20% of the New Outlet Fee representing the reasonable Costs of Master Franchisee in relation to the selection and induction of Franchisee;
 - (b) The amount of \$5,000 representing the reasonable Costs of Master Franchisee in connection with the instructions for and the negotiation, preparation, and execution of this Agreement and the Collateral Agreements; and
 - (c) All reasonable Costs of Master Franchisee in connection with the training of Franchisee, including all payments made to Franchisee by Master Franchisee during the course of training.

15.2 Termination by Franchisee

- (1) If:
 - (a) Franchisee is in substantial compliance with this Agreement and Master Franchisee materially breaches this Agreement; and

- (b) Franchisee gives written notice of such breach to Master Franchisee (which notice must include details of the breach and what is required by Master Franchisee to rectify the breach) and gives Master Franchisee a reasonable period (of no less than 60 days) to remedy the breach; and
 - (c) Master Franchisee does not remedy the breach within the time set out in the breach notice or, in a case where Master Franchisee's breach cannot reasonably be remedied within 60 days after Master Franchisee receives written notice of its breach, fails to provide Franchisee with reasonable evidence of Master Franchisee's continuing efforts to correct its breach within a reasonable time; then
 - (d) Franchisee may terminate this Agreement by providing 60 days written notice of termination to Master Franchisee.
- (2) Any termination of this Agreement by Franchisee other than as provided in clause 15.2(1) will be deemed a termination by Franchisee without cause.

15.3 Termination by Master Franchisee

- (1) Master Franchisee may terminate this Agreement if:
 - (a) Franchisee or Guarantor (**Defaulting Party**) breaches any provision of this Agreement or any Collateral Agreement;
 - (b) Master Franchisee gives to the Defaulting Party a written notice that:
 - (i) Specifies the breach;
 - (ii) Tells the Defaulting Party what Master Franchisee wants the Defaulting Party to do to remedy the breach;
 - (iii) Gives the Defaulting Party a reasonable time (which can be any number of days between 3 days and 30 days) to remedy the breach; and
 - (iv) States that Master Franchisee proposes to terminate this Agreement and the Franchise if the breach is not remedied within that time; and
 - (c) The Defaulting Party does not remedy the breach within the time allowed by a notice issued under clause 15.3(1)(b).
- (2) If the breach is remedied in accordance with, and within the time allowed by, a notice issued under clause 15.3(1)(b), Master Franchisee cannot terminate this Agreement because of that breach.
- (3) If Franchisee does not perform or observe any obligation under this Agreement Master Franchisee may, but does not have to, remedy that default. In doing so, Master Franchisee is entitled to rely on the power of attorney in clause 24.
- (4) Notwithstanding any other provision in this clause 15, Master Franchisee may terminate this Agreement immediately upon written notice to Franchisee if:
 - (a) The Defaulting Party breaches any provision under clause 6 (Initial and Continuing Fees), 9.2 (No Other Business Interests) or 9.3 (Restraint Applies to Conduct in Any Capacity).

- (b) A force majeure event (as referred to in clause 23) continues for more than 180 days;
- (c) Franchisee no longer holds a license that Franchisee must hold to carry on Franchisee's Operation;
- (d) Franchisee voluntarily abandons Franchisee's Operation;
- (e) Franchisee or a Guarantor is convicted of a serious offense;
- (f) Franchisee's Operation is operated in a way that endangers public health or safety;
- (g) Franchisee is fraudulent in connection with the operation of Franchisee's Operation;
- (h) Franchisee files a voluntary petition in bankruptcy, files any pleading seeking any reorganisation, liquidation, or dissolution under any law, admits or fails to contest the material allegations of any such pleading filed against it, or is adjudicated a bankrupt or insolvent;
- (i) A receiver, manager, liquidator, or other Person acting in a comparable capacity is appointed for a substantial part of the assets of Franchisee; or
- (j) Franchisee fails to procure an approved site for the Outlet within 270 days of the date of the Agreement.

16 Dispute Resolution

- 16.1 If a dispute arises in connection with this Agreement, a party to the dispute must give to the other party or parties to the dispute notice specifying the dispute and requiring its resolution under this clause 16 (**Notice of Dispute**).
- 16.2 The dispute is by this clause 6 agreed to be referred to arbitration, as specified in Item 22 of Schedule 1. The arbitration must be conducted in Taipei by a single arbitrator.
- 16.3 If the parties have not agreed upon the arbitrator within 7 days after the Notice of Dispute is given, the arbitrator is the person appointed by the Chairperson of the Chinese Arbitration Association, Taipei (**Principal Appointor**) or the Principal Appointor's nominee, acting on the request of any party to the dispute.
- 16.4 The arbitrator must not be a present or former member, officer, employee, or agent of a party to the dispute or a person who has acted as a mediator or advised any party in connection with the dispute.
- 16.5 The arbitration must be conducted in accordance with the Arbitration Law of the Republic of China and the Arbitration Rules of the Chinese Arbitration Association, Taipei (English version) except that:
 - (1) The arbitrator must only accept evidence which would be accepted in a court of law;
 - (2) A party may be represented by a qualified legal practitioner or other representative; and

- (3) The arbitrator must include in the arbitration award the findings on material questions of law and of fact, including references to the evidence on which the findings of fact were based.

16.6 After accepting the appointment and during the arbitration, the arbitrator may:

- (1) Require the parties to lodge security or further security towards the arbitrator's fees and expenses; and
- (2) Apply any security towards those fees and expenses,

but the arbitrator may not direct a party to the dispute to provide security for the costs of the arbitration to be incurred by any other party.

16.7 Subject only to clause 16.8, this clause 16 is intended to be an agreement in writing to refer present or future disputes to arbitration.

16.8 Despite anything in this clause 16, a party at any time may commence court proceedings in relation to any dispute or claim arising under or in connection with this Agreement where that party seeks urgent interlocutory relief.

16.9 Despite the reference of a dispute to arbitration under this clause 16, the parties must continue to perform their obligations under this Agreement. In the award, the arbitrator may make any appropriate adjustment for the performance of obligations under this Agreement since the Notice of Dispute was given.

16.10 Subject to clause 16.8, a party must not commence or maintain a court action or proceeding upon a dispute in connection with this Agreement if the dispute is referred to arbitration under this clause 16.

16.11 This clause 16 continues in force even where the Agreement has been fully performed, terminated or rescinded or where the parties or any of them have been discharged from the obligation to further perform the Agreement for any reason.

16.12 This clause 16 applies even where the Agreement is otherwise void or voidable.

17 Rights and Obligations Upon Termination or Expiration

17.1 Consequences of Termination

Franchisee agrees that upon the termination or expiration of this Agreement, it will:

- (1) Not directly or indirectly identify itself as a current or former franchisee of, or as otherwise associated with, Master Franchisee;
- (2) Immediately deliver to Master Franchisee:
 - (a) All copies of the Operations Manual, the Operations Manual Addendum, and Global Policies and Procedures (contained in any medium) and once delivered to Master Franchisee, uninstall and permanently delete any copies of the Operations Manual, the Operations Manual Addendum, and Global Policies and Procedures electronically stored by Franchisee;

- (b) All forms, stationery, business cards, advertising material, and any other printed matter and signs used by Franchisee which bear the Network Name or any of the Marks;
 - (c) The original and all copies of databases and all lists held by Franchisee of suppliers to the Network; and
 - (d) All other property of Master Franchisee;
- (3) Immediately discontinue use of and forever cease to use:
 - (a) The Network Name;
 - (b) Any trade name, trademark, or commercial symbol that suggests or indicates a connection or association with Master Franchisee;
 - (c) The Marks, Confidential Information, and other Intellectual Property and remove all signs containing any Marks or any marks deceptively similar to the Marks (including from any Outlets) and promptly return to Master Franchisee or destroy all forms and materials containing any Mark, in accordance with Master Franchisee's instructions; and
 - (d) Any Mark, or any trade name, trademark, or commercial symbol that is deceptively similar to any Mark in any manner or for any purpose;
- (4) Not register the Marks or the Network Name or the Domain Name or any part of the Marks or Network Name or any words or names similar to the Network Name or Marks or any combination of those names;
- (5) Do everything necessary and execute all documents required by Master Franchisee to transfer, assign or, if necessary, cancel any trademarks, service marks, domain names, or other commercial symbols or Intellectual Property applied or registered by Franchisee in the Territory;
- (6) Immediately cease to use any Confidential Information of Master Franchisee disclosed to or otherwise learned or acquired by Franchisee and return to Master Franchisee all Confidential Information which has been loaned or made available to it by Master Franchisee pursuant to this Agreement without itself retaining any copies of the same in any medium;
- (7) Provide to Master Franchisee:
 - (a) All agreements, records, files, and any other materials or information reasonably requested by Master Franchisee pertaining to this Agreement which are assigned to Master Franchisee or its nominee;
 - (b) All agreements, records, files, and any other materials or information reasonably requested by Master Franchisee pertaining to the Local Marketing Expenditure; and
- (8) Within 10 Business Days of the effective date of termination or expiration of the Agreement, pay all money owed to Master Franchisee or any Affiliate and Franchisee's employees, contractors and material trade creditors which are then unpaid.

