

FRANCHISE DISCLOSURE DOCUMENT



Ding Tea Corporation
A Delaware Corporation
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The franchise offered is to operate a Ding Tea beverage service establishment offering gourmet teas, coffee, various flavored tea-based beverages, bubble tea, and compatible food products and related supplies, accessories and gifts. The total investment necessary to begin operation of a Ding Tea outlet is \$195,240 to \$324,170, depending on the size of the outlet. This includes \$58,500 that must be paid to the franchisor or its affiliate(s), as applicable.

This disclosure document summarizes certain provisions of your 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) calendar 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 Wei Hsiang, Hsu, at 919 North Market Street, Suite 950, Wilmington, DE 19801, 886-4-2253-0011, 800-246-2677, bow6509@dingtea.com. The term of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this 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 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.

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How to Use This Franchise Disclosure Document

Here are some questions 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 DING TEA Shop 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 DING TEA Shop 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, **Exhibit D**. 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 Delaware. 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 Delaware than in your own state.

2. Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. Supplier Control: 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.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any)

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ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is Ding Tea Corporation, which will be referred to as “Ding Tea,” “we,” or “us.” The term “you” or “Franchisee” means the person, corporation, limited liability company, partnership, or other legal entity granted the franchise. The term “you” and “Franchisee” include the direct and indirect owners of any corporation, limited liability company, partnership, or other legal entity that becomes a franchisee.

Franchisor, Parent, Affiliates

We are a Delaware corporation formed on January 7, 2019. Our principal place of business is 919 North Market Street, Suite 950, Wilmington, DE 19801. We do business as “DING TEA” and all other related marks. We do not do business or intend to do business under any other names. We do not have any predecessor during the ten years immediately before the close of our most recent fiscal year. We currently do not operate any company-owned DING TEA outlet. Our parent company, Chu Yu Hsiang Co., Ltd. (“Chu Yu Hsiang”), is a corporation formed under the laws of Taiwan in 2018 and continued as a corporation under the laws of Taiwan. Its principal place of business is 21F.-2, No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 40756, Taiwan. Chu Yu Hsiang operates Tea Shops and offers franchises of teas, coffee, various flavored tea-based beverages, bubble tea, compatible food products, and related supplies, accessories, and gifts outside of the United States. As of December 2020, Chu Yu Hsiang has franchised more than 500 outlets worldwide. Chu Yu Hsiang licenses us the right to use and sublicense DING TEA and related marks to Franchisees in the United States. We have no other affiliates.

Agent for Service of Process

Our agent for service of process is specified in Exhibit C.

The Business We Offer

We possess advanced know-how, management system, continuous and innovative product development, and knowledge concerning a unique and distinctive system relating to the development and operation of DING TEA outlet establishment with unique product lines, outstanding fixtures, equipment, interior and exterior accessories, color scheme, inventory, and accounting system, of which may be changed, improved, and further developed by us or our affiliates from time to time (the “DING TEA System”). The distinguishing characteristics of the DING TEA System include exterior and interior design, decor, color and identification schemes,

furnishings, special menu items, standards, specifications and procedures for operations, manufacturing, distribution and delivery, quality of products and services offered, management programs, training and assistance, and marketing, advertising, and promotional programs. We may change, supplement, and further develop our distinguished franchise system.

We may periodically change the systems, menu, standards, facility, signage, equipment, and fixture requirements. You may have to make additional investments in the franchised business periodically during the franchise term if those kinds of changes are made or if your tea shop's equipment or facilities wear out, become obsolete, or for other reasons. Other reasons include a requirement to comply with a change in the system standards or code changes. All Tea shops must be developed and operated to our specifications and standards. The uniformity of products sold in Tea Shops is essential, and you have no discretion in the products you sell. The Agreements may be limited to a single, specific location, and we reserve the right to operate a franchise or license others who may compete with you for the same customers.

We offer a franchise to qualified individuals to own and operate a single Tea Shop at a location we approve, under the terms of our standard franchise agreement attached as Exhibit B (the "Franchise Agreement"). The Franchise Agreement sets out the detailed terms and conditions of the relationship. You will need to sign the Acknowledgment Addendum to Franchise Agreement, attached as Exhibit F, before the Franchise Agreement is effective (together with the Franchise Agreement, the "Agreements"). Under our Agreements, we grant our franchisees the right to operate one outlet, selling gourmet teas-based beverages, coffee-based beverages, compatible food products, tea makers, related supplies, accessories, and DING TEA gifts. There may be instances where we have or will vary the terms to suit the circumstances of a particular transaction. Please note, however, that for each franchise, a separate unit franchise agreement must be signed. Suppose you are an existing franchisee and desire to acquire another franchise. In that case, you must execute the form of General Release, attached as Exhibit E, as a condition to your acquisition of an additional franchise.

Your Tea Shop(s) will offer products and services to the public throughout the year and compete with other beverage and food product service businesses. The Tea Shop is not seasonal. The market for your products and services is generally developed and very competitive in the United States. You can expect to compete in your market with locally-owned businesses and national and regional chains that sell similar products. The market for coffee and coffee drinks, baked goods, and related products is well-established and highly competitive. Tea Shops compete based on price, service, location, convenience, and food quality.

Additionally, you may find that there is competition for suitable locations. Name recognition (which is more potent in some regions than others), product quality, variety, presentation, location,

and advertising, will have principal factors that will vary but impact our brand's competitive position. A Tea Shop's business may also be affected by other factors, such as changes in consumer taste, economic conditions, population, and travel patterns.

You may also compete with other existing Tea Shops and with new Tea Shops that we may operate, franchise, or license in the future. Your competition may also include other outlets selling coffee, tea, food items, grocery stores, convenience stores, and specialty coffee shops. We may grant selected franchisees special rights or franchises to operate or distribute authorized products through special distribution channels, such as airports, service plazas, universities, and grocery stores. These special arrangements may involve special agreements or modifications to our standard franchise and other agreements.

Unit Franchise Offering

This Franchise Disclosure Document pertains to the offering of a unit franchise for Ding Tea. As a Ding Tea franchisee, you will have the right to open and operate a tea shop under the Ding Tea brand name. The tea shop will specialize in selling a variety of beverages, including tapioca milk tea, milk tea, and fruit tea, all available with various toppings and flavors. Ding Tea is dedicated to providing high-quality tea products and a unique customer experience. Our franchise system includes training, marketing support, and access to our proprietary recipes and processes.

Applicable Regulations

You must comply with all local, state, and federal laws and regulations that apply to any business. We urge you to inquiries about these laws and regulations, including health (nutrition, menu labeling), sanitation, no smoking, EEOC, OSHA, discrimination, employment, data security and privacy, tax, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for individuals with a disability, which may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses, and operational licenses. Federal, state, and local laws and regulations also regulate businesses handling food and food products, in particular refrigerated and frozen food items, and these laws and regulations will apply to your business. Please also note that local county health departments reserve the right to inspect Tea Shops to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

Government contractor laws may also apply if you operate the Tea Shop business at military bases or other government facilities. For example, you may be required to comply with regulations such as government contractors' wage and hour restrictions, preparation and maintenance of written affirmative action plans, retention and access of records, special procedures for resolving

contractual disputes, listing employment openings with state employment services, and termination of the contract for default or the convenience of the government. You should carefully review these requirements with your attorney before entering into government contracts.

ITEM 2: BUSINESS EXPERIENCE

President: Wei-Hsiang Hsu

Wei-Hsiang Hu has been our President and CEO since its inception on January 7, 2019. From December 5, 2018, until the present, he has served as the President and CEO of Chu Yu Hsiang Co., Ltd. From January 2016 to the present, he has served as the President and CEO of King Win Food and Beverage Co., Ltd.

ITEM 3: LITIGATION

Pending Governmental Actions

We sold two franchises in Hawaii without first registering our franchise with the state. We reported the violation to the state on April 21, 2022 and have been awaiting further investigation result from the result.

Prior Actions

Sheila Biglang-AWA Castro vs Ding Tea Holding Corporation, Superior Court for the State of California, Los Angeles County, Case number 20VECV00442.

On March 27, 2020, plaintiff Sheila Biglang-AWA Castro initiated this action against the Company asserting the Company's website violates the Unruh Civil Rights Act, California Civil Code § 51 et seq. The parties have settled the case.

Tam Theo Inc., dba Roasting Water, Sang Van Do; Trieu Christine Do; San Trieu Inc.; and Does 1 through 50 vs. The Ly Do Family, Inc., Superior Court for the State of California, Orange County, Case number 30-2019-01097188-CU-BC-CJC.

On September 10, 2020, cross-plaintiff Tam Theo, Inc. dba Roasting Water filed a cross-complaint against the Company, claiming intentional interference with contractual relations and prospective economic advantage, as well as unfair competition. The plaintiff dismisses this case.

Prior Governmental Actions

The State of Washington Department of Financial Institutions Securities Division vs. Chu Yu Hsiang Co., Ltd

On May 19, 2021, The State of Washington Department of Financial Institutions Securities Division investigated the offer and sales of the franchise, Ding Tea, to determine whether there have been any violations of the Washington Franchise Investment Protection Act (RCW 19.100). We entered into a Consent Order (Order No.: S-21-3145-21-CO01) with the State of Washington Department of Financial Institutions Securities Division on August 31, 2021. We were liable for and paid the investigative costs of \$3,500 to the State of Washington Department of Financial Institutions Securities Division.

In the Matter of Ding Tea Corporation

We offered and sold one franchise in Minnesota without having a valid registration. We are ordered by the state to cease and desist from violating any laws, rules, or orders related to the duties and responsibilities entrusted to the Commissioner under Minnesota Statute Chapters 45 and 80C. We further agreed that any new franchise endeavors offered or sold in Minnesota will not be made until registration in compliance with Minn. Stat. §80C has been achieved or qualification for an exemption from registration pursuant to Minn. Stat. § 80C.03 has been met. We are ordered to offer rescission to the Minnesota franchise pursuant to Minn. Stat. § 80C.17 and provide proof to the Department the status of that rescission offer no later than 60 days after the execution of the order. We executed the order on January 30, 2023. We must also disclose this Consent in the FDD for a period of two years from the effective date of this Consent Order; and we shall pay a civil penalty in the amount of \$1,000 to the State of Minnesota with the execution of this Order.

Commonwealth of Virginia State Corporate Commission vs. Chu Yu Hsiang Co., Ltd

Chu Yu Hsiang Co., Ltd, our parent company, sold a franchise on February 14, 2020, without first registering a franchise in violation of the Virginia Retail Franchising Act § 13.1-557 et seq. of the Code of Virginia. We entered into a settlement with the state and sent an offer of rescission to the franchisee offering the franchisee the opportunity to rescind the franchise. We returned the \$25,000 franchise fee to the franchisee on December 23, 2022. The investigation of the Franchise Act violation was closed on January 5, 2023. The state took no further action.

The State of California Department of Financial Protection and Innovation vs Ding Tea Corporation

On January 08, 2021, the State of California Department of Financial Protection and Innovation began investigated regarding the offer and sales of franchise, Ding Tea, to determine whether there have been any violations of the applicable California laws by the franchisor, its parent, or its affiliates. We entered into a Consent Order dated October 26, 2021, and we were liable to pay penalties of \$397,500 of which may be offset in the amount of each and every refund payment made to a California franchisee; \$5,000 administrative payment, offer cancellation and refund to the California franchisees; and attend a remedial education. On February 9, 2022, we entered into an Amended Consent Order with the state. The Amended Consent Order includes an updated franchise list, specifies the security deposit refund, and various amended terms and conditions.

Other than these actions, no litigation is required to be disclosed in this disclosure document.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

1. Initial Franchise Fee

The Initial Franchise Fee is \$30,000, and the Fee is payable within seven business days after execution of the Franchise Agreement.

2. Security Deposit

The Security Deposit is \$10,000. The Franchisee shall pay the deposit on or before the Franchise Agreement's execution. The Franchisor will refund the deposit upon the expiration or termination of the Franchise Agreement if the Franchisee has not materially breached the Agreement. Suppose the Franchisee has breached this Agreement, the Confidential Operations Manual, or the Franchisor's instruction. It fails to correct such breach in the buffer period provided in the Evaluation sheet as Exhibit 2 (the "Evaluation"). In that case, the Franchisor will deduct the applicable fine as listed in the Evaluation accordingly. Once the Security Deposit is fully deducted, then the Franchisor reserves the right to terminate this Agreement upon providing 30 calendar days written notice.

3. Service Fee

The Service Fee is \$500 per month, and you shall pay the Service Fee to us two months before the outlet's opening. Each payment is a front payment for the following six months in a total of \$3,000.

4. Equipment and Utensil Fee

The Equipment and Utensil Fee is \$15,000. You shall pay the Fee to us right after you place the purchase order, and we will provide a list of authorized suppliers to equipment.

5. Design Fee (optional)

The Design Fee is \$500 per outlet if you ask us to design and provide a floor plan.

6. Initial Training Fee (optional)

The Initial Training Fee is free of charge to you for up to two trainees, but we will charge \$1,000 for each additional trainee. You are responsible for all the incurred expenses to attend the training course, including wage, transportation, accommodation, and meal.

7. Pre-Open Support Fee (optional)

The Pre-Open Support is \$500 per instructor per day, but it does not include the actual costs incurred by the Franchisor. You may request additional on-site support and instruction after completing the initial training. The actual costs include transportation, accommodations at a three-star or higher hotel, and meal. If we pay on your behalf for the actual costs, you must reimburse us within seven calendar days upon our request.

8. Refundability

All the fees listed under this Item are not refundable except the Security Deposit. We may not refund the whole deposit if you were or have been in default of the Franchise Agreement, and we may deduct reasonable cost and damages incurred because of the default and then refund the remainder to you.

ITEM 6: OTHER FEES

Type of fee (note 1)	Amount	Due Date	Remarks
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Marketing Fund (note 2)	Certain percentage of Gross Monthly Sales not yet determined. We estimated to be approximately 3% of the gross monthly sales.	Payable on a monthly basis	Applicable only when we have established a Marketing Fund. See Item 11 for details on Marketing Fund
Opening Inventory	\$25,000 to \$30,000	When billed and two months prior to the opening of the Tea Shop	The assortment and number of these items will be based upon the size and configuration of your Tea Shop.
Renewal Fees	\$15,000	Prior to granting franchise renewal	
Audit Fee	Cost of audit	When billed	Payable after an audit only if we find that you have understated any amount you owe to us by more than 3%
Late Payment	Interest on unpaid amount at 5% per month or highest rate allowed by law	When billed	We can change these fees without notice. They apply if you fail to pay us. Furthermore, if you fail to make all required installment payments within the period provided, we may elect to terminate our relationship by proving you with a written notice.
Manual Replacement Fee	\$200	When billed	If you request additional or replacement copies of the Manual
Liquidated Damages for violating the Franchise Agreement	\$20,000	per breach, depending on the nature of the breach	Franchisee is liable for all additional damages and losses incurred by franchisor from violation

Transfer Fees	\$10,000	prior to the completion of the transfer	The transfer is subject to our Right of First Refusal
Cost and Attorney Fees	Will vary under circumstances	On demand	If you default under the Agreements, you must reimburse us for the expenses we incur (such as attorney fees) in enforcing or terminating the applicable Agreements
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs and damages we incur in for any claims that arise from your Tea Shop's operation

Notes:

1. All fees as described in Item 6 are non-refundable, imposed by and are paid to us. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and they must be paid in full. Except as specifically stated above, fees may be adjusted based on changes in market conditions, our cost of providing services and future policy changes. At the present time we have no plans to adjust fees schedule over which we have control.
2. We reserve the right to establish and administer a marketing fund for the Ding Tea System. We have not established the fund, and do not intend to establish a fund until an adequate number of Tea Shops have been established to provide national or regional marketing for the benefit of the Ding Tea System. We anticipate that all Tea Shops will contribute to the marketing fund. When the advertising fund is established, we estimate that Franchisees will contribute approximately 3% of gross monthly sales. For more details, please see Item 11.
3. The fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials.