17.2 Transfer of Franchise Agreement

- (1) Upon termination or expiration of this Agreement:
 - (a) Franchisee agrees to assign, or otherwise transfer, to Master Franchisee or its nominee, at the option of Master Franchisee, all of its rights and obligations under this Agreement designated by Master Franchisee and Master Franchisee may exercise its right to require an assignment or other transfer of this Agreement at any time after termination or expiration of this Agreement. Such assignment or other transfer will take effect automatically and immediately upon transmittal by Master Franchisee of a written notice to Franchisee stating that this Agreement is assigned or otherwise transferred from Franchisee to Master Franchisee or its nominee and Franchisee must do all things necessary to formalise any such assignment; and
 - (b) Immediately upon request by Master Franchisee, Franchisee must take all necessary steps (including signing any document) to assign or otherwise transfer its rights under the documents granting the relevant Occupancy Right to Franchisee to Master Franchisee or its nominee.
- (2) If Master Franchisee does not require an assignment or other transfer of this Agreement then this Agreement may, as directed by Master Franchisee to continue for the remainder of its term, in which case Franchisee must continue to perform all obligations under this Agreement other than in relation to any continued development.
- (3) If upon termination or expiration of this Agreement, Master Franchisee exercises its right to take an assignment of this Agreement pursuant to clause 17.2(1), then Franchisee will not be entitled to receive payment under this Agreement from the date of the assignment of this Agreement.

18 Guarantee and Indemnity

18.1 Interested Party's Guarantee

Franchisee must ensure that:

- (1) Each Interested Party give a guarantee and indemnity on the terms set out in this clause 188; and
- (2) Any new Interested Party, upon becoming an Interested Party, sign a guarantee and indemnity in respect of Franchisee's obligations under this Agreement on the then-current terms used by Master Franchisee.

18.2 Consideration

Guarantor has requested Master Franchisee to enter into this Agreement with Franchisee and Master Franchisee does so in consideration of this guarantee and indemnity.

18.3 Guarantee

Guarantor unconditionally and irrevocably guarantees to Master Franchisee prompt performance of all of the obligations of Franchisee contained or implied in this Agreement. If the obligation is to pay money, Master Franchisee may recover the money from Guarantor as a liquidated debt.

18.4 Indemnity

- (1) If Franchisee is not bound by some or all of its obligations under this Agreement, Guarantor agrees, by way of indemnity and principal obligation, to pay to Master Franchisee the amount which would have been payable by Guarantor to Master Franchisee under the guarantee in clause 18.3 had Franchisee been bound.
- (2) Guarantor indemnifies Master Franchisee and agrees to hold it harmless in respect of any failure by Franchisee to perform any of its obligations under this Agreement including any obligation to pay money to Master Franchisee.

18.5 Continuing Security

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release is given by Master Franchisee.

18.6 Matters Not affecting Guarantor's Liability

Guarantor's liability under clauses 18.3 and 18.4 is not affected by:

- (1) The granting of time, forbearance, or other concession by Master Franchisee to Franchisee or any Guarantor;
- (2) An absolute or partial release of Franchisee or any Guarantor or a compromise with Franchisee or any Guarantor;
- (3) A variation of this Agreement;
- (4) A transfer of this Agreement by Franchisee;
- (5) The termination of this Agreement;
- (6) Any disputes or differences between Franchisee and Master Franchisee;
- (7) The fact that this Agreement is wholly or partially void, voidable, or unenforceable;
- (8) The non-execution of this Agreement by one or more of the persons named as Guarantor or the unenforceability of the guarantee or indemnity against one or more of Guarantors;
or
- (9) The exercise or purported exercise by Master Franchisee of its rights under this Agreement.

18.7 Payment Later Avoided

Guarantor's liability is not discharged by a payment to Master Franchisee which is later avoided by law. If that happens, the parties are restored to their respective rights and obligations as if the payment had not been made.

18.8 Indemnity on Disclaimer

If a liquidator or trustee in bankruptcy disclaims this Agreement, Guarantor indemnifies Master Franchisee against any resulting loss.

18.9 Guarantor Not to Prove in Liquidation or Bankruptcy

Until Master Franchisee has received all money payable to it by Franchisee, Guarantor must:

- (1) Not prove or claim in any liquidation, bankruptcy, composition, arrangement, or assignment for the benefit of creditors; and
- (2) Hold any claim it has and any dividend it receives on trust for Master Franchisee.

18.10 Guarantee to Continue on Transfer of Rights

If Master Franchisee transfers its rights under this Agreement, the benefit of the guarantee and indemnity in this clause 18 extends to the transferee and continues concurrently for the benefit of Master Franchisee regardless of the transfer unless Master Franchisee releases Guarantor in writing.

18.11 Certificate as to Liability

A certificate signed by Master Franchisee or its solicitors about a matter or about a sum payable to Master Franchisee in connection with this Agreement is sufficient evidence of the matter or sum stated in the certificate unless the matter or sum is proved to be false.

19 Corporate Franchisee

19.1 Application of Clause

This clause 19 applies if Franchisee is a corporation.

19.2 Constitution

- (1) Before the Commencement Date, Franchisee must give to Master Franchisee a certified copy of Franchisee's constitution and certified copies of any other documents requested by Master Franchisee from Franchisee's company register.
- (2) Franchisee warrants that the constitution does not preclude Franchisee from being granted the Franchise or otherwise from exercising its rights and performing its obligations under this Agreement.

19.3 Directorship and Ownership of Franchisee

Franchisee:

- (1) Warrants that the directors of Franchisee as at the date of execution are as notified to Master Franchisee by Franchisee; and
- (2) Must provide to Master Franchisee immediately upon request details of the shareholders of Franchisee, including the number and class of shares held by each shareholder as at:
 - (a) The date of execution of this Agreement; and
 - (b) Any other date specified by Master Franchisee.

19.4 No Changes Without Master Franchisee's Consent

- (1) Franchisee must not allow any of the following to occur without first obtaining Master Franchisee's written consent:
 - (a) Any change in the composition of Franchisee's directors;
 - (b) Any alteration to Franchisee's constitution;
 - (c) Any Disposal of shares in Franchisee; or
 - (d) Any reduction or alteration of Franchisee's capital.
- (2) Master Franchisee must not withhold consent unreasonably if:
 - (a) In the case of a Disposal of shares, the requirements of clause 19.5 are met; or
 - (b) In any other case, the change does not adversely affect Franchisee's ability to perform its obligations under this Agreement.

19.5 Transfer of Shares

Any Disposal of shares in Franchisee must be treated as a Disposal by Franchisee of the Franchise and clause 13 will apply to that Disposal.

20 Trust provisions

20.1 Warranty if Franchisee not a trustee

If Franchisee is not described in this Agreement as trustee of a trust, Franchisee Parties warrant that Franchisee enters into this Agreement in its own right and not as a trustee for any person.

20.2 Application of clause if Franchisee is a trustee

The remainder of this clause applies if Franchisee enters into this Agreement as trustee of any trust.

20.3 Warranties as to Trusts

Franchisee Parties warrant that:

- (1) Franchisee enters into this Agreement as trustee for the trust;
- (2) Franchisee is the sole trustee of the Trust;
- (3) Franchisee enters into this Agreement for the purposes and benefit of the Trust and has obtained the consent or approval of any person which is needed to ensure that the property of the Trust is bound upon the execution of this Agreement;
- (4) Franchisee has given to Master Franchisee a certified copy of the Trust Deed and certified copies of any other documents relating to the Trust;
- (5) Franchisee has power under the Trust Deed to enter into this Agreement, to undertake the obligations and liabilities in the manner and the extent contemplated by this

Agreement and to apply the assets of the Trust in satisfaction of any money payable under this Agreement;

- (6) Franchisee has an unrestricted right to be fully indemnified out of the assets of the Trust;
- (7) The vesting date for the Trust occurs after the Franchise is expected to end by effluxion of time; and
- (8) All information or documents supplied to Master Franchisee or to any person on Master Franchisee's behalf for the purposes of the Franchise are true and accurate and leave no material facts undisclosed.

20.4 No Changes Without Master Franchisee's Consent

- (1) Franchisee must not allow any of the following to occur without first obtaining Master Franchisee's written consent:
 - (a) Any alteration to the Trust Deed;
 - (b) Any Disposal of units in the Trust (in the case of a unit trust);
 - (c) The vesting or distribution of the assets of the Trust other than income;
 - (d) The appointment of any person as a new or substitute trustee under the Trust Deed;
 - (e) The delegation of any power or duty conferred upon Franchisee under the Trust Deed other than as expressly authorized by this Agreement; or
 - (f) Anything which will or may harm Franchisee.
- (2) Master Franchisee must not unreasonably withhold consent to a Disposal of units if the requirements of clause 20.5 are met.
- (3) If Franchisee contravenes clause 20.4(1)(d) and appoints any new or substitute trustee of the Trust, Franchisee:
 - (a) Acknowledges that this Agreement will bind the new trustee; and
 - (b) Must arrange for the new trustee to enter into a deed prepared by Master Franchisee's solicitors at Franchisee's Cost by which the new trustee agrees to be bound by the terms of this Agreement.

20.5 Transfer of Units

Any Disposal of units in the Trust must be treated as a Disposal by Franchisee of the Franchise and clause 13 will apply to that Disposal.

20.6 Recourse Against Trust and Other Assets

Franchisee:

- (1) Agrees that the assets of the Trust and also those beneficially held by Franchisee on its own behalf will be available to satisfy Franchisee's obligations under this Agreement; and

- (2) Must, if Master Franchisee requires, exercise its rights of indemnity against the assets of the Trust to satisfy any of its obligations under this Agreement.

21 Acknowledgements, Representations, and Warranties

21.1 Acknowledgements and Representations

- (1) Franchisee and Guarantor each acknowledge that:
 - (a) They have relied upon their own investigations and judgment in entering this Agreement;
 - (b) Before signing this Agreement, they have undertaken their own due diligence and sought such professional advice and assistance as they consider appropriate in relation to Master Franchisee and all other matters relevant to this Agreement;
 - (c) They are not entering into this Agreement on the basis of any financial or other information provided by Master Franchisee or any express or implied statement or representation by Master Franchisee or any Affiliate of Master Franchisee or any of their officers, employees, agents, or representatives; and
 - (d) They have not been introduced to Master Franchisee by any broker or agent acting or purporting to act on behalf of Master Franchisee.
- (2) Franchisee acknowledges that Master Franchisee has agreed to grant the Franchise to Franchisee in reliance on the character, skills, and financial capacity of Franchisee, the Owners, and the General Manager, that the establishment and operation of Franchisee's Operation will involve significant financial risks, and that the success of Franchisee's Operation will depend upon the skills and financial capacity of Franchisee and the Owners and also upon changing economic and market conditions.
- (3) Franchisee acknowledges and agrees that it has conducted an independent investigation of the business contemplated by this Agreement and recognises that it involves business risks making the success of the venture largely dependent on the business abilities of Franchisee. Master Franchisee expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any express or implied warranty or guarantee regarding the potential volume, profits, or success of the business venture contemplated by this Agreement.
- (4) Franchisee and Guarantor represent that all information provided to Master Franchisee in support of Franchisee's application to acquire the Franchise, including in relation to its financial capacity, resources, business experience, and skills are complete, true, and correct.
- (5) Master Franchisee makes no representation or warranty as to the suitability or otherwise of any premises or the site for the Outlet approved by it or that the operation of the Outlet will necessarily be profitable or successful.
- (6) Master Franchisee is not responsible for the acts or omissions of any person involved in the design of the Outlet, including any architects or consultants engaged by Master Franchisee.

21.2 Warranties

- (1) If Franchisee is a corporate entity, Franchisee represents and warrants that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its incorporation.
- (2) Franchisee warrants that it has done everything necessary to do business lawfully in all jurisdictions in which its business is carried on, has the power to enter into and perform this Agreement, and has obtained all necessary consents and fulfilled all necessary Legal Requirements to enable it to do so.
- (3) Franchisee and Guarantor represent and warrant that the terms and conditions of this Agreement have been explained to each of them by an independent legal adviser and an independent business adviser and that they understand and accept the terms and conditions of this Agreement.
- (4) If Franchisee and Guarantor are corporate entities, they represent and warrant that the execution of this Agreement is in accordance with the requirements of their respective articles of incorporation and creates a binding obligation on them in accordance with the terms of this Agreement.

22 Notices

- 22.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.
- 22.2 In addition to any other method of service provided by law, the Notice may be:
- (1) Sent by prepaid priority post to the address of the addressee set out in this Agreement or subsequently notified;
 - (2) Sent by email to the email address of the addressee set out, respectively, in Item 15 - Item 17 of Schedule 1, or subsequently notified; or
 - (3) Delivered at the address of the addressee set out in this Agreement or subsequently notified.
- 22.3 If the Notice is sent or delivered in a manner provided by clause 22.2, it must be treated as given to and received by the party to which it is addressed:
- (1) If sent by post, on the third Business Day (at the address to which it is posted) after posting;
 - (2) If sent by email before 5:00pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
 - (3) If otherwise delivered before 5:00pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

23 Force Majeure

- 23.1 A party (**Affected Party**) is not liable for any delay or failure to perform an obligation (other than to pay money) under this Agreement caused by:
- (1) Act of God;

- (2) War, terrorism, riot, insurrection, vandalism, or sabotage;
 - (3) Strike, lockout, ban, limitation of work, or other industrial disturbance; or
 - (4) Law, rule, or regulation of any government or governmental agency and executive or administrative order or act of general or particular application.
- 23.2 The Affected Party must notify each other party as soon as practical of any anticipated delay or failure caused by an event referred to in clause 23.1 (**Event**).
- 23.3 The performance of the Affected Party's obligation is suspended for the period of delay caused by the Event.

24 Power of Attorney

- (1) To secure performance by Franchisee of its obligations under this Agreement, Franchisee Parties irrevocably appoint Master Franchisee and each of its officers severally to be their attorney (**Attorney**) to exercise the powers described in this clause 24.
- (2) If Franchisee Parties breach any provision of this Agreement or any Collateral Agreement or at the end of the Franchise the Attorney may, in the name and at the Cost of either Franchisee or Guarantor, do anything required to be done by Franchisee Parties that Franchisee Parties have not done or have not done promptly or properly. This includes the execution and delivery of documents, transfers, assignments, deeds, forms, notices, or other instruments, specifically relating to the Marks and the Website.
- (3) The powers granted under this clause 24 commence when this Agreement is executed and continue despite the end of the Franchise.
- (4) Franchisee Parties:
 - (a) Ratify and confirm anything an Attorney lawfully does under this clause 24; and
 - (b) Must pay on demand all the Costs or other liabilities incurred by or on behalf of Master Franchisee or the Attorney under this clause 24.

25 Changes in Laws

25.1 Taxes and Charges

If any laws are changed or new laws are introduced or courts or any relevant authority interpret laws differently which results in Master Franchisee having to pay a tax, duty, excise, or levy (**Impost**) on amounts received from Franchisee under this Agreement (other than income tax) or on goods or services supplied by Master Franchisee under this Agreement Franchisee must pay to Master Franchisee an additional amount so that after Master Franchisee has paid the Impost its yield under this Agreement is unchanged.

25.2 Amend Agreement to Comply With Future Laws

The parties agree that if any laws are changed or introduced or any relevant authority publishes or issues any statement, rules, code, or requirement which in the reasonable opinion of Master Franchisee or its legal representatives renders or is likely to render all or part of this Agreement unenforceable, illegal, or void, the parties will immediately amend this Agreement and do all

things (including executing documents) necessary or desirable to ensure that this Agreement is not unenforceable, illegal, or void.

26 Miscellaneous

26.1 Taxes

Master Franchisee will have no liability for any sales, value added, use, service, stamp duty, occupation, excise, gross receipts, income, property, payroll, or other taxes, whether levied upon this Agreement, Franchisee, one or more Outlets, Franchisees or Franchisee's property, or upon Master Franchisee, in connection with operations conducted by Franchisee (except any taxes that Master Franchisee is required by law to collect from Franchisee with respect to purchases from Master Franchisee or taxes described in clause 6.7(1)). Payment of all such taxes will be the responsibility of Franchisee.