ITEM 7: ESTIMATED INITIAL INVESTMENT

Type of Expenditure (note 1)	Amount	When Due	Method of Payment	To Whom Payment is to be Made
Franchise Fee (note 2)	\$30,000	Due in full within seven (7) calendar days following the signing of the Franchise Agreement	As arranged	Us
Design Fee	\$500	As incurred	As arranged	Us or third party
Security Deposit	\$10,000	Due in full within seven (7) calendar days following the signing of the Franchise Agreement	As arranged	Us
Six-month Service Fees Prepayment	\$3,000	Before opening	As arranged	Us
Related Personnel Cost for initial training (note 3)	\$2,500 to \$5,000	Before opening	As arranged	Third Party
Equipment	\$10,000	As incurred	As arranged	Third party
Utensils	\$5,000	As incurred	As arranged	Third party
Rent for the Tea Shop (note 4)	\$2,800 to \$5,500	As specified in lease	Before opening, as arranged	Third party
Rental for Warehouse (note 4)	\$2,000 to \$3,000	As specified in lease	Before opening, as arranged	Third party
Renovation (note 5)	\$50,000 to \$100,000	As incurred	Before opening, as arranged	Third party
Opening Inventory (note 6)	\$25,000 to \$30,000	As incurred	Before opening	Us, our affiliates, or third party
Licenses, Permits, Fees and Deposit	\$1,800 to \$3,500	As incurred	Before opening	Third party

Point of Sale System (note 7)	\$1,850 to \$2,000	As incurred	Before opening	Third party
Office Equipment & Supplies	\$120 to \$500	As incurred	As arranged	Third party
Uniforms	\$670	As incurred	Before Opening	Us
Insurance (note 8)	\$4,500 to \$15,000	As incurred	Before opening, as arranged	Third party
Advertisement	\$500	As incurred	Before Opening	Third party
Additional Funds – 3 Months (note 9)	\$45,000 to \$100,000	As incurred	As arranged	Third Party
Total Cost	\$195,240 to \$324,170			

Notes:

1. Your initial investment for a new Tea Shop depends primarily upon: (1) the number of Tea Shops you invest; (2) size; (3) configuration; (4) location; (5) who develops the real estate for and constructs them; and (6) the amount and terms of financing. The initial funds required are estimations since most costs are not within our control and may change at frequent intervals. These figures are estimates only, and we can not guarantee that your costs will fall within the stated ranges. These estimated ranges are based on our experience and information of non-US franchisees of our affiliated entities. Costs are constantly changing, and your costs may be higher. You should perform due diligence to investigate all potential costs before proceeding.
2. Approximately 70% of the total Initial Franchise Fees will go to the training, and 30% of the Service fees will go to the marketing support.
3. During the Tea Shop opening under the Franchise Agreement or the first Tea Shop opening under the Franchise Agreement, we will provide the initial training program for you and your employee at no cost. However, you shall be responsible for our technical personnel's or consultant's reasonable local accommodation. Please note that the initial training usually will take approximately fourteen to seven (7) calendar days, and you must

provide at least two (2) of your personnel. You must also pay for all of your and your employee's reasonable accommodations and related travel expenses. If a third or fourth person is required to attend the training, the costs will increase proportionately. There may also be additional training time to achieve the required competency levels. The amount of time necessary to undergo training reflects the individual's ability to demonstrate the competencies personally. Any wages or salaries you may pay trainees while they attend training are not included in these estimates. You must also maintain worker's compensation insurance coverage for trainees under your employment.

4. Depending on your lease structure, rental costs vary considerably according to the type of Tea Shop, real estate values in your area, financing rate (leasehold or ownership), location and size of the site, regulatory requirements, and other factors such as labor. Factors that typically affect your rental costs include the cost to negotiate your lease (or buy the property), fair market lease values, and lease terms. The costs to renovate or develop the land, building, and other site improvements are allocated between landlord and tenant. Lease terms are individually negotiated and may vary materially from one location or transaction to another. Commercial leases are typically "triple net" leases, requiring you to pay rent, all taxes, insurance, maintenance, repairs, common area maintenance costs, merchants' association fees, and all other costs associated with the property. Rent will likely exceed the lease itself of leasing or financing the purchase of the location. You may also have to pay a percentage of rent. You may need to rent a warehouse depending on (1) the location of the Tea Shop, (2) your method in controlling your inventories or storing your equipment, or (3) how many Tea Shop you wish to open. Factors similar to the Tea Shop rental cost also apply to warehouse rental cost.
5. Renovation costs include, among others, architectural, engineering, and legal fees. These estimates do not include extraordinary expenses due to extensive redesigning, permit fees, variances, environmental issues, and legal obstacles.
6. Before opening a Tea Shop, you must purchase an initial inventory consisting of products from suppliers approved by us. The assortment and number of these items will be based upon the size and configuration of your Tea Shop. The estimated cost for the opening inventory varies from location to location, depending on the seasons and the storage capacity of the Tea Shop. Your initial inventory of merchandise and supplies needed for the operation of the Tea Shop will include raw ingredients and products for resale, containers and other paper, plastic or similar goods, maintenance and cleaning materials, office supplies, and miscellaneous materials supplies.

7. The price reflects equipment configurations and solution costs, site preparation, and installation for one point of sale systems. We do not recommend more than one point of sale system unless the size and configuration of the Tea Shop require it.
8. You must provide commercial general liability coverage with minimum limits in the amount of \$2,000,000 per occurrence under our published standards (subject to change) and maintain other insurance following state law requirements. Some property owners may require higher commercial general liability insurance or additional insurance coverage under their leases. Initial premiums for general commercial 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 coverage, including workers' compensation coverage and your discretionary purchases, varies widely but may range from \$3,500 to \$10,000 per year. Your premium may be higher based on your risk profile. It would be best to discuss with your insurance carrier/agent 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 franchise and additional financial obligations.
9. Additional Fund estimates the funds needed to cover business (not personal) expenses during the first three (3) months of operating the Tea Shop. It includes the estimated cost of sales and operating expenses incurred during the initial three (3) months (such as payroll, utilities, taxes, and other charges). However, your actual cost may be higher. The Additional Funds exclude the owner's salary/draw, non-Tea Shop management expenses, and the Tea Shop's opening inventory purchase. Cash flow from your operations may not be adequate to cover operating and other costs during the initial phase of business. Your cost will depend on how much you follow our recommended method and procedures, your management, marketing, general business skills, local economic conditions, the local market for the products and services, competition, local cost factors, and the sales level achieved by you. There is no guarantee that the specified amounts are adequate or that additional investments are unnecessary during the three (3) months of initial operation or afterward.

Other than what is disclosed in this Disclosure Document, we do not authorize our salespersons or any other persons or entities to furnish estimates or otherwise as to the capital or other reserve fund necessary to reach "break-even" or any different financial position, nor should you rely on any such estimates. In addition to the expenses and additional funds shown, we recommend that you have sufficient personal savings and income to be self-sufficient and need not draw funds from the Tea Shop to support your living and other expenses during the initial start-up phase.

We do not offer to finance for any of the costs mentioned above. Tea Shops may vary from one another in many respects. Please also note that the data included in this Disclosure Document is based on the information available when we prepare the document. In the last few years, we have all experienced significant changes in the country's economy that have impacted everyone, including our business. These changes include hikes in energy, labor, and goods and services delivery costs. Other commodity costs have also fluctuated. We have also observed wide swings in the cost and availability of credit, labor, goods, and other materials. Although we cannot predict how these economic factors will impact business costs in the coming year, these variations may materially affect the costs a new franchisee will experience in operating a franchised business.

We do not offer to finance for any portion of your Estimated Initial Investment.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

We and our affiliates have spent considerable time, effort, and money to develop the DING TEA System. We have acquired experience and skill in developing the DING TEA System, which includes producing, merchandising, and selling DING TEA coffee, tea, bubble tea, compatible food products. The distinguishing characteristics of our DING TEA System include, among others, proprietary trademarks, distinctive exterior and interior design, decor, color and identification schemes, and furnishings; special menu items; standards, specifications, requirements, and procedures for operations, manufacturing, distribution and delivery; quality and safety of products and services offered; management systems/programs; training and assistance; and marketing, advertising, and promotional programs. You must conform to our high consistency, quality, safety, cleanliness, appearance, and service standards. We anticipate that our standards will change over time, and we expect you to adhere to these changes.

Required and Approved Suppliers

The reputation and goodwill of the DING TEA System are based upon and can be maintained only by selling high-quality products. All products, including food supplies, utensils, cups, equipment, and materials and services from your Tea Shop, must meet our specifications, standards, and requirements. Your products must be sourced from suppliers that we approve (including manufacturers, distributors, and other providers of goods and services).

We do not have exclusive suppliers of our products, cups, teas, or equipment at this point, and we will provide you with a list of suppliers that already meet our specifications. For your information, our parent company, Chu Yu Hsiang, are approved suppliers, but we are not the only approved

suppliers for the products and equipment you will need to operate the Tea Shop. You can expect the items purchased from approved suppliers under our specifications to represent over 90% of the total purchases for establishing and managing the franchised business. Suppliers are required to share shipping, distribution, and all other information with us, and you will be required to cooperate.

As a franchisee, you are required to purchase certain raw materials and supplies from us. If you choose to purchase these raw materials and supplies from us, we will facilitate the shipping of your orders through our designated warehouse located in the United States. This arrangement ensures the timely and efficient delivery of the necessary materials and supplies to support the operation of your franchise. Please note that this requirement is designed to maintain consistent quality and uniformity across the franchise network.

Approval of Alternative Suppliers

You may suggest suppliers, but every supplier must demonstrate that it meets all specifications, standards, and requirements and has adequate capacity to supply our franchisees' quantity and delivery needs, the ability to provide all franchisees in the DING TEA System. Before approving any supplier, we may take into consideration: a) consistency of products and name brands in (and between) our Ding Tea Systems, b) economies of scale achieved by larger volumes, and c) certain other benefits that a particular supplier may offer, such as new product development capability. When approving a supplier, we consider the Ding Tea System as a whole, which means that certain franchisees may pay higher prices than they could receive from another supplier that is not approved. We reserve the right to withhold approval of a supplier at our discretion. A list of approved suppliers is available on request.

Our criteria for approving alternative suppliers are not available to you or your proposed suppliers. You and the supplier may request approval by submitting the request in writing. We may require that suppliers' samples be delivered to a designated independent testing laboratory or us for testing before approval and use. All submissions will be reviewed under our then-current procedures, and we will consider our available resources, which may affect the timing of our response. The supplier must meet our then-current specifications, standards, and requirements, including signing a non-disclosure agreement and a guarantee of performance. We may change our specifications, standards, and requirements at any time. There is no limit on our right to do so. Suppose the supplier that you propose is initially approved or rejected. In that case, we will notify you and the supplier within thirty (30) calendar 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 other reasons. 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.

We may limit the number of potential suppliers that we consider for approval. We will designate a third party or ourselves as an exclusive supplier for some categories of products. We may assign exclusive suppliers for some types of products or services, including purchasing, distribution, fountain, and packaged beverage products, point of sale equipment, integrated point of sale back-office, help desk support, and high-speed internet access. Currently, you will have to purchase beverage syrup and proprietary tea teas from our designated suppliers. Our affiliates are also approved suppliers, but we are not the only approved supplier of any product or service.

Revenue from Franchisee Purchases

In the last twelve (12) months, excepted as disclosed below, neither we nor any of our affiliates derived revenue, rebates, or other material consideration because of required purchases or leases. However, our parent company (“Chu Yu Hsiang Co., Ltd.”) will derive revenue from required purchases or leases by Ding Tea subfranchisors. In 2025, Chu Yu Hsiang Co., Ltd. generated a revenue of \$2,170,223, out of which \$1,880,334 was derived from the mandatory purchases and leases made by franchisees. This accounted for 86.6% of Chu Yu Hsiang Co., Ltd.’s total revenue, highlighting the significant contribution of required purchases and leases to the company’s overall earnings. For the purchase of raw materials, machinery, and supplies, Chu Yu Hsiang Co., Ltd. will earn approximately 17.5% of all order you placed. The exact profit may change slightly based on the fluctuation of shipment fee, taxes, currency exchange rate, and increase or decrease of the cost to obtain secured raw materials. However, the revenue derived from your purchase by Chu Yu Hsiang Co., Ltd. will not exceed 21% under any circumstances.

The estimated proportion of these required purchases and leases by the franchisee to all purchases and leases by the franchisee of goods and services in establishing and operating the franchised business ranges from 22%-28% of franchisee’s total investment.

There is no existing of any purchasing and distribution cooperatives. We negotiate purchase arrangements with suppliers for the benefit of franchisees. We do not provide any material benefits to a franchisee based on a franchisee’s purchase of products or services or use of suppliers.

Other Requirement

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations as provided in the Agreements. You must have commercial general liability coverage with minimum limits in the amount of \$2,000,000 per

occurrence that name us as an additional insured party. The premium depends on the insurance carrier's charges, terms of payment, and your history.

Before you use advertising materials, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within seven (7) calendar days after receiving the materials, they are deemed to be rejected. You may not use any advertising, promotional, or marketing materials that we have not approved.

You must identify a location where your Tea Shop will be operated within 90 calendar days after signing the Franchise Agreement. We must approve your proposed site, and we must receive and review a proposed lease or purchase agreement in form for execution. We will use commercially reasonable effort to inform you of our approval or disapproval within a reasonable time after our receipt of the proposed lease or purchase agreement. If you have not located a location for the Tea Shop that is acceptable to us within the above-stated time frame, we reserve the right to terminate the Franchise Agreement. In such an event, we will refund the Initial Franchise Fee, less any administrative expenses that we have incurred up to the date of cancellation. You must also complete configuring and commence operation of the Tea Shop within 180 calendar days after signing the Franchise Agreement.

We require you to have a sufficient workstation (a computer, monitor, and printer) that can operate a reasonable version of Microsoft Word and Excel and is capable of accessing the Internet. Please refer to Item 11 for further details.

Cooperatives

There are currently no purchasing or distribution cooperatives. To benefit the DING TEA System, we may negotiate purchase arrangements with a supplier (including price terms). 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 use of a particular supplier.

Negotiated prices

We do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of the franchisees.

Material benefits

We do not provide any material benefits if you buy from sources we approve.

ITEM 9: FRANCHISEE'S OBLIGATIONS

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

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

r. Records and reports	Article 8	Item 11 & 19
s. Inspections and audits	Article 8	Items 6, 7, 8 & 11
t. Transfer	Article 1, 12 & 18	Item 6 & 17
u. Renewal	Article 5	Item 6 & 17
v. Post-termination obligations	Article 8, 9, 11, 13 & 15	Item 17
w. Non-competition covenants	Article 11	Item 17
x. Dispute resolution	Article 14	Item 17
y. Other	Not applicable	None

ITEM 10: FINANCING

For the Fees as described in Item 5, 100% of the Fees is payable within seven (7) Business Days following the signing date of the Franchise Agreement.