26.2 Subcontracting and Agency

- (1) Master Franchisee is entitled to subcontract the performance of any of its obligations to be performed in the Territory under this Agreement and exercise any of its rights in the Territory under this Agreement to any person designated by Master Franchisee, and any notice required to be given by Master Franchisee shall be validly given if given by such person.
- (2) Franchisee must not subcontract the performance of any of its obligations to be performed in the Territory under this Agreement without the prior consent of Master Franchisee.

26.3 Exercise of Rights

A party may exercise a right, power, or remedy at its discretion, and separately or concurrently with another right, power, or remedy. A single or partial exercise of a right, power, or remedy by a party does not prevent a further exercise of that or of any other right, power, or remedy. Failure by a party to exercise or delay in exercising a right, power, or remedy does not prevent its exercise.

26.4 Approvals and Consents

Master Franchisee may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion unless this Agreement expressly provides otherwise.

26.5 Indemnities

Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the parties and survives termination of this Agreement. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement. Any indemnities and assumptions of liabilities or obligations under this Agreement survive termination or expiration of this Agreement.

26.6 Translations and English Language

- (1) Franchisee must at its Cost:
 - (a) Translate this Agreement from English into the language or languages of the Territory and submit a copy of such translations to Master Franchisee for its approval; and

- (b) Translate the Operations Manual and the Operations Manual Addendum for use in the Territory from English into the main languages used in the Territory.
- (2) Franchisee must pay all Master Franchisee's Costs of translating or verifying any translation of this Agreement and any related documents or agreements into the language or languages of the Territory if such translation is required to comply with the Legal Requirements in the Territory.
- (3) If this Agreement is translated into a language other than English, the English version of this Agreement shall alone govern all matters of interpretation of this Agreement.

26.7 Survival of Obligations After Termination and Expiration

Termination or expiration of this Agreement does not release any party from that party's obligations which expressly survive of or are capable of survival of this Agreement and specifically clauses 3.8(2), 4.10(2), 5.10(1), 5.10(2), 6.7(1), 6.9(2), 7.4(1), 7.4(2), 8.1(1), 8.1(2), 9.2, 17.2(1), and 17.3.

26.8 Costs and Expenses

- (1) Franchisee must pay, or reimburse Master Franchisee on demand for, all Master Franchisee's Costs (including Legal Costs) in connection with or incidental to:
 - (a) Any default by Franchisee in observing or performing any of its obligations under this Agreement;
 - (b) Any termination of this Agreement; and
 - (c) The contemplated, attempted, or actual enforcement, preservation, or exercise of any right under this Agreement including the obtaining by Master Franchisee of any advice or information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by Franchisee.

26.9 Authority to Complete

By their execution of this Agreement, Franchisee Parties authorize Master Franchisee to complete any items in Schedule 1 that are blank on the date of execution, with the details that Master Franchisee determines.

26.10 Severability

- (1) If any provision in this Agreement is unenforceable, illegal, or void or makes this Agreement or any part of it unenforceable, illegal, or void, then that provision is severed and the rest of this Agreement remains in force.
- (2) If any provision in this Agreement is unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction or makes this Agreement or any part of it unenforceable, illegal, or void in one jurisdiction but not in another jurisdiction, then that provision is severed only in respect of the operation of this Agreement in the jurisdiction where it is unenforceable, illegal, or void.

26.11 Entire Understanding

Subject to the provisions of any written material entered into and approved by Master Franchisee and to which Master Franchisee and Franchisee are parties, this Agreement:

- (1) Is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) Supersedes any prior agreement or understanding on anything connected with that subject matter.

26.12 Variation

An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

26.13 Waiver

- (1) A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.
- (2) The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.
- (3) A waiver is not effective unless it is in writing.
- (4) Waiver of a power or right is effective only for the specific instance to which it relates and for the specific purpose for which it is given.

26.14 Adverse Effect

In exercising, or deciding not to exercise, any right or discretion under this Agreement, a party is not required to take into account any adverse effect on another party.

26.15 Further Assurance

Each party must promptly at its own Cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

26.16 Governing Law and Jurisdiction

The law of the jurisdiction set out in Item 21 of Schedule 1 governs this Agreement.

26.17 Non-merger

Each obligation which expressly survives or is capable of surviving the end of the Franchise, continues in force despite the termination of this Agreement and the end of the Franchise.

26.18 Time of the essence

- (1) Time is of the essence of this Agreement.
- (2) If the parties agree to vary a time requirement the time requirement so varied is of the essence of this Agreement.
- (3) An agreement to vary a time requirement must be in writing.

26.19 Execution of Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.
- (2) This Agreement is binding on the parties on the exchange of executed counterparts. A copy of an original executed counterpart sent by facsimile machine or by email:
 - (a) Must be treated as an original counterpart;
 - (b) Is sufficient evidence of the execution of the original; and
 - (c) May be produced in evidence for all purposes in place of the original.

26.20 Special Conditions

Any conditions set out in 24 of Schedule 1 form part of this Agreement. If there is any inconsistency between a provision of the Special Conditions and a provision of this Agreement the provision of the Special Conditions prevails to the extent of the inconsistency.

[Signature page follows]

EXECUTED as a deed and delivered on the date shown on the first page.

MASTER FRANCHISEE

Signed, sealed, and delivered for and on behalf of **#insert name of Master Franchisee#** by its authorized representative:

Signature of authorized signatory

Name of authorized signatory
(BLOCK LETTERS)

FRANCHISEE

Signed, sealed, and delivered for and on behalf of **#insert name of Franchisee#** by its authorized representative in the presence of:

Signature of witness

Signature of authorized representative

Name of witness
(BLOCK LETTERS)

Name of authorized representative
(BLOCK LETTERS)

Address of witness

GUARANTOR

Signed, sealed, and delivered for and on behalf of **#insert name of Guarantor#** by its authorized representative in the presence of:

Signature of witness

Signature of **#insert name of Guarantor#**

Name of witness (BLOCK LETTERS)

Address of witness

Schedule 1 – Franchise Particulars

Item 1 **Franchisee**

Name: #insert#
Company Number: #insert#
Address: #insert#

Item 2 **Owner(s)**

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Item 3 **Guarantor(s)**

Name: #insert#
Address: #insert#

Name: #insert#
Address: #insert#

Item 4 **Initial Term**

Three (3) years from the date of this Agreement

Item 5 **New Term**

Three (3) years from the end of the Initial Term

Item 6 **Territory**

#insert#

wherein the current/prospective address of the Outlet is as follows:

Item 7 **Restraint Area**

#insert as applicable# [NOTE: This is usually means (a) the Territory, (b) any area within twelve (12) from any Outlet operated by Franchisee, and (c) any area within twelve (12) miles of any Chatime Store.]

Item 8 **Restraint Period**

A period of two (2) years commencing on and from the expiration or termination date of this Agreement, or if that period is held to be unreasonable, a period of one (1) year commencing on and from the expiration or termination date of this Agreement.

Item 9 **New Outlet Fee**

\$78,000

- Item 10 **Royalty**
- 3.5% of Gross Sales
- Item 11 **International Marketing Fee (IMF) & Local Marketing Expenditure (LME)**
- IMF: 0.5% of Gross Sales (payable by Franchisee to Franchisor)
- LME: 2.5% of Gross Sales (required to be used for local marketing)
- Item 12 **Renewal Outlet Fee**
- 80% of New Outlet Fee.
- Item 13 **Transfer Fee**
- \$3,000
- Item 14 **Master Franchisee's Bank Account**
- Name of Bank:
- Address of Bank:
- SWIFT CODE:
- Account name:
- Account Number:
- Item 15 **Master Franchisee's Address for Service**
- Address:
- Attn:
- Email address:
- Contact no.:
- Item 16 **Franchisee's Address for Service**
- Address: #insert#
- Attn: #insert#
- Email address: #insert#
- Contact no.: #insert#
- Item 17 **Guarantor's Address for Service**
- Address: #insert#
- Attn: #insert#
- Email address: #insert#
- Contact no.: #insert#
- Item 18 **Insurance Policies**
- (a) Comprehensive general liability insurance to cover all claims for bodily and personal injury, death and property damages arising in respect of or caused by or occurring in connection with the conduct of Franchisee's duties, and product liability in relation to the Sale of Raw Materials and all other Products.

- (b) Professional indemnity protection for damages arising in respect of or caused by or occurring in connection with the conduct of Franchisee's duties.
- (c) Business interruption or similar insurance.

Item 19 **Financial Year**

means a year commencing on January 1 and finishing on December 31.

Item 20 **Opening Date**

#insert#

Item 21 **Governing Law**

Taiwan, Republic of China

Item 22 **Arbitration Jurisdiction**

Taiwan, Republic of China

Item 23 **Terms of Trade**

Trading condition: FOB Taiwan

Payment term: T/T in advance (without any bank charges)

Item 24 **Special Conditions**

#insert as applicable#

Schedule 2 – Marks and Website

Marks – Registered

Trademark	Registered Owner	Registration Number	Jurisdiction	Date of Registration
Chatime	La Kaffa International Co., Ltd.	5321339	United States	October 31, 2017
	La Kaffa International Co., Ltd.	4178239	United States	July 24, 2012
	La Kaffa International Co., Ltd.	6817092	United States	August 16, 2022
	La Kaffa International Co., Ltd.	6310008	United States	March 30, 2021

Websites

Meta: #insert#

Instagram: #insert#

Twitter: #insert#

Other: #insert#

Exhibit C

LIST OF AGENTS FOR SERVICE OF PROCESS AND REGULATORY AUTHORITIES

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>California</i>	California Commissioner of Financial Protection and Innovation: Los Angeles: 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677 Sacramento: 2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205 or (866) 275-2677 San Diego: 1350 Front Street, Suite 2034 San Diego, CA 92101-3697 (619) 525-4233 or (866) 275-2677 San Francisco: One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972 8559 or (866) 275-2677	Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7505 or (866) 275-2677
<i>Hawaii</i>	Commissioner of Securities Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 204 Honolulu, HI 96813 (808) 586-2722	Business Registration Division Hawaii Department of Commerce and Consumer Affairs 335 Merchant Street, Room 204 Honolulu, HI 96813 (808) 586-2722
<i>Illinois</i>	Illinois Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of the Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465
<i>Indiana</i>	Indiana Secretary of State Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State Securities Division Room E-111 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681
<i>Maryland</i>	Maryland Securities Commissioner Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-0368	Maryland Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-0368

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>Michigan</i>	[Not Applicable]	Michigan Department of Attorney General Consumer Protection Division Franchise Section G. Mennen Williams Building 525 West Ottawa, First Floor Lansing, MI 48913 (517) 373-7117
<i>Minnesota</i>	Commissioner of Commerce Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-2198 (651) 296-6328
<i>New York</i>	New York Secretary of State New York Department of State 99 Washington Avenue, Sixth Floor Albany, NY 12231	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222
<i>North Dakota</i>	Securities Commissioner North Dakota Securities Department Fifth Floor 600 East Boulevard Bismarck, ND 58505	North Dakota Securities Department 600 East Boulevard, Fifth Floor Bismarck, ND 58505 (701) 328-4712
<i>Rhode Island</i>	Director of Rhode Island Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9527	Division of Securities 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9527
<i>South Dakota</i>	Director of the Division of Securities Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Franchise Administrator Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
<i>Texas</i>	[Not Applicable]	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769
<i>Utah</i>	[Not Applicable]	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, UT 84114 (801) 530-6601

STATE	AGENTS FOR SERVICE OF PROCESS	REGULATORY AUTHORITIES
<i>Virginia</i>	Clerk of the State Corporation Commission 1300 East Main Street, First Floor Richmond, VA 23219 (804) 371-9733	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051
<i>Washington</i>	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater WA 98501 (360) 902-8760	Administrator Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater WA 98501 (360) 902-8760
<i>Wisconsin</i>	Wisconsin Commissioner of Securities P.O. Box 1768 345 West Washington Avenue, Fourth Floor Madison, WI 53703 (608) 261-9555	Franchise Administrator Securities and Franchise Registration Wisconsin Securities Commission 345 West Washington Avenue, Fourth Floor Madison, WI 53703 (608) 261-9555

Exhibit D

ADDENDA REQUIRED BY STATE(S)

CALIFORNIA

**CALIFORNIA ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code §31000 *et seq.*, the Chatime USA, LLC Master Franchise Disclosure Document for use in the State of California will be amended as follows:

1. Neither Chatime USA, LLC (“we” or “us”) nor any person identified in Item 2 of the Disclosure Document is currently subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

2. Item 5 of the Disclosure Document will be supplemented with the following:

Payment of all initial fees is postponed until after all of Franchisor’s initial obligations are completed and Master Franchisee is open for business.

3. Item 17 of the Disclosure Document will be supplemented with the following:

California Business and Professions Code §§20000 through 20043 provide rights to you concerning termination, transfer, or nonrenewal of a franchise. If the Master Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Master Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 *et seq.*)

The Master Franchise Agreement requires application of the laws of Taiwan. This provision may not be enforceable under California law.

The Master Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Master Franchise Agreement. This provision may not be enforceable under California law.

The Master Franchise Agreement contains a forum selection clause that requires you to litigate any dispute with us in Taiwan, and you must pay all expenses, including attorneys’ fees and costs, incurred by us (a) to remedy any defaults of, or enforce any rights under, the Master Franchise Agreement; (b) to effect termination of the Master Franchise Agreement; and (c) to collect any amounts due under the Master Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code §20040.5 and Code of Civil Procedure §1281) to any provisions of the Master Franchise Agreement restricting venue to a forum outside the State of California.

4. §31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

5. The Master Franchise Agreement requires that any action that is brought by you against us be commenced in Taiwan and that you must irrevocably submit to the jurisdiction of such court. This provision may not be enforceable under California law.
6. With respect to each new outlet to be opened in the Territory, the Master Franchisee must pay the New Outlet Fee to the Franchisor upon the opening of such outlets. Notwithstanding such requirements, payment of all initial fees is postponed until after all of Franchisor's initial obligations are complete and the first New Outlet is open for business.
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
8. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

**CALIFORNIA AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) hereby agree as follows:

1. Clause 6.1 of the Master Franchise Agreement, under the heading “Initial Territory Fee,” is hereby deleted in its entirety and replaced with the following.

The Master Franchisee must pay the Initial Territory Fee to the Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1; provided, however, that payment of the Initial Territory Fee is postponed until after all of Franchisor’s initial obligations are completed and the first New Outlet is open for business.

2. Clause 6.2 of the Master Franchise Agreement, under the heading “New Outlet Fee,” is hereby deleted in its entirety and replaced with the following.

With respect to each new Outlet to be opened in the Territory, the Master Franchisee must pay the New Outlet Fee to the Franchisor upon the opening of such Outlet. Notwithstanding this requirement, payment of all initial fees (including the New Outlet Fee) is postponed until after all of Franchisor’s initial obligations are completed and the first New Outlet is open for business.

3. The Master Franchise Agreement is amended by the addition of the following.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

4. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ILLINOIS

**ILLINOIS ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the Chatime USA, LLC Master Franchise Disclosure Document for use in the State of Illinois will be amended as follows:

Items 5 and 7 of the Master Franchise Disclosure Document will be supplemented with the following:

Payment of all initial fees is deferred until Franchisor has satisfied its pre-opening obligations to Master Franchisee, and Master Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Illinois law governs the Master Franchise Agreement.

In conformance with §4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in §§19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with §41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Addendum.

**ILLINOIS AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the parties to the Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. Clause 6.1 of the Master Franchise Agreement, under the heading “Initial Territory Fee,” is hereby deleted in its entirety and replaced with the following.

The Master Franchisee must pay the Initial Territory Fee to the Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1; provided, however, that payment of the Initial Territory Fee is deferred until Franchisor has satisfied its pre-opening obligations to Master Franchisee, and Master Franchisee has commenced business operations of the first New Outlet. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

2. Clause 6.2 of the Master Franchise Agreement, under the heading “New Outlet Fee,” is hereby deleted in its entirety and replaced with the following.

With respect to each new Outlet to be opened in the Territory, the Master Franchisee must pay the New Outlet Fee to the Franchisor no later than 30 days before each such Outlet is opened. Notwithstanding this requirement, payment of all initial fees (including the New Outlet Fee) is deferred until Franchisor has satisfied its pre-opening obligations to Master Franchisee, and Master Franchisee has commenced business operations of the first New Outlet. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

3. Illinois law governs the Master Franchise Agreement.
4. In conformance with §4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
5. Your rights upon Termination and Non-Renewal are set forth in §§19 and 20 of the Illinois Franchise Disclosure Act.
6. In conformance with §41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

MARYLAND

**MARYLAND ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the Chatime USA, LLC Master Franchise Disclosure Document for use in the State of Maryland will be amended as follows:

1. Items 17(c) and 17(m), under the headings entitled “Requirements for Franchisee to Renew or Extend” and “Conditions for Franchisor Approval of Transfer,” will be amended by the addition of the following language at the end of those sections:

However, a general release required as a condition of approval will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17(f), under the heading entitled “Termination by Franchisor With Cause,” will be amended by the addition of the following language at the end of the section:

The provision in the Master Franchise Agreement which provides for termination upon bankruptcy of the master franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et seq.*).