Neither we nor any agent or affiliate offers direct or indirect financing to you or guarantees any of your notes, leases or obligations of yours, or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours.

Your ability to obtain financing will depend on your financial strength. If you are a corporation or partnership, or a limited liability company, a lender may need additional information and personal guarantees from the individual shareholders, partners, or members. We make no guarantees as to the availability of financing or the terms that may be offered.

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

1. We do not find a location for you. You will need to find your location(s) and negotiate your real estate interest. If you develop a new Tea Shop, we will approve the location if it meets our standards. It is essential to know that our written approval of a location is not and should not guarantee success at that location. Many factors, some known and some unknown may impact the success of a particular location. We will provide you with a copy of our standard plans and specifications for the Tea Shop. Suppose you fail to identify and propose the site for our review and approval within 90 calendar days from the execution of the Franchise Agreement. In that case, we reserve the right to terminate

the Franchise Agreement immediately without further notice, and the Fees will be forfeited. You must conform the premises to all codes and ordinances, obtain all required permits, and provide us with proof of all applicable licenses and permits at least one month prior to opening the Tea Shop. You must construct or remodel the location to our standards and subject to our written approval. (See Articles 7 and 8 of the Franchise Agreement).

2. We will provide you with the standards for designing, constructing, and equipping your Tea Shop. (See Articles 7 of the Franchise Agreement).
3. If you are opening a new Tea Shop, we will make an initial training program available to you and your designated representative. You (and your appointed representative) must successfully and timely complete the training program to become (or remain) a franchisee. (See Article 6 of the Franchise Agreement).
4. We will provide you with a copy of our operations manual concerning techniques of managing and operating the Tea Shop. (See Articles 1 & 8 of the Franchise Agreement).
5. We will provide advice regarding authorized suppliers of equipment and materials used and inventory offered for sale in connection with the Tea Shop. (See Articles 1, 7, 8 & 9 of the Franchise Agreement).
6. We will make available for purchase by you, directly from us or through authorized suppliers, the equipment, products, materials, and inventory required by you to establish and operate the Tea Shop under the Agreements. Specifically, we will provide you with specifications and detailed requirements of all necessary equipment, signs, fixtures, opening inventory, and supplies. We will provide you with templates for advertising print and marketing materials (such as signs and menus), and you will need to locate local printers. For equipment and certain vital ingredients and raw materials, we will only provide the names of approved suppliers. For furniture and fixtures, we will provide you with specifications and requirements for your conformation. We will not deliver or install these items. (See Article 7 of the Franchise Agreement).

Post-Opening Obligations

The following are our obligations during the operation of the franchise business:

1. We will maintain a continuing advisory relationship with you, providing such assistance as we deem appropriate regarding the development and operation of the Tea Shops. (See Article 6 of the Franchise Agreement).
2. We will provide you with standards for the location, physical characteristics, operating systems of Tea Shops, and other concepts. We will also provide the standards of the products that are sold, the qualifications of suppliers, the qualifications, organization and training of franchisees and their personnel, the marketing of products and our brand, and all other things affecting the experience of consumers who patronize our DING TEA System. We make those standards available to you in our manuals and in other forms of communication, which we may update from time to time. (See Articles 8 & 10 of the Franchise Agreement).
3. We will review advertising and promotional materials that you propose to use locally, and we will request your assistance and cooperation when we do have a marketing campaign. (See Article 4 of the Franchise Agreement).
4. We will update the operations manual, including new developments and improvements in equipment, food products, packaging, and preparation. (See Article 8 of the Franchise Agreement).
5. We will provide on-site post-opening assistance at the Tea Shop as we find appropriate at additional cost. (See Article 6 of the Franchise Agreement).

Please note that it usually takes two to three months between (i) the earlier of the (a) signing of the Franchise Agreement or (b) first payment of Fees; and (ii) the opening of the Tea Shop. The reason may be the availability of a site, financing, building permits, zoning, and local ordinances. We typically do not experience shortages or delayed installation of equipment, fixtures, and signs.

Advertising Expenditures

You must spend a reasonable amount on advertising for the Tea Shop in local advertising at your expense, and we estimate that approximately 3% of the gross monthly sales of the Tea Shop would be reasonable. You do not need to pay the advertising expenditures to us; instead, you have to pay third-party merchants. You may use your local advertising, including directory advertising, newspaper ads, flyers, brochures, coupons, direct mail pieces, specialty and novelty items, and radio and television advertising. All advertising must comply with our brand guidelines and obtain our prior written approval of all your local advertising and promotional plans and all materials you would like to use, and it will be at your expense.

We do not currently have a marketing fund. However, we reserve the right to establish and administer a marketing fund in the future on a regional or national basis. You will contribute to the marketing fund. We do not anticipate enacting the marketing fund during this calendar year or

until we determine that a sufficient number of Tea Shops are open and operating so that regional or national advertising benefits the DING TEA System. However, when we establish the marketing fund, you will have to participate. You will have to contribute to the marketing fund approximately 3% of the gross monthly sales of the Tea Shop to be paid in the same manner as the royalty payments. After we establish the marketing fund, the amount to be paid to the marketing fund is a certain percentage of gross monthly sales determined by both Parties in writing. Neither marketing fund nor any funds for advertising and marketing will be used for advertisement that is principally a solicitation for the sale of franchises for Ding Tea System. We do not currently have a franchisee advertising council that advises us on advertising policies, though we reserve the right to establish such a council in the future. For the calendar year ending December 31, 2018, we did not collect or spend any money from the marketing fund. We currently do not have a local or regional advertising cooperative, and we are not planning to set up one. If we do in the future, you are not required to participate in one.

We do not have an obligation to conduct advertising, such as advertising through our website, TV ads, radio ads, promotional events, and local flyers. If we choose to advertise on behalf of the DING TEA brand, the source of the advertising would be an in-house advertising department. Currently, we do not have a minimum amount of advertising in the area or territory where you are located. If we do have a marketing campaign, you will use commercially reasonable effort to cooperate fully with the marketing campaign.

Computer and Electronic Cash Register Systems

We require you to have a sufficient workstation (a computer, monitor, and printer) that meets our minimum standards to operate Microsoft Word and excel and access the Internet. This workstation may also be used for any other software that you use to manage your business. We do not have any obligation for maintenance, repairs, updates, and upgrades of your computerized system.

We currently do not have independent access to the data generated by your computer system but reserve the right to have such access in the future. We may require you to upgrade or update your computer hardware or software during the term of the Agreements. There are no contractual limitations on the frequency or cost of this obligation.

We require you to process and record all your sales on the point of sale/back-office system (“POS System”) that we approve. The approved POS systems are:

1. Capable of recording sales data.
2. They cannot modify or reset, and they retain data in the event of power loss.

3. Have the capability to operate a minimum of one cash register unit.

The cost of purchasing and maintaining a POS System that fits our standard is estimated to be \$1800, and there should be an estimated \$60 monthly maintenance once the system is purchased.

Operations Manual

We will provide you with a copy of the management manual(s) for each Ding Tea System that you are franchised to operate. Each operations manual contains mandatory and suggested standards, using procedures and rules that we prescribe for the Ding Tea System. The operations manuals are confidential, copyrighted, and not reproduced or distributed to any unauthorized person. We can change the terms of, and add to, the operations manuals whenever we believe it is appropriate. The replacement cost of our manual is \$200 per manual.

Site and Lease Approval

We may select the site for new Tea Shops or approve a place you choose and bring it to us. Factors affecting our decision generally include location, occupancy costs, proximity to significant retail activity, traffic volume and speed, the density of nearby population (resident or daytime), competition and potential for encroachment on other Tea Shops of the same brand, site configuration, parking, accessibility, visibility, signage permitted by the landlord and local governmental authorities and other factors. Each site is considered individually, as no two sites are the same. Factors other than those listed above may be considered in evaluating a particular site. We do not guarantee that any site will be successful.

If you submit a site for our approval, you must provide us with all the required information about the site. Suppose you fail to identify and propose the site for our review and approval within 60 calendar days from the execution of the Franchise Agreement. In that case, we reserve the right to terminate the Franchise Agreement immediately without further notice, and the Fees will be forfeited. You must provide a copy of the lease for our record. You may not begin any construction on a site until we have approved it. We do not typically pay “finders’ fees” for sites. We do not usually own or take a lease on a premise and then lease it to our franchisees. We are not required to provide you with assistance in negotiating the purchase or lease of the site, but we may do so in some cases.

All sites must be approved by us and must be developed by you in accordance with our requirements. You cannot develop a site until we approve it. We will not reimburse you for any costs you incur with respect to any location that you submit to us for approval. While we try to

review nominated sites promptly, there is no specified period in which we must respond to your approval request. If the parties have failed to agree upon a site, we will refund you the refundable security deposit.

If you construct your Tea Shop, we will provide you standard, generic plans and specifications for the improvements, furnishings, fixtures, and decor of the type of Tea Shop approved for your site. You must then, at your expense, have specific plans and specifications for construction or conversion of the space for the Tea Shop (and conforming to local ordinances and building codes, as well as obtaining the necessary permits) prepared by a licensed architect. Before you may begin construction, these plans and specifications must be approved by us in writing. We must approve any changes made during construction in writing. All construction will be at your sole expense.

Before opening the Tea shop, you must ensure that the Tea Shop is accessible to and usable by persons with disabilities and meets the Standards for Accessible Design for new construction. The Standards may be amended from time to time or any more stringent accessibility standard under federal, state, or local law.

Hiring and Training

We do not provide any assistance in hiring your employees. The initial mandatory training is held only once per franchisee. It includes two phases: an initial training at our main training facility in Taiwan (Republic of China) and on-site pre-opening training at the Tea Shop site. We only offer initial training once, and it is scheduled under both parties’ convenience and availability, as long as it is completed before the opening of the Tea Shop. However, we do not have a requirement on how soon after signing or before opening the initial training must be completed.

Our training program includes but is not limited to the following: operations management, human resources management, import operations, marketing plans, tea shop management, raw material inventory and controls, and basic maintenances. We may offer special training courses such as service staff training, special promotion training, other pre-opening supports, and continuous organizational support.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Retail Store Introduction	1	0	Designated Training Facility or store

Introduction of Equipment and Facilities	1	0	Designated Training Facility or store
Basic Knowledge of Raw Material	1	0	Designated Training Facility or store
Basic Knowledge of Tea Leaves	1	0	Designated Training Facility or store
Bar Area Replenishment	2	0	Designated Training Facility or store
Tea Making	10	8	Designated Training Facility or store
Takeout/Large Order	1	0	Designated Training Facility or store
How to Open the Tea Shop	1	3	Designated Training Facility or store
POS System	1	7	Designated Training Facility or store
Spirit of Service Industry	1	0	Designated Training Facility or store
Basic Accounting	1	1	Designated Training Facility or store
Q&A and Exam	1	0	Designated Training Facility or store

We have a dedicated team of instructors for the DING TEA training program. The lead trainer, Wei Hsiang, Hsu, has more than five (5) years of experience in the hospitality, training, and service industry. She has trained more than one hundred Taiwan and overseas tea shops in countries across North America, Southeast Asia, and Europe.

The initial training program involves a minimum of seven (7) calendar days of instruction for a minimum of two (2) personnel to be trained together simultaneously. We may lengthen, shorten or restructure the content of this program. We will provide the training at our designated training facility. Please note that our designated training facility may not be in the United States.

The initial training program will mainly cover the Operating Manual (please see the Operating Manual's Table of Content as provided below) and the topic described in the table above. The initial training program is mandatory for all franchisees. You or the Principal Operators, whichever is applicable, must complete the program to our satisfaction. You must complete the training before the opening of the Tea Shop. We will decide the program's scheduling based on your availability and the projected opening date for your Tea Shop. We design the initial training program to cover all phases of the operation of a Tea Shop. We reserve the right to waive a portion

of the initial training program or alter the training schedule if, at our sole discretion, you or the Principal Operator has sufficient prior experience or training. We will make the initial training program available to a replacement or additional Principal Operators during the Franchise Agreement term.

If you do not successfully and timely complete all training and certification requirements, we may not you a franchise. We will have the right to terminate the Agreement if you do not successfully and timely complete the initial training. You are required to complete the initial training within a reasonable amount of time following the Franchise Agreement signing.

In our good faith opinion, you and your Tea Shop managers must have literacy and fluency in the English language to satisfactorily complete our training program and to communicate with employees, customers, and suppliers.

During the Tea Shop opening under the Franchise Agreement, we pay the cost of presenting the initial training program. However, you must pay your employees' salaries, accommodations, travel expenses, and other reasonable expenses, if any. If you demand to conduct the initial training program in a location other than your Tea Shop, we may charge you additional costs, such as your portion of the costs for the meeting room. You must also pay for later training programs that we may conduct or require.

Post-Opening Consultation

We may, at your request, provide additional technical and orientation personnel to assist you in developing and launching other Tea Shops. You shall pay for the expenditures accrued by the said personnel. If we have advanced the cost of the said expenditures, you shall reimburse the same amount in cash. Upon receiving our written reimbursement request, you must pay the following expenses within seven (7) calendar days. The said personnel expenditures might include \$500 per person per day for each field visit. The fee covers the technical and orientation personnel, round trip airfare for the trainer(s), local traveling expenses, three stars or above lodging, food, and beverage, and other reasonable costs incurred on behalf of you. Our training programs are regularly reviewed and updated. As mentioned in Items 6 and 8, you may propose an alternative supplier, and there are no administrative supplier testing fees. But 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.

Management Manual's Table of Content

Below please find the table of content of our management manual, which will be used as the instructional handbook used during our initial training.

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ITEM 12: TERRITORY

You acknowledge and agree that you do not have a right to develop and open more than one Tea Shop or any options or similar rights to acquire additional Tea Shops under one franchise agreement. This franchise is for one specific location approved by us. Your right to operate a Tea Shop and the Territorial Right under the Franchise Agreement is limited solely to the location outlined in the Franchise Agreement. There is no minimum territory granted to the franchisee. Your territorial right does not dependent upon achieving a specific sales volume, market penetration, or any other contingency. You may face competition from other franchisees, outlets that we own, or other distribution channels or competitive brands that we control. You do not have the right to distribute products through alternative distribution channels. Specifically, you cannot solicit or accept orders from consumers outside of your Tea Shop through Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Tea Shop. We reserve the right to use alternative distribution channels for our products and trademarks, and we may expand our sale of products on a local, regional, national or international basis. Unless stated otherwise, we have the absolute right to distribute or license others to distribute products identified by our trademarks, regardless of the proximity to your location, through any distribution methods or channels. These other sources of distribution could compete with you. Furthermore, we do not pay any compensation for soliciting or accepting orders inside the franchisee’s territory, the ROFR Territory (as defined below), or near your Tea Shop location. Please note, however, that we currently do not plan to use other distribution channels, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within Tea Shop under trademarks different from the DING TEA Trademarks.

We reserve the absolute right to distribute goods or services through the Internet or other electronic communications, telephone, mail, or similar methods, regardless of the destination of the products or services. We may not solicit or accept orders from consumers inside your Tea Shop. Still, we may direct orders to your Tea Shop through Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Tea Shop.

We also retain the sole right to use our trademarks on the Internet, including 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 DING TEA website. Suppose we do ever approve of a website that you promote and develop. In that case, we have the

right to condition our approval on the terms that 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 agreement.

Under the Franchise Agreement terms, you do not have the right to relocate your Tea Shop. If you request relocation, you must obtain our prior written approval for the site and meet our then-current criteria for relocation, which we will grant based on our sole discretion. Our decision would be based on various factors, including but not limited to the past performance of the Tea Shop under your management, your relationship with the existing staff and their ability to relocate with you, the relocation address, population, and competition. Similarly, if you request an additional franchised outlet, we would consider similar factors as stated above.