3. Items 17(v) and 17(w), under the headings entitled “Choice of Forum” and “Choice of Law,” will be amended by the addition of the following language at the end of those sections:

However, you may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independently of this Addendum. The Addendum will have no force or effect if such jurisdictional requirements are not met.

**MARYLAND AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Bus. Reg. Code Ann. §14-201 *et seq.*, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. Clauses 2.7(3)(h) and 27.16 of the Master Franchise Agreement, entitled “Options for New Term,” and “Governing Law and Jurisdiction,” will be amended by the addition of the following at the end of the clauses:

Provided that all rights enjoyed by Master Franchisee and any causes of action arising in Master Franchisee’s favor from the provisions of the Maryland Franchise Registration and Disclosure Law will remain in force, it being the intent of this provision that the non-waiver provisions of the law be satisfied. To that effect, a general release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Clause 27.11 of the Master Franchise Agreement, entitled “Entire Understanding,” will be amended by the addition of the following at the end of the clause:

Nothing in this Agreement or any other agreement is intended to disclaim Franchisor’s representations in Franchisor’s Master Franchise Disclosure Document.

3. Clause 27.16 of the Master Franchise Agreement, entitled “Governing Law and Jurisdiction,” will be amended by the addition of the following at the end of the clause:

Notwithstanding the above, Maryland master franchisees are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independently of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

MICHIGAN

NOTICE REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

The Michigan Franchise Law states in Sec. 445.1527, Sec. 27 that each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel, which deprives a franchisee of rights and protections, provided in this act. This will not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This will not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause will include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a *bona fide* third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Antitrust and Franchise
G. Mennen Williams Building
First Floor
525 West Ottawa
Lansing, Michigan 48909

MINNESOTA

**MINNESOTA ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, the Chatime USA, LLC Master Franchise Disclosure Document for use in the State of Minnesota will be amended to include the following:

1. Items 5 and 7 of the Disclosure Document will be supplemented with the following:

Payment of all initial fees is postponed until after all of Franchisor's initial obligations are completed and Master Franchisee is open for business.

2. In Item 17(m), under the heading entitled "Conditions for Franchisor Approval of Transfer," will be amended by adding the following language at the end of the section:

Any general release will not apply to any liability under the Minnesota Franchise Law.

3. In Items 17(b), 17(c), 17(f), and 17(k), under the headings entitled "Renewal or Extension of the Term," "Requirements for Franchisee to Renew or Extend," "Termination by Franchisor With Cause," and "'Transfer' by Franchisee – Defined," will be amended by adding the following language at the end of those sections:

Minnesota law provides you with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. §80C.14 (Subd. 3, 4, and 5) currently requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of nonrenewal of the Master Franchise Agreement, and that consent to the transfer of the master franchise not be unreasonably denied.

4. In Item 17(v), under the heading entitled "Choice of Forum," will be amended by adding the following language at the end of the section:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Master Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Stat. §80C, or your rights to any procedure, forum, or remedies provided for by the laws of the State of Minnesota.

5. In Item 17(w), under the heading entitled "Choice of Law," will be amended by adding the following language at the end of the section:

This provision may not be enforceable under Minnesota law.

6. The Franchisor will protect the Master Franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Master Franchisee

from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

7. Minn. Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

8. Any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

9. Each provision of this Addendum to the Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930 are met independently without reference to this Addendum to the Disclosure Document.

**MINNESOTA AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. Clauses 2, 13, and 15 of the Master Franchise Agreement, under the headings “Grant of rights and development obligations,” “Transfer and other dealings by the Master Franchisee,” and “Termination of Agreement,” will be supplemented by the addition of the following language:

Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. §80C.14, Subd. 3, 4, and 5 currently requires, except specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Master Franchise Agreement, and that consent to the transfer of the master franchise not be unreasonably withheld.

2. Clause 6.1 of the Master Franchise Agreement, under the heading “Initial Territory Fee,” is hereby deleted in its entirety, and replaced with the following:

The Master Franchisee must pay the Initial Territory Fee to the Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1; provided, however, that payment of the Initial Territory Fee is postponed until after all of Franchisor’s initial obligations are completed and the first New Outlet is open for business.

3. Clause 6.2 of the Master Franchise Agreement, under the heading “New Outlet Fee,” is hereby deleted in its entirety, and replaced with the following:

With respect to each new Outlet to be opened in the Territory, the Master Franchisee must pay the New Outlet Fee to the Franchisor upon the opening of such Outlet. Notwithstanding this requirement, payment of all initial fees (including the New Outlet Fee) is postponed until after all of Franchisor’s initial obligations are completed and the first New Outlet is open for business.

4. Clause 26.16 of the Master Franchise Agreement, under the heading entitled “Governing law and jurisdiction,” will be supplemented by the addition of the following language:

Pursuant to Minn. Stat. §80C.21, this Section 27.16 will not in any way abrogate or reduce any of Master Franchisee’s rights as provided for in the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

Minnesota

5. The Franchisor will protect the Master Franchisee's right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the Master Franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

6. Minn. Rules §2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

7. Any limitations of claims must comply with Minn. Stat. §80C.17, Subd. 5.

8. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§2860.0100 through 2860.9930, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

New York

NEW YORK

**NEW YORK ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the New York General Business Law, Article 33, §§680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, §§200.1 through 201.16, the Chatime LLC, USA Master Franchise Disclosure Document for use in the State of New York will be amended as follows:

1. The “Special Risks to Consider About This Franchise” listed on page “iv” of the Master Franchise Disclosure Document will be supplemented with the following additional risk(s):

2. The franchisor may, if it chooses, negotiate with you about items covered in the Franchise Disclosure Document. However, the franchisor cannot use the negotiating process to prevail upon a prospective franchisee to accept terms which are less favorable than those set forth in this Franchise Disclosure Document.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, unfair or deceptive practices, or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought

by a public agency or department including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), “Requirements for franchisee to renew or extend,” and Item 17(m), “Conditions for franchisor approval of transfer:”

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law §§687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), “Termination by franchisee:”

You may terminate the Agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), “Choice of forum,” and Item 17(w), “Choice of law:”

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Master Franchisee by Article 33 of the General Business Law of the State of New York.

**NEW YORK AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. Section 2.7(3)(h) of the Master Franchise Agreement, “Option for New Term,” will be amended by adding the following language at the end of the Section:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law §§687.4 and 687.5 be satisfied.

2. Clause 26.16 of the Master Franchise Agreement, “Governing law and jurisdiction,” will be amended by adding the following language at the end of the Clause:

However, the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Master Franchisee by Article 33 of the General Business Law of the State of New York.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, §§680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, §§200.1 through 201.16, with respect to each such provision, are met independent of the Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

NORTH DAKOTA

**NORTH DAKOTA ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST, OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NORTH DAKOTA CENTURY CODE (“NDCC”) §51-19-09):

- A. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC §9-08-06, without further disclosing that such covenants will be subject to the statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.
- C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchises to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damage.
- H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- J. Enforcement of Agreement: Franchise agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

In recognition of the requirements of NDCC §51-19-09, the Master Franchise Disclosure Document of Chatime USA, LLC for use in the State of North Dakota will be amended to include the following:

1. Items 5 and 7 of the Disclosure Document will be supplemented with the following:

Payment of all initial fees is postponed until after all of Franchisor's initial obligations are completed and Master Franchisee is open for business.
2. Item 17(c) will be supplemented by the addition of the following language:

You will not be required to sign a general release upon renewal of the Master Franchise Agreement.
3. Item 17(i) will be supplemented by the addition of the following language:

You will not be required to consent to liquidated damages or termination penalties.
4. Item 17(r) will be supplemented by the addition of the following language:

All covenants restricting competition are subject to NDCC §9-08-06. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
5. The language in Item 17(u) will be deleted and replaced by the following language:

Most disputes and claims relating to the Master Franchise Agreement will be settled by arbitration under the Arbitration Rules of the Chinese Arbitration Association at a location agreeable to all parties.
6. The language in Item 17(v) will be deleted and replaced by the following language:

All litigation must be brought in North Dakota.
7. The language in Item 17(w) will be deleted and replaced by the following language:

All disputes will be governed by the laws of the State of North Dakota.

**NORTH DAKOTA AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of North Dakota Century Code (“NDCC”) §51-19-09, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. The following language will be added at the end of Clause 2.7(3)(h) of the Master Franchise Agreement:

You will not be required to sign a general release upon renewal of the Master Franchise Agreement.

2. Clause 6.1 of the Master Franchise Agreement, under the heading “Initial Territory Fee,” is hereby deleted in its entirety, and replaced with the following:

The Master Franchisee must pay the Initial Territory Fee to the Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1; provided, however, that payment of the Initial Territory Fee will be deferred until the Franchisor completes its pre-opening obligations under this Agreement and the first New Outlet has opened.

3. Clause 6.2 of the Master Franchise Agreement, under the heading “New Outlet Fee,” is hereby deleted in its entirety, and replaced with the following:

With respect to each new Outlet to be opened in the Territory, the Master Franchisee must pay the New Outlet Fee to the Franchisor no later than 30 days before each such Outlet is opened; provided, however, that payment of all New Outlet Fees will be deferred until the Franchisor completes its pre-opening obligations under this Agreement and the first New Outlet has opened.

4. The following language will be added at the end of Clause 9.2(2) of the Master Franchise Agreement:

All covenants restricting competition are subject to NDCC §9-08-06. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

5. The second sentence of Clause 16.2 of the Master Franchise Agreement is hereby deleted in its entirety, and replaced with the following:

Such arbitration will take place before a single arbitrator at a location agreeable to all parties. Any action that is not otherwise subject to arbitration under Clause 16 (including all appeals from or relating to arbitration hereunder), whether or not arising out of, or relating to, this Agreement, brought by Master Franchisee (or any principal thereof) against Franchisor will be brought in federal court in the State of North Dakota, or if such court does not have competent jurisdiction, in a state court located in North Dakota.

6. The language in Clause 26.8 of the Master Franchise Agreement, under the heading “Costs and Expenses,” is hereby deleted in its entirety, and replaced with the following:

The prevailing party must pay or reimburse the non-prevailing party, on demand, for all of its Costs (including legal Costs on a solicitor and own client or full indemnity basis, whichever is the greater) in connection with or incidental to:

- (a) Any default by the Master Franchisee in observing or performing any of its obligations under this Agreement
- (b) Any termination of this Agreement; and
- (c) The contemplated, attempted or actual enforcement, preservation or exercise of any right under this Agreement including the obtaining by the Franchisor of any advice or information as to its rights under this Agreement or otherwise arising from a breach of this Agreement by the Master Franchisee.

7. The language in Clause 26.16 of the Master Franchise Agreement is hereby deleted in its entirety, and replaced with the following:

This Agreement will be interpreted and construed exclusively under the laws of the State of North Dakota.

8. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this North Dakota Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

WASHINGTON

**WASHINGTON ADDENDUM TO THE
CHATIME USA, LLC MASTER FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the Chatime USA, LLC Master Franchise Disclosure Document for the offer and sale of master franchises in the State of Washington will be amended as follows:

1. The “Special Risks to Consider About This Franchise” listed on page “iv” of the Master Franchise Disclosure Document will be supplemented with the following additional risk:

2. The Franchisor is at an early stage of development and has a limited experience with franchising. Therefore, this franchise opportunity presents more risk than that of a company with longer operating history.

2. Items 5 and 7 of the Master Franchise Disclosure Document will be supplemented by adding the following language at the end of each Item:

Payment of all initial fees is postponed until after all of Franchisor’s initial obligations are completed and Master Franchisee is open for business.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

4. RCW §19.100.180 may supersede the Master Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your master franchise. There may be court decisions which may supersede the Master Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your master franchise.

5. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

6. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights, or remedies under the Act such as a right to a jury trial may not be enforceable.

7. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

8. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an

independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Master Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

9. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Master Franchise Agreement or elsewhere are void and unenforceable in Washington.

Each provision of this Addendum to the Master Franchise Disclosure Document will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Addendum.

**WASHINGTON AMENDMENT TO THE
CHATIME USA, LLC MASTER FRANCHISE AGREEMENT**

In recognition of the requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, the parties to the attached Chatime USA, LLC Master Franchise Agreement (the “Master Franchise Agreement”) agree as follows:

1. Clause 6.1 of the Master Franchise Agreement, under the heading “Initial Territory Fee,” is hereby deleted in its entirety, and replaced with the following:

The Master Franchisee must pay the Initial Territory Fee to the Franchisor in accordance with the payment schedule set out in Item 10 of Schedule 1; provided, however, that payment of the Initial Territory Fee is postponed until after all of Franchisor’s initial obligations are completed and the first New Outlet is open for business.

2. Clause 2.1(3) of the Master Franchise Agreement, under the heading “Grant of rights for the Initial Term,” will be supplemented by the addition of the following language:

We agree not to compete unfairly with you within your Territory.

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, RCW §19.100 will prevail.

4. RCW §19.100.180 may supersede the Master Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your master franchise. There may be court decisions which may supersede the Master Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your master franchise.

5. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

6. A release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

7. Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.

8. Pursuant to RCW §49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted

annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW §49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Master Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

9. RCW §49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor, or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Master Franchise Agreement or elsewhere are void and unenforceable in Washington.

Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, RCW §§19.100.010 through 19.100.940, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Master Franchise Agreement on the same date as that on which the Master Franchise Agreement was executed.

CHATIME USA, LLC

MASTER FRANCHISEE

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Exhibit E

GENERAL RELEASE

THIS GENERAL RELEASE is made this ____ day of _____, 20__.

WITNESSETH:

_____, a resident(s) in the State of _____, and _____, a _____ company having its principal place of business at _____ (collectively, the "UNDERSIGNED") for and in consideration of the sum of One Dollar (\$1.00) paid to them by Chatime USA, LLC and other good and valuable consideration, the receipt of which is hereby acknowledged, the UNDERSIGNED, individually and for itself, its parent, subsidiaries, affiliates, agents, servants, employees, shareholders, officers, directors, partners, heirs, successors and assigns, do each hereby forever release, remise, and discharge Chatime USA, LLC, their predecessors, successors and assigns, parents, subsidiaries, and affiliated entities and their respective managers, members, officers, directors, agents, employees, and representatives, past and present, of any and all of such entities (collectively, the "FRANCHISOR"), of and from any and all claims, demands, causes of action, suits, debts, dues, duties, sums of money, accounts, reckonings, covenants, contracts, agreements, promises, damages, judgments, extents, executions, liabilities and obligations, both contingent and fixed, known and unknown, of every kind and nature whatsoever in law or equity, or otherwise, under local, state, or federal law, against any of them, which the UNDERSIGNED or any one of them or their predecessors in interest, if any, ever had, now have, or which they, their heirs, executors, administrators, successors, or assigns hereafter can, will, or may have, for, upon, or by reason of, any matter, cause, or thing whatsoever, from the beginning of the world to the date of have, for, upon, or by reason of, any matter, cause, or thing whatsoever, from the beginning of the world to the date of these presents.

Without limiting the generality of the foregoing, but by way of example only, the foregoing release will apply to any and all state or federal antitrust claims or causes of action, state or federal securities law claims or causes of action, state or federal RICO claims or causes of action, breach of contract claims or causes of action, claims or causes of action based on misrepresentation or fraud, breach of fiduciary duty, unfair trade practices (state or federal), and all other claims and causes of action whatsoever.

The UNDERSIGNED (and each of them) further agree for themselves and for their successors and assigns, to indemnify and hold harmless forever, FRANCHISOR their predecessors, successors and assigns, parent, subsidiaries, and affiliated entities and their respective managers, members, officers, directors, agents, employees, and representatives, past and present, against any and all claims or actions which hereafter may be brought or instituted against any or all of them, or their successors and assigns, by or on behalf of anyone claiming under rights derived from the UNDERSIGNED, or any of them, and arising out of or incidental to the matters to which this release applies.

The UNDERSIGNED and FRANCHISOR agree that this release is not intended nor will it be construed as an admission of any wrongdoing or liability and that it will not be admissible in evidence in any suit or proceeding whatsoever as evidence or admission of any liability.

Any individual who signs this release in a representative capacity for the UNDERSIGNED entity hereby represents and warrants that they are duly authorized by action of the officers of the UNDERSIGNED entity to execute this release on its behalf.

With respect to the matters hereinabove released, the UNDERSIGNED knowingly waive all rights and protection, if any, under §1542 of the Civil Code of the State of California, or any similar law of any state or territory of the United States of America. §1542 provides as follows:

1542 General Release; Extent. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which, if known by him, must have materially affected his settlement with the debtor.