You currently do not have any rights to acquire additional franchises or other options, such as rights of first refusal or similar rights to obtain different franchises. If we grant you the relocation or additional franchised outlet, you must be current with all your obligations to us. You must sign our then-current Franchise Agreement, with all then-current on-going fees, for a term equal to the period remaining on your Franchise Agreement for the previous or original location.

You will not receive an exclusive territory. You may face competition from other franchisees, outlets that we own, or other distribution channels or competitive brands that we control. You also have no rights to the distribution channels referenced above in this Item 12. However, you are entitled to the right of first refusal if we decide to open another Tea Shop targeting the same clientele within three (3) miles of the site in the same commercial district, center, village, city, or county line (the ROFR Territory). Specifically, suppose we desire to open another Ding Tea Tea Shop targeting the same clientele within the ROFR Territory. In that case, we will give you prior written notice of such desire. The notice will include all of the available details of such contemplated store, including, without limitation to it, the updated terms and conditions of such proposed franchise, the identity and address of the proposed franchise, and the potential location (the "Notice"). You will have one (1) month after receipt of such notice (the "ROFR Deadline") to exercise in writing your right of first refusal option to purchase the franchise within the ROFR Territory. If you do not exercise your right of first refusal after the ROFR Deadline, we will sell the franchise to the proposed franchisee under the terms and conditions outlined in such notice. For example, suppose we intend to open a stand-alone Ding Tea Tea Shop within three (3) miles direct line distance of the site in the same commercial center. In that case, we will need to provide you with the notice and may offer the franchise opportunity to a third party only after you decline to purchase the franchise after the ROFR Deadline. But we may open a Ding Tea Tea Shop in a mall within the same area without forwarding you the notice. Specifically, a shopping mall or plaza means any retail shopping center containing two or more anchor retail department stores. Current examples of anchor retail department stores include Sears, Macy's, JCPenny, Nordstrom, Neiman

Marcus, Bloomingdales, Saks Fifth Avenue, Dillard's, K-Mart, Kohls, Ross Stores, Best Buy, Wal-Mart, Home Depot, Office Depot, 99 Cents Only Stores, or other similarly large retail stores. You and we acknowledge that this list of examples is not complete, that some of these stores will go out of business, some will merge, and new stores will be established. Also, we may compete with your location and draw customers from the same area as your Tea Shop through distribution and use or sale of Ding Tea-trademarked products in a hotel room, an office, or a supermarket, or through a vending machine, tea stall, or tea truck.

Furthermore, you acknowledge and agree that specific locations within and outside the ROFR Territory are by their nature unique and separate from sites generally developed as a Ding Tea Tea Shop. Such locations include but are not limited to public transportation facilities, sports facilities, university campuses, shopping malls, business plazas, amusement, and theme park. As a result, you agree that the following locations are excluded from the ROFR Territory, and we have the right to develop or franchise such locations. Lastly, you may only engage in catering or delivery services within the ROFR Territory. Please note, however, that we reserve the right to modify such ROFR Territory and ROFR Territory-related policy in the event of population changes, which we will discuss with you in good faith and reach a mutually agreeable consensus in writing.

We do not have any affiliate that operates, franchises, or plans to manage or franchise a business under a different trademark. That business sells or will sell goods or services like the DING TEA system in the United States.

As part of your review of a particular trade area or territory, we may provide you with certain information such as (a) maps indicating existing Tea Shops and competitor locations and may highlight potential areas of interest to us, and (b) demographic reports (including population and median household income) generated by third parties. You must validate the information we provide to you. We do not draw any inferences regarding Tea Shop performance from the map or demographic information we share with you, and you may not remove any inferences from them either. We also do not represent or guarantee that a certain level of demographics, maps, or trade area characteristics will translate to a certain level of financial performance. You may not draw any such inferences based upon any of the information we provide to you because we do not give the information for that purpose.



ITEM 13: TRADEMARKS

The Franchise Agreement licenses you the non-exclusive right to operate a Tea Shop under the DING TEA and other trademarks. By trademarks, we mean trade names, trademarks, service marks, emblems, designs, merchandising devices, and logos used to identify your Tea Shop

(collectively “DING TEA Trademarks”). You may also be authorized to use other current or future trademarks to operate your Tea Shop.

You must follow our rules when you use our Ding Tea Trademarks. You cannot use any of our company names or Ding Tea Trademarks as part of a corporate, limited liability company, other entity names, e-mail address, electronic identifier, or Internet domain name. You cannot use any of our company names or Ding Tea Trademarks with modifying words, designs, or symbols, except for those we license to you. You may not use your name in connection with our DING Tea Trademarks in advertising your Tea Shop (such as “John Doe’s Ding Tea”). You may not use any of our company names or DING TEA Trademarks to sell any unauthorized product or service or in a manner, we have not authorized in writing. You may only use these Ding Tea Trademarks to operate a Tea Shop and cannot be used for any purpose or in any manner not authorized by us. You may only use our Ding Tea Trademarks on vehicles if you first obtain our written consent. Our parent company authorizes us to sublicense the DING TEA trademarks. All rights in and goodwill from the use of the Ding Tea Trademarks accrue to us and our affiliates. No agreement limits our right to use or license the use of the Ding Tea Trademarks related to the franchise.

The Ding Tea Trademarks and service marks listed below are registered on Principal Register in the United States Patent and Trademark Office on the date shown. All affidavits required to preserve and renew these Trademarks have been timely filed.

Trademark	Registration Number	Registration Date
	5725088	April 16, 2019
	4869840	December 15, 2015

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

You must notify us immediately when you learn about an infringement of or challenge your use of our Ding Tea Trademarks. We will take action when we think appropriate. We have the right to control all administrative proceedings or litigation involving our Ding Tea Trademarks. In the event we undertake the defense or prosecution of any such proceeding or litigation, you agree to execute all documents and do such acts and things as may be necessary, in the opinion of our counsel, to carry out such defense or prosecution.

You must modify or discontinue the use of a Ding Tea Trademark if we modify or discontinue it. If this happens, we are not required to reimburse you for your tangible costs of compliance (for example, changing signs). You must not directly or indirectly contest our right to our Ding Tea Trademarks, trade secrets or business techniques that are part of our business.

We or our affiliates do not operate or plan to operate or franchise business under a different trademark that will sell goods or services that are the same as or similar to those you will sell.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or registered copyrights are material to the franchise. We do, however, claim copyright interests in our training manuals, magazines, posters, toys, pamphlets, brochures, television advertisements, and all printed and pictorial materials that we produce. These materials are proprietary and confidential and are considered our property. They may be used by you only as long as you are a franchisee and only as provided in your Franchise Agreement.

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 manuals. In the manner we approve, you may use these materials in the operation of your Tea Shop during the term of your Franchise Agreement. However, you may not use these materials in any other way for your benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include any trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. The materials include information about our sources of supply and our recommendations on pricing. You may disclose this information to your employees, but only to the extent necessary to operate the business, and then only while your Franchise Agreement is in effect. You must also promptly tell us when you learn about unauthorized uses or challenges to our uses of this proprietary information. We are not obligated to take any action but will respond to this information as we think appropriate. There are no infringing uses known to us that could materially affect your copyright use.

There is no effective decision, ruling, or order of the United States Patent and Trademark Office, Copyright Office of the Library of Congress, or any court, which 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 such patents or copyrights in any manner material to you. We may use and incorporate into any Ding Tea System changes and improvements that you or your employees or contractors develop. We do not have any obligation of these changes or modifications in connection with such use.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must devote your best efforts to operate and manage the Tea Shop(s) under the terms and conditions of the Agreements and to promoting and enhancing the sale of the Tea Shops. If you are an individual, you must perform all obligations and requirements as stated in the Agreements or designate and retain at all times an individual, subject to our approval, to serve as the Principal Operator under the Agreements. Suppose you are a corporation, partnership, or limited liability company. You must name an individual as the Principal Operator to assume primary responsibility for your Tea Shop(s) management. In that case, such an individual is not required to have any designated amount of equity interest in the Tea Shop. We will request you honor the confidentiality and the non-compete clauses as stated in the Franchise Agreement and recommend that you have your manager or staff sign a confidentiality agreement and a non-compete agreement that offer the same protection as the confidentiality the non-compete clause as stated in the Franchise Agreement.

You or your Principal Operator must complete our training program. Furthermore, you or your Principal Operator must supervise, train and evaluate the performance of your employees so that they provide competent and efficient service to customers.

You must devote continuous best efforts to your business's development, management, and operation. It means devoting sufficient time and resources to ensure complete compliance with your obligations to us, your customers, and others. The business is challenging, and it requires and responds to personal attention. It is essential that you be involved in all facets of the business. You must be able to organize the business so that our standards of service, quality, and cleanliness are maintained, and you must set standards for your employees to follow. The business requires a firm, personal commitment and, at least initially, may require many long hours. In addition to production skills, you must also understand and perform all of the sales, operations, management, and maintenance functions required to ensure the successful operation of the business.

Because this is primarily a cash business, you must have adequate, vigilant cash management procedures to avoid employee theft. You can minimize these demands on you 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 recruit, train, and motivate your personnel. However, recruiting, training, and motivating employees are your responsibility.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to confine your business to the operation of a Tea Shop. You may not conduct any other business or activity at the Tea Shop without our prior written approval. You may only offer or sell products approved by us, and you must submit for sale the full menu prescribed by us. We may add, delete or change approved products that you are required to offer from time to time, and there are no limits on our right to do so. In providing products for sale, you may only use products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, equipment approved by us. You must follow methods of product preparation and delivery that meet our requirements.

We impose no customer restrictions on the sale of products at your Tea Shop. However, your franchise is limited to one location, and all sales must be made from that location. You are not permitted to sell or distribute goods or services through the Internet or other electronic communications.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Articles in the Franchise Agreement	Summary
a. Length of the franchise term	Article 5	For the Franchise Agreement, the term is 3 years. (Note 1)
b. Renewal or extension of the term	Article 5	Conditional Renewal. (Note 2)

c. Requirements for franchisee to renew or extend	Article 5	The Franchise Agreement may be renewed for 3 years. The renewal may require you to sign agreement with materially different terms. (Note 1)
d. Termination by franchisee	Not Applicable	You do not have the right to unilaterally terminate the Agreements.
e. Termination by franchisor without cause	Not Applicable	We do not have the right to unilaterally terminate the Agreements.
f. Termination by franchisor with “cause”	Article 7 & 13	If you have not commenced operation of the franchised business within 180 calendar days after the Effective Date; we may terminate the Franchise Agreement by providing a prior 60-days written notification if you commit a default that cannot be cured or fail to timely cure a default that may be cured under the Agreements; you admit your inability to pay your debts as they become due, or you or the business to which you relate (A) has been the subject of an order for relief in bankruptcy, (B) are judicially determined to be insolvent or (C) have all or substantial part of your assets assigned to or for the benefit of any creditor; you abandon the Franchise by failing to operate the Outlet for five consecutive Business Days during with you are required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intent to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond your control; you make any material representations relating to the acquisition of the Franchise or you engage in conduct that reflects materially an unfavorably upon the operation and reputation of the franchised business or the System; you fail, for a period of 10 Business Days after notification of noncompliance, to comply with

		any federal, state or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise; after curing any failure in accordance with section 13.3 of the Agreement, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of this Agreement, whether or not corrected after notice; an audit or investigation conducted by us (A) disclose that you knowingly maintained false books or records, or submitted false report to us, or knowingly understated your Gross Revenues or withheld the reporting of any your Gross Revenues, or (B) reveal an underreporting or under recording error on any single occasion of 5% or more; or you make reasonable determination that your continued operation of the Franchise will result in an imminent danger to the public health or safety.
g. “Cause” defined – curable defaults	Article 13	Except where your state’s law may provide otherwise, except as stated in section h of this table, all defaults must be cured within 60 calendar days after notice. (Note 3)
h. “Cause” defined – non-curable defaults	Article 13	The following defaults cannot be cured by you: (i) facing material financial difficulties(Note 4); (ii) abandoning the Tea Shop for five consecutive Business Days; (iii) mutually agreeing in writing to terminate the Franchise; (iv) misleading and harming Ding Tea business reputation; (v) failing repeatedly to comply to applicable laws or regulations or one or more material requirements of the Franchise Agreement; (vi) committing crime that is relevant to the operation of the Franchise; (vii) material misleading or fraudulent financial records, or (viii) we makes reasonable determination that your continued

		operation of the Franchise will result in an imminent danger to the public health or safety.
i. Franchisee's obligations on termination/nonrenewal	Article 4, 8 & 15	Upon expiration or termination of the Agreements, you must immediately pay us all unpaid Initial Franchise Fees or any amounts due without reduction or offset. Suppose you do not open any Tea Shops; you must pay us all outstanding fees or amounts due. All rights granted according to the Agreements shall cease immediately without further notice. You shall cooperate with us to cancel any licenses or registrations under your name, execute such documents, and do all acts and things as may be necessary to effect such cancellation. You shall return to us promptly, at your sole expense, all records and copies of promotional materials or objects in its possession relating to the Ding Tea System, and of any information of a confidential nature communicated to you by us or our affiliates according to, in connection with, or arising from this Agreement.
j. Assignment of contract by franchisor	Article 12	We may assign our rights to any person or entity that agrees in writing to assume all of our obligations without your approval. Upon transfer, we will have no further obligation under this agreement, except for any accrued liabilities.
k. "Transfer" by franchisee – definition	Article 12	A "transfer" by you is any sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in either the Franchise Agreement, the franchise itself, or any proprietorship, partnership, limited liability company ("LLC") or corporation which owns any interest in the franchise, to any person, persons, partnership, association, LLC or corporation, whether by contract, operation of law or otherwise.
l. Franchisor approval of transfer by franchisee	Article 12	You may transfer a direct or indirect interest in this Agreement with our prior written consent, which will not be unreasonably withheld.

m. Conditions for franchisor approval of transfer	Article 12	The Site for a Tea Shop and the associated rights and obligations are a package and are not themselves divisible in any way; you sign the General Release (if law allows), we have right of first refusal, and transfer fee is paid.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable.
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	Article 11	You agree that during the term of this Agreement, or during any Renewal Term, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any business where 50% or more of its sales include the sale of gourmet teas, coffee, various flavored tea-based beverages, bubble tea, and compatible food products and related supplies, accessories and gifts, other than one authorized by this Agreement or any other agreement between us and you (Note 5).
r. Non-competition covenants after the franchise is terminated or expires	Article 11	You agree for a period of one (1) year after termination or expiration of the Franchise Agreement, you may not directly or indirectly operate, manage, own, assist or hold an interest in, any competing business selling goods or offering services equivalent to Ding Tea Tea Shop within a radius of 25 miles of the ROFR Territory or any other authorized retail location selling similar products as those sold in Ding Tea Tea Shop, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion (Note 6).

s. Modification of the franchise agreement	Article 16	The Agreements may only be modified by the parties in writing.
t. Integration/merger clause	Article 16	Only the terms of the Franchise Agreement and other related agreements are binding (subject to applicable state law). Nothing in these agreements, however, is intended to disclaim the representations we made in this franchise Disclosure Document that we furnished to you. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Article 14	Except as specifically provided in sections 13.2(c) and 13.3(c) of the Franchise Agreement, any Dispute between we (and/or our affiliated entities) and you (and/or your Principal Equity Owners or affiliated entities) not settled through the procedures described in section 14.1 of the Franchise Agreement, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator administered by JAMS, Inc. in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than \$250,000.00) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000.00 or more), or if the parties in dispute mutually agree, through binding arbitration by one arbitrator administered by any other mutually agreeable arbitration organization. This Section is subject to state law.
v. Choice of forum	Not Applicable.	Not Applicable. This Section is subject to state law.
w. Choice of law	Article 16	Delaware law applies (Note 7). This Section is subject to state law.

Note 1. The Agreements shall be terminated automatically without further notice at the end of the Term, unless renewed in accordance with the terms of the Agreements.

- Note 2. The laws in some states require a franchisor to renew a franchise agreement, unless it has good cause not to renew. If you and your Franchise Agreement qualify for renewal under these laws, we will offer renewal to you as required by law.
- Note 3. Cure periods may be extended or provided if required by law.
- Note 4. The provision of the Agreements that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Article 101 et seq.). In addition to the provisions noted in the cart above, the Agreements contain a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive damages or exemplary damages, and limitations on whether claims may be raised (See Article 13 of the Franchise Agreement). We recommend that you carefully review all of these provisions, and the entire contract, with a lawyer.
- Note 5. The Agreements contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under local state laws.
- Note 6. The Agreements contain a liquidated damages clause. Certain liquidated damages clauses are unenforceable under local state laws.
- Note 7. Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit D.

ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote our franchise. Although the Franchise Agreement does not prohibit you from using a public figure in promotion or advertising, we must approve any public figure, media, time and text that you propose to use.

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 Franchise Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) 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 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 Wei Hsiang, Hsu, at 919 NORTH MARKET STREET, SUITE 950, WILMINGTON, DE 19801; 800-246-2677, bow6509@dingtea.com, the Federal Trade Commission, and the appropriate state regulatory agencies.”

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary for Year 2023 to 2025

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
Franchised	2023	122	137	+13
	2024	137	120	-17
	2025	120	101	-19
Company-Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Total Outlet	2023	122	137	+13
	2024	137	120	-17
	2025	120	101	-19

Table 2
Transfer of Outlets from Franchisees to New Owners
(Other than the Franchisor) for Year 2023 to 2025

State	Year	Number of Transfer
CA	2023	0
	2024	6
	2025	0
FL	2023	0
	2024	1
	2025	0

GA	2023	0
	2024	2
	2025	0
IL	2023	0
	2024	1
	2025	0
Total	2023	0
	2024	10
	2025	0

Table 3

Status of Franchised Outlets for Year 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisors	Ceased Operations – Other Reasons	Outlets at End of the Year
AR	2023	0	1	0	0	0	0	1
	2024	1	0	1	0	0	0	0
	2025	0	0	0	0	0	0	0
AZ	2023	4	0	1	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	1	0	0	0	2
CA	2023	46	11	0	0	0	0	57
	2024	57	1	3	10	0	0	45
	2025	45	1	1	5	0	0	40
CO	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
FL	2023	8	1	0	0	0	0	9
	2024	9	0	1	2	0	0	6
	2025	6	0	2	2	0	0	2
GA	2023	12	1	0	0	0	0	13
	2024	13	1	0	1	0	0	13
	2025	13	0	0	1	0	0	12
GU	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
HI	2023	2	0	0	0	0	0	2
	2024	2	0	1	0	0	0	1

	2025	1	0	0	0	0	0	1
ID	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
IL	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
KS	2023	3	0	1	2	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
LA	2023	2	1	0	0	0	0	3
	2024	3	1	0	1	0	0	3
	2025	3	1	0	0	0	0	3
MD	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
MI	2023	2	4	1	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	1	0	0	4
MN	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
NV	2023	0	1	0	0	0	0	1
	2024	1	0	0	1	0	0	0
	2025	0	0	0	0	0	0	0
OK	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
OR	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
PA	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
SC	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
TX	2023	17	1	4	0	0	0	14
	2024	14	0	0	0	0	0	14
	2025	14	1	1	7	0	0	7
UT	2023	5	0	1	0	0	0	4

	2024	4	1	0	0	0	0	5
	2025	5	1	0	1	0	0	5
VA	2023	1	0	0	1	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
WA	2023	7	6	0	4	0	0	9
	2024	9	0	0	0	0	0	9
	2025	9	0	0	1	0	0	8
Total	2023	122	31	9	7	0	0	137
	2024	137	4	6	15	0	0	120
	2025	120	5	5	19	0	0	101

Table 4
Status of Company-owned for Year 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlet Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0

Table 5
Projected New Franchised Outlets as of December 31, 2025

State	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
CA	0	5	0
TX	0	5	0
WA	0	5	0
Total	0	15	0

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

Please find the contact information of the current franchisees in Exhibit G.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict their ability from discussing with you their experience as a franchisee in the DING TEA System.

There is no trademark specific franchise organization associated with the Ding Tea System.

ITEM 21: FINANCIAL STATEMENT

Attached as Exhibit A is the Independent Auditor's Report and the audited Financial Statements for the fiscal year ended December 31, 2025, 2024, and 2023. Our fiscal year end date is December 31.

ITEM 22: CONTRACT

The Following Agreements are exhibits to this Disclosure Documents:

- EXHIBIT A FINANCIAL STATEMENTS
- EXHIBIT B FRANCHISE AGREEMENT
- EXHIBIT C STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF
PROCESS
- EXHIBIT D ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT & FRANCHISE
AGREEMENT
- EXHIBIT E GENERAL RELEASE
- EXHIBIT F STATE EFFECTIVE DATES
- EXHIBIT G CONTACT INFORMATION OF FRANCHISEES
- EXHIBIT H RECEIPTS

ITEM 23: RECEIPT

Exhibit H contains detachable documents acknowledging your receipt of the Disclosure Document.

EXHIBIT A
FINANCIAL STATEMENTS

DING TEA CORPORATION
Independent Auditor's Report
and Financial Statements
December 31, 2025 and 2024

DING TEA CORPORATION
Independent Auditor's Report
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
DING TEA CORPORATION
New Castle, Delaware

Opinion

We have audited the accompanying financial statements of **DING TEA CORPORATION**, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **DING TEA CORPORATION** as of December 31, 2025 and 2024, 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 **DING TEA CORPORATION** 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 **DING TEA CORPORATION**'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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 **DING TEA CORPORATION**'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **DING TEA CORPORATION'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 audit.



Chen & Fan
Accountancy Corporation

San Jose, California

February 06, 2026

DING TEA CORPORATION
Balance Sheets
December 31, 2025 and 2024

	<u>Assets</u>	
	2025	2024
Current Assets		
Cash and cash equivalents	\$ 2,612,805	\$ 2,607,260
Accounts receivable, net	90,516	173,930
Prepaid expenses	88,320	106,186
Other receivable		
- related party	6,600	4,342
- others	4,308	5,935
Total Current Assets	2,802,549	2,897,653
Other Assets		
Deferred tax assets	165,000	200,000
Security deposit	134	134
Total Other Assets	165,134	200,134
Total Assets	\$ 2,967,683	\$ 3,097,787

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

DING TEA CORPORATION
Balance Sheets – Continued
December 31, 2025 and 2024

Liabilities and Stockholder's Equity

	2025	2024
Current Liabilities		
Accrued expenses	\$ 94,000	\$ 99,000
Other payable	39,914	41,457
Deferred revenue - current	300,284	466,429
Total Current Liabilities	434,198	606,886
Non-Current Liabilities		
Deferred revenue - non-current	244,078	353,151
Customer deposits	654,000	800,000
Total Non-Current Liabilities	898,078	1,153,151
Total Liabilities	1,332,276	1,760,037
Stockholder's Equity		
Common stock, no par value: 1,000 shares authorized; 200 shares issued and outstanding	200,000	200,000
Retained earnings	1,435,407	1,137,750
Total Stockholder's Equity	1,635,407	1,337,750
Total Liabilities and Stockholder's Equity	\$ 2,967,683	\$ 3,097,787

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

DING TEA CORPORATION
Statements of Income and Retained Earnings
For the Years Ended December 31, 2025 and 2024

	2025	2024
Revenue		
Franchise revenue	\$ 555,552	\$ 621,297
Management income	176,890	270,675
Service income	44,500	100,000
Total Revenue	776,942	991,972
Cost and Expenses		
Cost of revenue	76,500	112,000
Operating expenses	353,099	324,836
Total Cost and Expenses	429,599	436,836
Income from Operations	347,343	555,136
Non-Operating Income		
Interest income	54,332	65,240
Income before Income Taxes	401,675	620,376
Income Tax Expense	104,018	147,611
Net Income	297,657	472,765
Retained Earnings, Beginning of Year	1,137,750	664,985
Retained Earnings, End of Year	\$ 1,435,407	\$ 1,137,750

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

DING TEA CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
<u>Cash Flows from Operating Activities:</u>		
Net income	\$ 297,657	\$ 472,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	35,000	24,000
Changes in operating assets and liabilities:		
Accounts receivable	83,414	(5,530)
Prepaid expenses	17,866	62,297
Advanced payment to related party	-	22,000
Other receivable		
- related party	(2,258)	(3,142)
- others	1,627	5,363
Accrued expenses	(5,000)	7,000
Other payable	(1,543)	(51,234)
Deferred revenue	(275,218)	(199,961)
Customer deposits	(146,000)	(78,000)
Net Cash Provided by Operating Activities and Net Increase in Cash and Cash Equivalents	5,545	255,558
Cash and Cash Equivalents, Beginning of Year	2,607,260	2,351,702
Cash and Cash Equivalents, End of Year	\$ 2,612,805	\$ 2,607,260
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for income taxes	\$ 59,065	\$ 62,618

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

DING TEA CORPORATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 1 - Organization and Nature of Business

Ding Tea Corporation (the Company) was incorporated in the State of Delaware on January 7, 2019. The Company is wholly owned by Chu Yu Hsiang Co., Ltd. (the “Parent”, or “CYH”), a public company operates in the franchising of chain tea shops in the Republic of China.

The Company is the sole distributor of CYH in North America and primarily engaged in the business of selling the beverage franchises to the stores in North America.

NOTE 2 - Summary of Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. As of December 31, 2025 and 2024, the total balances of cash in bank exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) for the Company by approximately \$2,339,000 and \$2,323,000, respectively.

The Company extends credit to its customers and performs ongoing credit evaluation of its customers’ financial conditions and generally does not require collateral. It maintains reserves for potential credit loss and returns based on ASC Topic 326 to determine current expected credit loss. Actual credit losses may differ from management’s estimates.

Cash Equivalents

The Company considers short-term time certificates of deposit purchased with an original maturity of less than three months upon investment made as of December 31, 2025 and 2024 to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 2 - Summary of Significant Accounting Policies – Continued

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 markets that are not active or inputs that are observable for the asset or liability, either directly 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.

As of December 31, 2025 and 2024, the carrying values of cash and cash equivalents, accounts receivable, other receivable, accrued expenses and other payable approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2025 and 2024.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The Company recognizes revenue from fees from franchised restaurants operated by conventional franchisees. Initial franchise revenue includes both initial service fees and royalties.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Service income is recognized when the services are performed and completed.

After franchised restaurants opened, the Company agrees to provide certain assistance in the operation of the franchised restaurants. Management income is recognized every month beginning on the opening date.

Licensing franchise fees are recognized evenly over the period of franchise agreement. Fees collected in advance are deferred until earned, with deferred amounts expected to be recognized as revenue within one year classified as current deferred income in the balance sheet.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 2 - Summary of Significant Accounting Policies – Continued

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. It is not subject to income tax examinations by US federal, state and local tax authorities for years before 2021. 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.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 2 - Summary of Significant Accounting Policies – Continued

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions after year-end up to February 06, 2026, the date on which these financial statements were available to be issued.

NOTE 3 - Accounts Receivable, Net

The balances of accounts receivable as of December 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
Gross amount	\$ 225,326	\$ 173,930
Less: allowance for doubtful accounts	<u>(134,810)</u>	<u>-</u>
Net	<u>\$ 90,516</u>	<u>\$ 173,930</u>

The beginning balance of accounts receivable as of January 1, 2024 was \$168,400 with no allowance for doubtful accounts.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 4 - Deferred Revenue

As of December 31, 2025 and 2024, deferred revenue consisted of the following:

	<u>2025</u>	<u>2024</u>
Unearned franchise revenue	\$ 489,748	\$ 742,800
Unearned service income	27,500	27,500
Unearned management income	<u>27,114</u>	<u>49,280</u>
Total	544,362	819,580
Less: current portion	<u>(300,284)</u>	<u>(466,429)</u>
Non-current portion	<u>\$ 244,078</u>	<u>\$ 353,151</u>

NOTE 5 - Income Taxes

Income tax expense (benefit) for the years ended December 31, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Current:		
Federal	\$ 50,856	\$ 88,130
State	<u>18,162</u>	<u>35,481</u>
	<u>69,018</u>	<u>123,611</u>
Deferred:		
Federal	29,000	35,000
State	<u>6,000</u>	<u>(11,000)</u>
	<u>35,000</u>	<u>24,000</u>
Net income tax expense	<u>\$ 104,018</u>	<u>\$ 147,611</u>

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 5 - Income Taxes – Continued

The tax effects of temporary differences which give rise to significant portions of deferred tax assets and the related valuation allowance as of December 31, 2025 and 2024 were approximately as follows:

	2025	2024
Deferred tax assets:		
Deferred revenue	\$ 129,000	\$ 195,000
Allowance for doubtful accounts	33,000	-
State taxes	3,000	5,000
	165,000	200,000
Less: valuation allowance	-	-
Net deferred tax assets	\$ 165,000	\$ 200,000

Based on the Company's forecast of future taxable income, no valuation allowance was provided on the deferred tax assets as of December 31, 2025 and 2024.

NOTE 6 - Related Party Transactions

A. Name of related party and relationship:

Name of Related Party	Relationship
Chu Yu Hsiang Co., LTD (CYH)	Parent Company

B. Significant related party transactions:

a. As of December 31

	2025	2024
Other receivable from CYH	\$ 6,600	\$ 4,342

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2025 and 2024

NOTE 6 - Related Party Transactions – Continued

B. Significant related party transactions – Continued:

b. For the year ended December 31

	<u>2025</u>	<u>2024</u>
Service costs charged by CYH	\$ <u>76,500</u>	\$ <u>112,000</u>

The Company has a store training service agreement and a store opening support service agreement with CYH. The service costs are approximately \$14,000 and \$2,000 for each franchisee for training service and opening support service, respectively. 100% of franchise costs for the years ended December 31, 2025 and 2024 were charged by CYH.

DING TEA CORPORATION
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DING TEA CORPORATION
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CHEN & FAN
ACCOUNTANCY CORPORATION

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San Jose, California 95110
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Irwindale / Los Angeles

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
DING TEA CORPORATION
New Castle, Delaware

Opinion

We have audited the accompanying financial statements of **DING TEA CORPORATION**, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **DING TEA CORPORATION** as of December 31, 2024 and 2023, 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 **DING TEA CORPORATION** 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 **DING TEA CORPORATION**'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

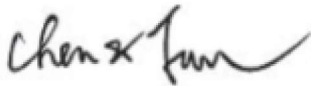
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 **DING TEA CORPORATION**'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **DING TEA CORPORATION'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 audit.

A handwritten signature in cursive script that reads "Chen & Fan".