This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder. If any restriction set forth in this General Release is found by any court of competent jurisdiction to be unenforceable because it extends in too broad a scope, it will be interpreted to extend only over the maximum scope of release as to which it may be enforceable. This General Release does not apply to any release or waiver which would relieve any person from liability imposed to the FRANCHISOR by applicable laws.

IN WITNESS WHEREOF, the UNDERSIGNED executed this General Release on the day and year first above written.

FRANCHISEE:

Witness:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

By: _____

Individually

Witness:

Name: _____

By: _____

Name: _____

Exhibit F

ACKNOWLEDGMENT ADDENDUM TO CHATIME MASTER FRANCHISE AGREEMENT

As you know, you and we are entering into a Master Franchise Agreement for the operation of a Chatime master franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Note: All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor will they act as a release, estoppel, or wavier of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Acknowledgments and Representations.

1. Did you receive a copy of our Master Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Master Franchise Agreement? Check one: () Yes () No. If no, please comment:

2. Have you studied and carefully reviewed our Master Franchise Disclosure Document and Master Franchise Agreement? Check one: () Yes () No. If no, please comment:

3. Did you understand all the information contained in both the Master Franchise Disclosure Document and the Master Franchise Agreement? Check one () Yes () No. If no, please comment:

4. Was any oral, written, or visual claim or representation made to you which contradicted the disclosures in the Master Franchise Disclosure Document? Check one: () Yes () No. If yes, please state in detail the oral, written, or visual claim or representation:

-
5. Except as stated in Item 19 of the Master Franchise Disclosure Document, did any employee or other person speaking on behalf of Chatime USA, LLC make any oral, written, or visual claim, statement, promise, or representation to you that stated, suggested, predicted, or projected sales, revenues, expenses, earnings, income, or profit levels at any Chatime location or business, or the likelihood of success at your franchised business? Check one: (☐) Yes (☐) No. If yes, please state in detail the oral, written or visual claim or representation:
-
-

6. Did any employee or other person speaking on behalf of Chatime USA, LLC make any statement or promise regarding the costs involved in operating a master franchise that is not contained in the Master Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Master Franchise Disclosure Document? Check one: (☐) Yes (☐) No. If yes, please comment:
-
-

7. Do you understand that that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, as described in the Master Franchise Agreement? Check one: (☐) Yes (☐) No. If no, please comment:
-
-

8. Do you understand that the Master Franchise Agreement and Master Franchise Disclosure Document contain the entire agreement between you and us concerning the master franchise for the System, meaning that any prior oral or written statements not set out in the Master Franchise Agreement or Master Franchise Disclosure Document will not be binding? Check one: (☐) Yes (☐) No. If no, please comment:
-
-

9. Do you understand that the success or failure of your master franchise business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the Chatime trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition, and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Chatime restaurant may change? Check one () Yes () No. If no, please comment:

10. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in the Master Franchise Agreement and that an injunction is an appropriate remedy to protect the interest of the System if you violate the covenant? Further, do you understand that the term “you” for purposes of the non-compete covenants is defined broadly in the Master Franchise Agreement, such that any actions in violation of the covenants by those holding any interest in the master franchisee entity may result in an injunction, default and termination of the Master Franchise Agreement? Check one () Yes () No. If no, please comment:

11. On the receipt pages of your Master Franchise Disclosure Document you identified

as the franchise sellers involved in this franchise sales process. Are the franchise sellers identified above the only franchise sellers involved with this transaction? Check one () Yes () No. If no, please identify any additional franchise sellers involved with this transaction:

This Acknowledgment Addendum to Chatime USA, LLC Franchise Agreement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURE PAGE FOLLOWS]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A BUSINESS ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

MASTER FRANCHISEE:

By: _____

Name: _____

Title: _____

By: _____
individually

Name: _____

By: _____
individually

Name: _____

Exhibit G
LIST OF MASTER FRANCHISEES

State	Name	Address	Telephone No.	Contact Person
California	Luxury Goods USA, Inc.	16277 Laguna Canyon Road Suite D Irvine, CA 92618	1-949-617-5585	Wei-Ching Chang
Guam	Chan Woo Corp.	302 South Route 4, Suite 115 Hagatna, Guam 96910	1-671-727-5225	John Lee
Guam	Chan Woo Corp.	1088 West Marine Corps Drive Space C-220 Dededo, Guam 96929	1-671-727-5225	John Lee
Guam	Chan Woo Corp.	199 Chalan San Antonio, Suite 200 Tamuning, Guam 96913	1-671-727-5225	John Lee
Guam	Chan Woo Corp.	267 Chalan San Antonio Tamuning, Guam 96913	1-671-727-5225	John Lee
Guam	Chan Woo Corp.	214 Chalan Pale Ramon Haya Yigo, Guam 96929	1-671-727-5225	John Lee
Guam	Chan Woo Corp.	240 East Marine Corps Drive Route 1 Ysengson, Guam 96929	1-671-727-5225	John Lee
Maryland	Lucky Leaf, LLC	7839 Saint Thomas Drive Nottingham, MD 21236	1-215-796-1128	Chi Kin Lau
Maryland	Lucky Leaf, LLC	1114 Light Street Baltimore, MD 21230	1-215-796-1128	Chi Kin Lau
Maryland	Lucky Leaf, LLC	512 Baltimore Pike Bel Air, MD 21014	1-215-796-1128	Chi Kin Lau

Former Master Franchisees

No master franchise owners had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased doing business in our last fiscal year, or have not communicated with us within ten weeks of the date of this FDD.

Exhibit H

OPERATIONS MANUAL TABLE OF CONTENTS

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4-2 備料區器具介紹 Introduction of Equipment at Preparation Station	5
4-3 原物料保存有效期限表 Shelf Life Table for the Materials)	2
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Exhibit I
STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	November 9, 2022
Illinois	July 13, 2022
Maryland	<i>Pending</i>
Michigan	June 27, 2022
Minnesota	July 25, 2022
New York	<i>Pending</i>
North Dakota	July 5, 2022
Washington	September 14, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit J

RECEIPT

This Master Franchise Disclosure Document summarizes certain provisions of the master franchise agreement and other information in plain language. Read this Master Franchise Disclosure Document and all agreements carefully.

If Chatime USA, LLC offers you a franchise, it must provide this Master Franchise Disclosure Document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or at your reasonable request, or (b) under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) ten business days before you sign a binding agreement with, or make payment to the franchisor or an affiliate in connection with the proposed franchise sale, or (c) under Michigan and Washington law, if applicable, at least ten business days before you sign any binding franchise or other agreement or pay any consideration to the franchisor or an affiliate, whichever occurs first.

If Chatime USA, LLC does not deliver this Master Franchise Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in Exhibit C to this Master Franchise Disclosure Document.

The principal business address and telephone number of the franchise seller offering the franchise is/are checked off below:

☐ Kent Wang, President at Chatime USA, LLC, No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan, +1-347-323-6159.

☐ Additional franchise sellers, if any: _____.

This Master Franchise Disclosure Document was issued: June 1, 2022 (see Exhibit I for state effective dates). Chatime USA, LLC, authorizes the respective state agencies identified in Exhibit C to receive service of process for it in the particular state. For all other states, the franchisor's agent for service of process is the Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801.

I received a Master Franchise Disclosure Document issued June 1, 2022. Included are the following exhibits:

Exhibit A – Financial Statements

Exhibit B – Chatime USA, LLC Master Franchise Agreement

Exhibit C – List of Agents for Service of Process and Regulatory Authorities

Exhibit D – Addenda Required by State(s)

Exhibit E – General Release

Exhibit F – Acknowledgment Addendum to Chatime USA, LLC Master Franchise Agreement

Exhibit G – List of Master Franchisees

Exhibit H – Operations Manual Table of Contents

Exhibit I – State Effective Dates

Exhibit J – Receipt

Date: _____

By: _____

Name: _____

Please remove this page, sign and date this page, and keep this page for your records.

RECEIPT

This Master Franchise Disclosure Document summarizes certain provisions of the master franchise agreement and other information in plain language. Read this Master Franchise Disclosure Document and all agreements carefully.

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Exhibit H – Operations Manual Table of Contents

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Exhibit J – Receipt

Date: _____

By: _____

Name: _____

Please remove this page, sign and date this page, and return this page to Chatime USA, LLC (No. 98, Gaotie Ninth Road, Zhubei City, Hsinchu County 30274, Taiwan or kent@lakaffa.com.tw).