Chen & Fan
Accountancy Corporation

San Jose, California

February 13, 2025

DING TEA CORPORATION
Balance Sheets
December 31, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and Cash Equivalents	\$ 2,607,260	\$ 2,351,702
Accounts receivable	173,930	168,400
Prepaid expenses	106,186	168,483
Advanced payment to related party	-	22,000
Other receivable		
- related party	4,342	1,200
- others	5,935	11,298
Total Current Assets	<u>2,897,653</u>	<u>2,723,083</u>
Other Assets		
Deferred income taxes	200,000	224,000
Security deposit	134	134
Total Other Assets	<u>200,134</u>	<u>224,134</u>
Total Assets	<u>\$ 3,097,787</u>	<u>\$ 2,947,217</u>

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

DING TEA CORPORATION
Balance Sheets – Continued
December 31, 2024 and 2023

Liabilities and Stockholder's Equity

	2024	2023
Current Liabilities		
Accrued expenses	\$ 99,000	\$ 92,000
Other payable	41,457	92,691
Deferred revenue - current	466,429	577,573
Total Current Liabilities	606,886	762,264
Non-Current Liabilities		
Deferred revenue - non-current	353,151	441,968
Customer deposits	800,000	878,000
Total Non-Current Liabilities	1,153,151	1,319,968
Total Liabilities	1,760,037	2,082,232
Stockholder's Equity		
Common stock, no par value: 1,000 shares authorized; 200 shares issued and outstanding	200,000	200,000
Retained earnings	1,137,750	664,985
Total Stockholder's Equity	1,337,750	864,985
Total Liabilities and Stockholder's Equity	\$ 3,097,787	\$ 2,947,217

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

DING TEA CORPORATION
Statements of Income and Retained Earnings
For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenue		
Franchise revenue	\$ 621,297	\$ 597,162
Service income	100,000	169,500
Management income	270,675	337,500
Total Revenue	991,972	1,104,162
Cost and Expenses		
Cost of revenue	112,000	226,500
Operating expenses	324,836	238,255
Total Cost and Expenses	436,836	464,755
Income from Operations	555,136	639,407
Non-Operating Income		
Interest income	65,240	60,317
Income before Income Taxes	620,376	699,724
Income Tax Expense	147,611	199,335
Net Income	472,765	500,389
Retained Earnings, Beginning of Year	664,985	164,596
Retained Earnings, End of Year	\$ 1,137,750	\$ 664,985

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

DING TEA CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Cash Flows from Operating Activities:</u>		
Net income	\$ 472,765	\$ 500,389
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	24,000	(4,000)
Changes in operating assets and liabilities:		
Accounts receivable	(5,530)	(63,200)
Prepaid expenses	62,297	(162,655)
Advanced payment to related party	22,000	-
Other receivable		
- related party	(3,142)	(1,200)
- others	5,363	(11,298)
Accrued expenses	7,000	37,000
Other payable	(51,234)	40,935
Deferred revenue	(199,961)	182,638
Customer deposits	(78,000)	192,000
	255,558	710,609
Net Cash Provided by Operating Activities	255,558	710,609
Net Increase in Cash and Cash Equivalents	255,558	710,609
Cash and Cash Equivalents, Beginning of Year	2,351,702	1,641,093
Cash and Cash Equivalents, End of Year	\$ 2,607,260	\$ 2,351,702
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for income taxes	\$ 62,618	\$ 376,881

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

DING TEA CORPORATION
Notes to Financial Statements
December 31, 2024 and 2023

NOTE 1 - Organization and Nature of Business

Ding Tea Corporation (the Company) was incorporated in the State of Delaware on January 7, 2019. The Company is wholly owned by Chu Yu Hsiang Co., Ltd. (the “Parent”, or “CYH”), a public company operates in the franchising of chain tea shops in the Republic of China.

The Company is the sole distributor of CYH in North America and primarily engaged in the business of selling the beverage franchises to the stores in North America.

NOTE 2 - Summary of Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. As of December 31, 2024 and 2023, the total balances of cash in bank exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) for the Company by approximately \$2,323,000 and \$2,095,000, respectively.

The Company extends credit to its customers and performs ongoing credit evaluation of its customers’ financial conditions and generally does not require collateral. It maintains reserves for potential credit losses and returns based on ASC Topic 326 to determine currently expected credit losses. Actual credit losses may differ from management’s estimates.

Cash Equivalents

The Company considers short-term time certificates of deposit purchased with an original maturity of less than three months to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies – Continued

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 markets that are not active or inputs that are observable for the asset or liability, either directly 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.

As of December 31, 2024 and 2023, the carrying values of cash and cash equivalents, accounts receivable, other receivable, accrued expenses and other payable approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2024 and 2023.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The Company recognizes revenue from fees from franchised restaurants operated by conventional franchisees. Initial franchise revenue includes both initial service fees and royalties.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Service income is recognized when the services are performed and completed.

After franchised restaurants opened, the Company agrees to provide certain assistance in the operation of the franchised restaurants. Management income is recognized every month beginning on the opening date.

Licensing franchise fees are recognized evenly over the period of franchise agreement. Fees collected in advance are deferred until earned, with deferred amounts expected to be recognized as revenue within one year classified as current deferred income in the balance sheet.

The balance of accounts receivable as of January 1, 2023 was \$105,200.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies – Continued

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. It is not subject to income tax examinations by US federal, state and local tax authorities for years before 2020. 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.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 2 - Summary of Significant Accounting Policies – Continued

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions after year-end up to February 13, 2025, the date on which these financial statements were available to be issued.

NOTE 3 - Deferred Revenue

As of December 31, 2024 and 2023, deferred revenue consisted of the following:

	<u>2024</u>	<u>2023</u>
Unearned franchise revenue	\$ 742,800	\$ 904,441
Unearned service income	27,500	74,000
Unearned management income	<u>49,280</u>	<u>41,100</u>
Total	819,580	1,019,541
Less: current portion	<u>(466,429)</u>	<u>(577,573)</u>
Non-current portion	<u>\$ 353,151</u>	<u>\$ 441,968</u>

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 4 - Income Taxes

Income tax expense (benefit) for the years ended December 31, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
Current:		
Federal	\$ 88,130	\$ 177,545
State	<u>35,481</u>	<u>25,790</u>
	<u>123,611</u>	<u>203,335</u>
Deferred:		
Federal	35,000	(36,000)
State	<u>(11,000)</u>	<u>32,000</u>
	<u>24,000</u>	<u>(4,000)</u>
Net income tax expense	<u>\$ 147,611</u>	<u>\$ 199,335</u>

The tax effects of temporary differences which give rise to significant portions of deferred tax assets and the related valuation allowance as of December 31, 2024 and 2023 were approximately as follows:

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Deferred revenue	\$ 195,000	\$ 219,000
State taxes	<u>5,000</u>	<u>5,000</u>
	200,000	224,000
Less: valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>\$ 200,000</u>	<u>\$ 224,000</u>

Based on the Company's forecast of future taxable income, no valuation allowance was provided on the deferred tax assets as of December 31, 2024 and 2023.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2024 and 2023

NOTE 5 - Related Party Transaction

A. Name of related party and relationship:

Name of Related Party	Relationship
Chu Yu Hsiang Co., LTD (CYH)	Parent Company

B. Significant related party transactions:

a. As of December 31,

	2024	2023
Advanced payment to CYH	\$ <u> -</u>	\$ <u> 22,000</u>
Other receivable from CYH	\$ <u> 4,342</u>	\$ <u> 1,200</u>

b. For the year ended December 31,

	2024	2023
Service costs charged by CYH	\$ <u> 112,000</u>	\$ <u> 226,500</u>

The Company has a store training service agreement and a store opening support service agreement with CYH. The service costs are approximately \$14,000 and \$2,000 for each franchisee for training service and opening support service, respectively. 100% of franchise costs for the years ended December 31, 2024 and 2023 were charged by CYH.

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CHEN & FAN
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
DING TEA CORPORATION
New Castle, Delaware

Opinion

We have audited the accompanying financial statements of **DING TEA CORPORATION**, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **DING TEA CORPORATION** as of December 31, 2023 and 2022, 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 **DING TEA CORPORATION** 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 **DING TEA CORPORATION'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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 **DING TEA CORPORATION'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **DING TEA CORPORATION'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 audit.

A handwritten signature in black ink, appearing to read "Chen & Fan", with a stylized flourish at the end.

Chen & Fan
Accountancy Corporation

San Jose, California

March 25, 2024

DING TEA CORPORATION
Balance Sheets
December 31, 2023 and 2022

	<u>Assets</u>	
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 2,351,702	\$ 1,641,093
Accounts receivable	168,400	105,200
Prepaid expenses	168,483	5,828
Advanced payment to related party	22,000	22,000
Other receivable		
- related party	1,200	-
- others	11,298	-
Total Current Assets	2,723,083	1,774,121
Other Assets		
Deferred income taxes	224,000	220,000
Security deposit	134	134
Total Other Assets	224,134	220,134
Total Assets	\$ 2,947,217	\$ 1,994,255

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

DING TEA CORPORATION
Balance Sheets – Continued
December 31, 2023 and 2022

Liabilities and Stockholder's Equity

	2023	2022
Current Liabilities		
Accrued expenses	\$ 92,000	\$ 55,000
Other payable	92,691	51,756
Deferred revenue - current	577,573	512,619
Total Current Liabilities	762,264	619,375
Non-Current Liabilities		
Deferred revenue - non-current	441,968	324,284
Customer deposits	878,000	686,000
Total Non-Current Liabilities	1,319,968	1,010,284
Total Liabilities	2,082,232	1,629,659
Commitment		
Stockholder's Equity		
Common stock, no par value: 1,000 shares authorized; 200 shares issued and outstanding	200,000	200,000
Retained earnings	664,985	164,596
Total Stockholder's Equity	864,985	364,596
Total Liabilities and Stockholder's Equity	\$ 2,947,217	\$ 1,994,255

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

DING TEA CORPORATION
 Statements of Income and Retained Earnings
 For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenue		
Franchise revenue	\$ 597,162	\$ 383,650
Service income	169,500	330,000
Management income	337,500	144,400
Total Revenue	1,104,162	858,050
Cost and Expenses		
Cost of revenue	226,500	330,000
Operating expenses	238,255	275,355
Total Cost and Expenses	464,755	605,355
Income from Operations	639,407	252,695
Non-Operating Income		
Interest income	60,317	6,434
Income before Income Taxes	699,724	259,129
Income Tax Expense	199,335	73,863
Net Income	500,389	185,266
Retained Earnings (Accumulated Deficits), Beginning of Year	164,596	(20,670)
Retained Earnings, End of Year	\$ 664,985	\$ 164,596

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

DING TEA CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Cash Flows from Operating Activities:</u>		
Net income	\$ 500,389	\$ 185,266
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(4,000)	(19,000)
Changes in operating assets and liabilities:		
Accounts receivable	(63,200)	(99,000)
Prepaid expenses	(162,655)	20,472
Advanced payment to related party	-	(22,000)
Other receivable		
- related party	(1,200)	-
- others	(11,298)	-
Accrued expenses	37,000	38,230
Other payable	40,935	13,159
Deferred revenue	182,638	155,750
Customer deposits	192,000	317,000
	710,609	589,877
Net Cash Provided by Operating Activities	710,609	589,877
Net Increase in Cash and Cash Equivalents	710,609	589,877
Cash and Cash Equivalents, Beginning of Year	1,641,093	1,051,216
Cash and Cash Equivalents, End of Year	\$ 2,351,702	\$ 1,641,093
 <u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for income taxes	\$ 376,881	\$ 53,000

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

DING TEA CORPORATION
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 - Organization and Nature of Business

Ding Tea Corporation (the Company) was incorporated in the State of Delaware on January 7, 2019. The Company is wholly owned by Chu Yu Hsiang Co., Ltd. (the “Parent”, or “CYH”), a public company operates in the franchising of chain tea shops in the Republic of China.

The Company is the sole distributor of CYH in North America and primarily engaged in the business of selling the beverage franchises to the stores in North America.

NOTE 2 - Summary of Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. As of December 31, 2023 and 2022, the total balances of cash in bank exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) for the Company by approximately \$2,095,000 and \$1,386,000, respectively.

On June 16, 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU significantly change how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. Entities will need to base the measurement on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The current expected credit loss (CECL) model will apply to most debt instruments (other than those measured at fair value), trade receivables, lease receivables, reinsurance receivables that result from insurance transactions, financial guarantee contracts, and loan commitments. According to ASU 2016-13, an entity will need to estimate its lifetime expected credit loss and record an allowance (contra-asset) that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financials.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 2 - Summary of Significant Accounting Policies – Continued

Cash Equivalents

The Company considers short-term time certificates of deposit purchased with an original maturity of less than three months upon investment made as of December 31, 2023 and 2022 to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

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 markets that are not active or inputs that are observable for the asset or liability, either directly 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.

As of December 31, 2023 and 2022, the carrying values of cash and cash equivalents, accounts receivable, other receivable, accrued expenses and other payable approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2023 and 2022.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The Company recognizes revenue from fees from franchised restaurants operated by conventional franchisees. Initial franchise revenue includes both initial service fees and royalties.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Service income is recognized when the services are performed and completed.

After franchised restaurants opened, the Company agrees to provide certain assistance in the operation of the franchised restaurants. Management income is recognized every month beginning on the opening date.

Licensing franchise fees are recognized evenly over the period of franchise agreement. Fees collected in advance are deferred until earned, with deferred amounts expected to be recognized as revenue within one year classified as current deferred income in the balance sheet.

The balance of accounts receivable as of January 1, 2022 was \$6,200.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs associated with customer benefit programs are accrued as the related revenues are recognized. For the years ended December 31, 2023 and 2022, the Company incurred approximately \$1,100 and \$20,000 of advertising expense, respectively.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 2 - Summary of Significant Accounting Policies – Continued

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. 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.

Use of Estimates

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

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 2 - Summary of Significant Accounting Policies – Continued

Subsequent Events

The Company has evaluated events and transactions after year-end up to March 25, 2024, the date on which these financial statements were available to be issued.

NOTE 3 - Deferred Revenue

As of December 31, 2023 and 2022, deferred revenue consisted of the following:

	<u>2023</u>	<u>2022</u>
Unearned franchise revenue	\$ 904,441	\$ 702,803
Unearned service income	74,000	96,000
Unearned management income	<u>41,100</u>	<u>38,100</u>
Total	1,019,541	836,903
Less: current portion	<u>(577,573)</u>	<u>(512,619)</u>
Non-current portion	<u>\$ 441,968</u>	<u>\$ 324,284</u>

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 4 - Income Taxes

Income tax expense (benefit) for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Current:		
Federal	\$ 177,545	\$ 64,172
State	<u>25,790</u>	<u>28,691</u>
	<u>203,335</u>	<u>92,863</u>
Deferred:		
Federal	(36,000)	(15,000)
State	<u>32,000</u>	<u>(4,000)</u>
	<u>(4,000)</u>	<u>(19,000)</u>
Net income tax expense	<u>\$ 199,335</u>	<u>\$ 73,863</u>

The tax effects of temporary differences which give rise to significant portions of deferred tax assets and the related valuation allowance as of December 31, 2023 and 2022 were approximately as follows:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Deferred revenue	\$ 219,000	\$ 208,000
State taxes	<u>5,000</u>	<u>12,000</u>
	224,000	220,000
Less: valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>\$ 224,000</u>	<u>\$ 220,000</u>

Based on the Company's forecast of future taxable income, no valuation allowance was provided on the deferred tax assets as of December 31, 2023 and 2022.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2023 and 2022

NOTE 5 - Related Party Transaction

A. Name of related party and relationship:

Name of Related Party	Relationship
Chu Yu Hsiang Co., LTD (CYH)	Parent Company
Chu Yu Hsiang Co., LTD (CYH.A)	Affiliate
Sheng Yan Co., LTD (SY)	Affiliate
Wang Gu Co., LTD (WG)	Affiliate
Wei-Hsiang Hsu	President

B. Significant related party transactions:

a. As of December 31,

	2023	2022
Advanced payment to CYH	\$ <u>22,000</u>	\$ <u>22,000</u>
Other receivable from CYH	\$ <u>1,200</u>	\$ <u>-</u>

b. For the year ended December 31,

	2023	2022
Service costs charged by CYH	\$ <u>226,500</u>	\$ <u>330,000</u>

The Company has a store training service agreement and a store opening support service agreement with CYH. The service costs are approximately \$14,000 and \$2,000 for each franchisee for training service and opening support service, respectively. 100% of franchise costs for the years ended December 31, 2023 and 2022 were charged by CYH.

DING TEA CORPORATION
Notes to Financial Statements – Continued
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NOTE 5 - Related Party Transaction – Continued

B. Significant related party transactions – continued:

b. For the year ended December 31, – continued:

	<u>2023</u>	<u>2022</u>
Settlement fees paid by:		
CYH	\$ -	\$ 58,000
CYH.A	-	49,000
Wei-Hsiang Hsu	-	49,000
SY	-	29,000
WG	-	<u>29,000</u>
 Total	 <u>\$ -</u>	 <u>\$ 214,000</u>

In 2022, the Company entered into an Amended Consent Order for the litigation of violating applicable California laws regarding the Company's offer and sales of franchise, which was filed by the State of California Department of Financial Protection and Innovation on January 8, 2021. The Company refunded the franchise fees and security deposits of \$611,000 in total to its California franchisees. The total payment was paid by its related parties. The case was settled and closed in 2022.

NOTE 6 - Commitment

The Company has an operating lease for its office premises, which expires on March 31, 2024. Rental expense on the lease for the year ended December 31, 2023 was \$1,664. Future minimum lease payments under the operating lease for the year ending December 31, 2024 is \$402.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
DING TEA CORPORATION
New Castle, Delaware

Opinion

We have audited the accompanying financial statements of **DING TEA CORPORATION**, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **DING TEA CORPORATION** as of December 31, 2022 and 2021, 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 **DING TEA CORPORATION** 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 **DING TEA CORPORATION**'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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 **DING TEA CORPORATION**'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **DING TEA CORPORATION'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 audit.

A handwritten signature in black ink that reads "Chen & Fan". The signature is written in a cursive, flowing style.

Chen & Fan
Accountancy Corporation

San Jose, California

April 6, 2023

DING TEA CORPORATION
Balance Sheets
December 31, 2022 and 2021

	<u>Assets</u>	
	2022	2021
Current Assets		
Cash	\$ 1,641,093	\$ 1,051,216
Accounts receivable	105,200	6,200
Advanced payment to related party	22,000	-
Prepaid expenses	5,828	26,300
Total Current Assets	1,774,121	1,083,716
Other Assets		
Deferred income taxes	220,000	201,000
Security deposit	134	134
Total Other Assets	220,134	201,134
Total Assets	\$ 1,994,255	\$ 1,284,850

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

DING TEA CORPORATION
Balance Sheets – Continued
December 31, 2022 and 2021

Liabilities and Stockholder's Equity

	2022	2021
Current Liabilities		
Accrued expenses	\$ 55,000	\$ 16,770
Other payable	51,756	38,597
Deferred revenue - current	512,619	481,100
Total Current Liabilities	619,375	536,467
Non-Current Liabilities		
Deferred revenue - non-current	324,284	200,053
Customer deposits	686,000	369,000
Total Non-Current Liabilities	1,010,284	569,053
Total Liabilities	1,629,659	1,105,520
Commitments and Contingency		
Stockholder's Equity		
Common stock, no par value:		
1,000 shares authorized;		
200 shares issued and outstanding	200,000	200,000
Retained earnings (Accumulated deficits)	164,596	(20,670)
Total Stockholder's Equity	364,596	179,330
Total Liabilities and Stockholder's Equity	\$ 1,994,255	\$ 1,284,850

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

DING TEA CORPORATION
Statements of Income and Retained Earnings
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Franchise revenue	\$ 383,650	\$ 126,252
Service income	330,000	240,000
Management income	<u>144,400</u>	<u>26,900</u>
Total Revenue	<u>858,050</u>	<u>393,152</u>
Cost and Expenses		
Cost of revenue	330,000	208,000
Operating expenses	<u>275,355</u>	<u>114,705</u>
Total Cost and Expenses	<u>605,355</u>	<u>322,705</u>
Income from Operations	252,695	70,447
Non-Operating Income	<u>6,434</u>	<u>-</u>
Income before Income Taxes	259,129	70,447
Income Tax Expenses	<u>73,863</u>	<u>18,046</u>
Net Income	185,266	52,401
Accumulated Deficits, Beginning of Year	<u>(20,670)</u>	<u>(73,071)</u>
Retained Earnings (Accumulated Deficits), End of Year	<u>\$ 164,596</u>	<u>\$ (20,670)</u>

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

DING TEA CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash Flows from Operating Activities:</u>		
Net income	\$ 185,266	\$ 52,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(19,000)	(164,221)
Changes in operating assets and liabilities:		
Accounts receivable	(99,000)	(6,200)
Advanced payment to related party	(22,000)	-
Prepaid expenses	20,472	(16,300)
Account payable to related party	-	(79,000)
Accrued expenses	38,230	16,770
Other payable		
- related parties	-	(11,341)
- others	13,159	12,850
Deferred revenue	155,750	479,448
Customer deposits	317,000	296,000
	589,877	580,407
Net Cash Provided by Operating Activities	589,877	580,407
Net Increase in Cash	589,877	580,407
Cash, Beginning of Year	1,051,216	470,809
Cash, End of Year	\$ 1,641,093	\$ 1,051,216
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for income taxes	\$ 53,000	\$ 225,558

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

DING TEA CORPORATION
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 - Organization and Nature of Business

Ding Tea Corporation (the Company) was incorporated in the State of Delaware on January 7, 2019. The Company is wholly owned by Chu Yu Hsiang Co., Ltd. (the “Parent”, or “CYH”), a public company operates in the franchising of chain tea shops in the Republic of China.

The Company is the sole distributor of CYH in North America and primarily engaged in the business of selling the beverage franchises to the stores in North America.

NOTE 2 - Summary of Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. As of December 31, 2022 and 2021, the total balances of cash in bank exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) for the Company by approximately \$1,386,000 and \$644,000, respectively.

The Company extends credit to its customers and performs ongoing credit evaluation of its customers’ financial conditions and generally does not require collateral. It maintains reserves for potential credit losses and returns. Actual credit losses may differ from management’s estimates.

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.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

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 directly 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.

As of December 31, 2022 and 2021, the carrying values of cash, accounts receivable, accrued expenses and other payable approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2022 and 2021.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers”. As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation.

The Company recognizes revenue from fees from franchised restaurants operated by conventional franchisees. Initial franchise revenue includes both initial service fees and royalties.

When an individual franchise agreement is made, the Company agrees to provide certain services to the franchisee. Generally, these services include advisory and assistance in site selection, training personnel, and implementation of an operating and quality control program. Service income is recognized when the services are performed and completed.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition – Continued

After franchised restaurants opened, the Company agrees to provide certain assistance in the operation of the franchised restaurants. Management income is recognized every month beginning on the opening date.

Licensing franchise fees are recognized evenly over the period of franchise agreement. Fees collected in advance are deferred until earned, with deferred amounts expected to be recognized as revenue within one year classified as current deferred income in the balance sheet.

The balance of accounts receivable as of January 1, 2021 was \$0.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs associated with customer benefit programs are accrued as the related revenues are recognized. For the years ended December 31, 2022 and 2021, the Company incurred approximately \$20,000 and \$15,000 of advertising expense, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 2 - Summary of Significant Accounting Policies – Continued

Income Taxes – Continued

The Company follows FASB guidance on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. 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.

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions after year-end up to April 6, 2023, the date on which these financial statements were available to be issued.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 3 - Deferred Revenue

As of December 31, 2022 and 2021, deferred revenue consisted of the following:

	<u>2022</u>	<u>2021</u>
Unearned franchise revenue	\$ 702,803	\$ 492,953
Unearned service income	96,000	144,000
Unearned management income	<u>38,100</u>	<u>44,200</u>
Total	836,903	681,153
Less: current portion	<u>(512,619)</u>	<u>(481,100)</u>
Non-current portion	<u>\$ 324,284</u>	<u>\$ 200,053</u>

NOTE 4 - Income Taxes

Income tax expense (benefit) for the years ended December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Federal	\$ 64,172	\$ 128,077
State	<u>28,691</u>	<u>54,190</u>
	<u>92,863</u>	<u>182,267</u>
Deferred:		
Federal	(15,000)	(100,349)
State	<u>(4,000)</u>	<u>(63,872)</u>
	<u>(19,000)</u>	<u>(164,221)</u>
Net income tax expenses	<u>\$ 73,863</u>	<u>\$ 18,046</u>

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 4 - Income Taxes – Continued

The tax effects of temporary differences which give rise to significant portions of deferred tax assets and the related valuation allowance as of December 31, 2022 and 2021 were approximately as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax assets:		
Deferred revenue	\$ 208,000	\$ 191,000
State taxes	<u>12,000</u>	<u>10,000</u>
	220,000	201,000
Less: valuation allowance	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>\$ 220,000</u>	<u>\$ 201,000</u>

Based on the Company's forecast of future taxable income, no valuation allowance was provided on the deferred tax assets as of December 31, 2022 and 2021.

NOTE 5 - Related Party Transaction

A. Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship</u>
Chu Yu Hsiang Co., LTD (CYH)	Parent Company
Chu Yu Hsiang Co., LTD (CYH.A)	Affiliate
Sheng Yan Co., LTD (SY)	Affiliate
Wang Gu Co., LTD (WG)	Affiliate
Li Yu Hsiang Co., LTD (LYH)	Affiliate
Wei-Hsiang Hsu	President

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 5 - Related Party Transaction – Continued

B. Significant related party transactions:

a. As of December 31,

	2022	2021
Advanced payment to CYH	\$ 22,000	\$ -

b. For the year ended December 31,

	2022	2021
Service costs charged by CYH	\$ 330,000	\$ 208,000

The Company has a store training service agreement and a store opening support service agreement with CYH. The service costs are \$14,000 and \$2,000 for each franchisee for training service and opening support service, respectively. 100% of franchise costs for the years ended December 31, 2022 and 2021 were charged by CYH.

	2022	2021
Settlement fees paid by:		
CYH	\$ 58,000	\$ 157,000
CYH.A	49,000	-
Wei-Hsiang Hsu	49,000	-
SY	29,000	-
WG	29,000	-
LYH	-	240,000
Total	\$ 214,000	\$ 397,000

In 2021, the Company entered into a Consent Orders and was liable to refund the franchise fees and deposits to its California franchisees in the aggregate amount of \$611,000 (see Note 6), which was fully paid by its related parties.

DING TEA CORPORATION
Notes to Financial Statements – Continued
December 31, 2022 and 2021

NOTE 6 - Commitments and Contingency

1. The Company has an operating lease for its office premises, which expires on March 31, 2023. Rental expense on the lease for the years ended December 31, 2022 and 2021 was \$1,690 and \$1,675, respectively.

Future minimum lease payments under the operating lease for the year ending December 31, 2023 is \$402.

2. On January 8, 2021, the State of California Department of Financial Protection and Innovation began conducting an investigation regarding the Company's offer and sales of franchise, to determine if there were any violations of applicable California laws by the Company, its parent, or affiliates. On October 26, 2021, the Company entered into a Consent Order and was liable to pay penalties of \$397,000 which may be offset by the Company's refund payment made to a California franchisee; as well as \$5,000 administrative payment, the offer of franchise cancellation and refund to California franchisees, and attend a remedial education course.

In 2022, the Company entered into an Amended Consent Order and refunded the franchise fees and security deposits of \$611,000 in total to its California franchisees. The total payment was paid by its related parties (see Note 5). The case was settled and closed in 2022.

EXHIBIT B
FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and entered into as of _____, 20____ (the “Effective Date”), by and among Ding Tea Corporation doing business as “Ding Tea” (“Franchisor”) and _____ (“Franchisee”), with reference to the following facts:

RECITALS

An entity affiliated with Franchisor (the “Owner of the Marks”) owns the Ding Tea trademarks, service marks and other intellectual property and all rights in respect thereof the Owner of the Marks has authorized Franchisor to license them to Ding Tea franchisees.

Franchisees desires to be franchised and licensed by Franchisor to use Franchisor’s “System” (as defined in Article I below), “Marks” (as defined in Article I below) and goodwill to conduct the “Franchised Business” (as defined in Article I below) from a specific “Outlet” (as defined in Article I below and identified in Exhibit 1 attached).

Franchisor is willing to grant Franchisee a “Franchise” (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term “Abandoned” means cessation of operation of the Franchised Business for a period of five consecutive Business Days, without Franchisor’s prior written consent. A repeated pattern of inactivity at Franchisee’s Outlet for periods of less than five consecutive Business Days may result in the Franchised Business being deemed Abandoned by Franchisee if in Franchisor’s judgment such inactivity adversely impacts the Franchised Business. However, the Franchised business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond Franchisee’s control, provided that Franchisee gives Franchisor notice of any such closure within five Business Days after the initial occurrence of the event resulting in such inactivity, and Franchisee acknowledges in writing that such inactivity is due to one of the foregoing causes, and provided further that Franchisee re-establish the Franchised Business and be fully operational within 180 calendar days after the initial occurrence of the event resulting in such inactivity, or such longer period as Franchisor may permit.

Anniversary Year. The term “Anniversary Year” means the 12-month period between the “Opening Date” (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Assistant Manager. The term “Assistant Manager” means the individual (may be a Principal Equity Owner) who has been designated by Franchisee as a person who is authorized to assist the “General Manager” (as defined in this Article I) in the day-to-day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Business Day. The term “Business Day” means any day except any Saturday, any Sunday, any day which is a legal holiday in Taiwan.

Confidential Information. The term “Confidential Information” means information, know-how, and materials, other than Trade Secrets, that is of value to Franchisor (or other third party, as applicable) and treated as confidential by any of the foregoing and is disclosed or made known or available to Franchisee or its employees or agents. Without limiting the generality of the foregoing, the term Confidential Information includes, without limitation (i) the Confidential Operations Manual, (ii) all technical and non-technical information, including without limitation, information concerning finances, financing and capital raising plans, accounting or marketing, business opportunities, affiliate lists, business plans, forecasts, predictions, projections, recipes, products, research, development, and know-how, (iii) Intellectual Property, the Marks, “Ding Tea Products” (as defined in Article I), insignias, designs, and materials subject to copyright, patent or trademark registration, (iv) any developments, inventions, improvements, additions, modifications, enhancements, derivatives, ideas, reports, analyses, opinions, studies, data or other materials or work product, whether prepared by Franchisor or otherwise, that contain or are based upon Proprietary Information, (v) information regarding customers and potential customers of the Franchised Business, including customer lists, names, needs or desires with respect to the products or services offered, contracts and their contents and parties, the type and quantity of products and services provided or sought to be provided to customers and potential customers of the Franchised Business and other non-public information relating to customers and potential customers, (vi) information regarding any Franchisor’s business partners or affiliates and their services, including names, representatives, proposals, bids, contracts and their contents and parties, the type and quantity of products and services received the discloser, and other non-public information relating to business partners, (vii) information regarding personnel, including compensation and personnel files, and (viii) any other non-public information that a competitor of Franchisor could use to the competitive disadvantage of Franchisor.

Confidential Operations Manual. The term “Confidential Operations Manual” means the manual or manuals (regardless of title) containing the policies and procedures, menus, food preparation techniques and other proprietary requirements to be adhered to by the Franchisee in performing under this Agreement, including all amendments and supplements thereto provided to Franchisee from time to time.

Control. The term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

CPI. The term “CPI” means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index if these figures become unavailable).

Force Majeure. The term “Force Majeure” means a natural disaster (such a tornado, earthquake, hurricane, flood fire or other natural catastrophe), strike, lockout or other industrial disturbance, war, terrorist act, riot, or other civil disturbance, epidemic, or other similar force which Franchisee could not by the exercise of reasonable diligence have avoided, provided however, neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, or other person will be a Force Majeure, except to the extent such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise a Force Majeure. To avoid any potential misunderstanding, Franchisee’s financial inability to perform or Franchisee’s insolvency will not be a Force Majeure.

Franchised Business. The term “Franchised Business” means the sale of items from a focused menu featuring Ding Tea Products, as well as other authorized goods and services at the Outlet pursuant to the business methods and procedures set forth by Franchisor for the operation of such a retail business.

General Manager. The term “General Manager” means the individual (may be a Principal Equity Owner) who has been designated by Franchisee as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Gross Revenue. The term “Gross Revenues” means all revenues, however, generated or received, derived by Franchisee from operating the Franchised Business at or through Franchisee’s Outlet, excluding only applicable sales or use taxes and legitimate refunds, and not modified for uncollected accounts.

Initial Training. The term “Initial Training” means training in the System provided by Franchisor, as described in and required by section 6.1 hereof.

Intellectual Property. The term “Intellectual Property” means intangible property, including “Trade Secrets” (as defined in this Article I), inventions, pictorial, literary, graphic and

photographic works of authorship, designs, symbols, and trademarks, domain names, other names and logos owned by Franchisor and used in the Franchised Business or at the Outlet.

Intellectual Property Rights. The term “Intellectual Property Rights” means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation, rights, copyrights, moral rights, and mask work rights, (ii) trademark and trade name rights and similar rights, (iii) trade secret rights, (iv) patent and industrial property rights, (v) other proprietary rights in intellectual property of every kind and nature, and (vi) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses (i) through (v) of this sentence.

Marks. The term “Marks” means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, domain names, trade names, logos, insignias, designs and other commercial symbols which Franchisor now or hereafter are authorized to use or authorize others to use to identify the Franchised Business. Franchisor will list in the Confidential Operations Manual a schedule of Marks Franchisee is authorized to use under this Agreement and update this schedule as necessary.

Opening Date. The term “Opening Date” means the day Franchisee opens its Outlet, furnished, inventoried and equipped in accordance with Franchisor’s requirements, and Franchisee begins operating the Franchised Business at this Outlet.

Outlet. The term “Outlet” means a retail food establishment at a location Franchisor consents to, which is dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Proprietary Information. The term “Proprietary Information” means, refers to, and includes Trade Secrets and Confidential Information of Franchisor (or if any other third party provided such information to or on behalf of Franchisor). No formal identification of Proprietary Information will be required. Without limiting the generality of the foregoing, Proprietary Information may take the form of documentation, drawings, specifications, software, technical or engineering data and other forms, and may be communicated orally, in writing, by electronic means or media, by visual observation and by other means.

Required Inventory. The term “Required Inventory” means the proprietary teas and other proprietary ingredients needed to make “Ding Tea Products” (as defined in this Article I).

Ding Tea Products. The term “Ding Tea Products” means a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and sold to retail customers at the Outlet.

Suggestions. The term “Suggestions” means any new products or services, specifications, suggestions or other feedback made by Franchisee or Principal Equity Owners to modify the System.

System. The term “System” means comprehensive marketing and operational systems prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes: (i) the Marks, (ii) know-how relating to Ding Tea Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (v) related materials, artwork, graphics, layouts, slogans, names, titles, text and other Intellectual Property Rights that Franchisor makes available to Franchisee. In its sole discretion, Franchisor may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions, enhancing the reputation or public acceptance of the System, or better serving the public.

Territory. The term “Territory” means the designated and agreed geographic area surrounding Franchisee’s Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term “Trade Dress” means the unique and distinctive layout, design and color schemes relating to the Outlet, and furnishings, menus, the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packing, point of purchase materials, and signs related to Ding Tea Products.

Trade Secret. The term “Trade Secret” means information constituting a trade secret within the meaning of federal Defend Trade Secrets Act (18 U.S.C. § 1836, et seq.), as amended from time to time.

Transfer. The term “Transfer” means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Franchisor’s Business

Franchisor is engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor and its affiliated companies. Franchisor's activities in general and the System (including proprietary products and services, logos, equipment and operations, designs and layouts for the Outlets, marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and Franchisor's business reputation.

2.2 The Franchise System

As a result of Franchisor's expenditure of time, skill, effort and money, Franchisor has developed and supervises the franchise System under the Marks operated in accordance with the provisions of this Agreement and Franchisor's Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise

(a) By their respective signatures below, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a license ("Franchisee") to participate in and use the System by conducting the Franchised Business at Franchisee's Outlet within Franchisee's Territory as described in Exhibit 1 attached hereto, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term, unless sooner terminated. So long as Franchisee complies with this Agreement, Franchisor will not authorize another Ding Tea Franchise to operate, or operate itself, an Outlet in Franchisee's Territory.

(b) Franchisee acknowledges that Franchisor may have granted and may in the future operate or grant other licenses and franchises for other retail and wholesale food service businesses outside the Territory.

(c) Franchisee acknowledges that the Franchisee will not receive an exclusive territory and may face competition from other franchisees, from outlets that the Franchisor owns, or from other channels of distribution or competitive brands that we control, provided, however, the franchisee is entitled to an option of the right of first refusal if the Franchisor decides to open another Outlet targeting the Territory. In the event that the Franchisor desires to open another Outlet targeting the same type clientele within the Territory, the Franchisor will give the Franchisee a prior written notice of such desire, setting forth in such notice all of the available details of such contemplated store, including without limitation thereto, the updated terms and conditions of such proposed franchise, the identity and address of the proposed franchisee, and the potential location (the

“Notice”). The Franchisee will have one (1) month after receipt of such Notice (the “ROFR Deadline”) to exercise in writing its right of first refusal option to purchase the franchise within the Territory. If the Franchisee does not so exercise its right of first refusal option after the ROFR Deadline, such franchise may be sold to the proposed franchisee pursuant to the terms and conditions set forth in such notice.

(d)FRANCHISEE MAY NOT USE FRANCHISOR’S MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT FRANCHISOR’S EXPRESS PRIOR WRITTEN PERMISSION.

3.2 Reserved Rights

(a) Nothing contained herein accords Franchisee any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill or Franchisor or associated with the System, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS FRANCHISEE ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT FRANCHISEE’S OUTLET AND NOWHER ELSE UNLESS FRANCHISOR SPECIFICALLY ALLOWS FRANCHISEE TO OFFER DING TEA PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO FRANCHISOR.**

(b) Franchisor reserves the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to Franchisor, without necessarily granting Franchisee any rights in those systems. Franchisor reserves all rights to market and sell Ding Tea Products at venues other than Outlets and through other channels of distribution anywhere, including within Franchisee’s Territory.

3.3 Promotion and Development of Franchisee’s Outlet

Franchisee must: (i) diligently and effectively promote, market and engage in the Franchised Business at its Outlet, (ii) develop, to the best of its ability, the potential for future Franchised Business within Franchisee’s Territory, and (iii) devote and focus a substantial portion of Franchisee’s attentions and efforts to such promotion and development.

3.4 Extent of Grant

(a) Franchisee understands and agrees that Franchisee if licensed hereby only for the operation of the Franchised Business at and from Franchisee’s Outlet and only within Franchisee’s

Territory. Franchisee must offer and sell at Franchisee's Outlet and within Franchisee's Territory only Ding Tea Products and other goods and services that Franchisee will then be required to offer.

(b) Franchisee may not deliver Ding Tea Products (or other products or services ordered from Franchisee's Outlet or otherwise associated with the Marks) outside Franchisee's Territory without Franchisor's prior written consent. If Franchisee does so without Franchisor's consent, it will be a material violation of this Agreement.

(c) Franchisee may not sublicense, sublease, subcontract or enter any management agreement concession agreement, partnership agreement or joint venture agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies

(a) An executed counterpart of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by fax, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this section 3.5(a) and the following section 3.5(b) as "electronic"), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) Franchisee acknowledges and agrees Franchisor may create an electronic record of any or all agreements, correspondence or other communication between Franchisor and Franchisee or involving third parties, and Franchisor may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form, and will be maintained in and readable by hardware and software generally available. Notwithstanding any statute, regulation or other rule of law to the contrary, Franchisee agrees any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee

(a) If Franchisee is an entity, Franchisee must provide Franchisor at the Effective Date with a copy of its organizational document and by-laws, shareholders' agreement, operating agreement or other agreement between the equity owners.

(b) If Franchisee is an entity, any person or entity that at any time after the Effective Date becomes a Principal Equity Owner will automatically acquire all of the obligations of a Principal Equity Owner under this Agreement at the time such person or entity becomes a Principal Equity Owner. Before approving and entering into any transaction that would make any person or entity a Principal Equity Owner, Franchisee must notify such person about the content of this section 3.6(b).

(c) If Franchisee is an entity, Franchisee must place the following legend on all certificates evidencing an equity interest:

“THE TRANSFER OF THE EQUITY IN INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED _____, 20____, BETWEEN THIS ENTITY AND DING TEA CORPORATION DBA DING TEA. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED HEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY.”

IV. INITIAL AND ON-GOING PAYMENTS BY FRANCHISEE

All payments made under this Agreement and other charges due hereunder are exclusive, free and clear of, and without deduction or withholding for, all applicable present or future taxes (including value added tax or sales taxes), imposts, duties, levies, fees, surcharges, assessments or other charges of whatever nature now or hereafter imposed by, or pursuant to the laws, statutes, regulation of, any authority, government or government agency of any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments, the payment of which shall be the sole responsibility of the Franchisee, and the Franchisee agrees to indemnify and hold the Franchisor harmless from any liability therefore. If a Franchisee is required by any law or regulation to make any such deduction or withholding the Franchisee shall, together with the relevant payment, pay such additional amount as will ensure that the Franchisor actually receives and is entitled to retain, free and clear of any such deduction or withholding, the full amount which it would have received if no such deduction or withholding had been required. In such event, Franchisee will inform Franchisor and provide documents relating to the withholding tax. The Initial Franchise Fees are not refundable under any circumstances.

4.1 Initial Franchise Fee

(a) The “Initial Franchise Fee” (which includes complete initial training and review and consent to location of the Outlet) for a single franchised Outlet is \$30,000.00 plus a refundable, non-interest bearing security deposit in the amount of a third (1/3) of the Initial Franchise Fee (the

“Security Deposit”). Security Deposit will be returned to the Franchisee at upon the expiration or termination of the Franchise Agreement if the Franchisee has not materially breached the Franchise Agreement. In the event that the Franchisee has breached this Agreement, the Confidential Operations Manual, the Franchisor’s instruction, and fails to correct such breach in the buffer period provided in the Evaluation sheet as provided in Exhibit 2 (the “Evaluation”), then the Franchisor will deduct applicable fine as listed in Evaluation accordingly. Once the Security Deposit is fully deducted, then the Franchisor reserves the right to terminate this Agreement upon providing a 30 calendar days written notice.

(b) The Initial Franchise Fee (and all other payments to Franchisor for goods or services received from Franchisor before Franchisee’s Ding Tea location opens for business) is due and payable in full, by cashier’s check or money order or wire transfer to Franchisor’s bank account, within seven (7) Business Days following when Franchisee signs this Agreement. **The Initial Franchise Fee is fully earned by Franchisor when paid.**

(c) If before Franchisees successful completion of initial training, Franchisor decides, in its sole discretion, that Franchisee should not operate a Ding Tea business, or if Franchisee does not obtain Franchisor’s consent to the location of Franchisee’s Outlet within 90 calendar days after the Effective Date (see section 7.2 below), Franchisor may cancel this Agreement, without any liability to Franchisor.

Service Fee

(a) Beginning on the Opening Date, Franchisee must pay to Franchisor a monthly "Service Fee" of \$500, which shall be pre-paid every six months. The Service Fees are payable every half a year, each payment is a prepayment of the following six months of Service Fees. As such, the first payment of the Service Fees is \$3,000 and payable prior to the opening of the Tea Shop, and the next payment of the six-months Service Fees is payable within six months following the signing of the Franchise Agreement.

(b) All future Service Fees of \$3,000 are due and payable every 180 calendar days thereafter, which covers the next six-month period.

4.2 Marketing, Advertising and Promotion

(a) Franchisee is not required to pay Franchisor any marketing, advertising or promotion fees. However, Franchisee is encouraged to spend additional amounts on the local marketing, advertising and promotion of Franchisee’s Outlet using marketing and promotional materials pre-

approved in the Confidential Operations Manual or otherwise authorized or approved by Franchisor.

(b) On a regional or system-wide basis, Franchisor may impose an assessment upon affected franchisees for special designated advertising or promotional activities. In the event that Franchisor has a marketing campaign, Franchisee will use commercially reasonable effort to cooperate fully with the marketing campaign.

(c) Franchisee must fully participate with any gift card, customer loyalty, referral and other contests and promotions Franchisor arranges for, requires or authorizes Ding Tea franchisees to participate in. Details regarding such contests and promotions will be set forth in the Confidential Operations Manual.

(d) With respect to regional, national or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to such advertising.

4.3 Electronic Funds Transfer

Franchisor requires payment for Required Inventory and of Service Fees by electronic funds transfer (“EFT”) through the Automated Clearing House (“ACH”) electronic network for financial transactions (or such other automatic payment mechanism Franchisor may designate) directly from Franchisee’s account into Franchisor’s operating account. Franchisee must execute or re-execute and deliver to Franchisor bank-required pre-authorized check forms and other instruments or drafts to enable Franchisor to draw directly from Franchisee’s bank account all fees payable under the terms of this Agreement. Franchisee must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from Franchisee’s operating account) and must maintain such minimum balance in such account as Franchisor may reasonably specify from time to time. Franchisee must not alter or close such account except upon Franchisor’s prior written approval. Any failure of Franchisee to implement such EFT system in strict accordance with Franchisor’s instructions will constitute a material default of this Agreement.

4.4 Fees Fully Earned, No Setoffs

All payments made by Franchisee to Franchisor pursuant to Article IV are fully earned and non-refundable when paid. All payments to be made by Franchisee to Franchisor will be made without setoff, deduction, defense, counterclaim or claims in recoupment.

4.5 Late Fee, Interest on Delinquent Payments

(a) Any payments for Required Inventory or Service Fees and any other fee required under this Agreement not received by Franchisor when due will be a material breach of this Agreement and will be subject to a late charge of 5% of the amount past due. In connection therewith, Franchisor and Franchisee agree that the late charge is reasonable and good faith estimate by Franchisor and Franchisee of such costs because (i) as a result of any such late payment, Franchisor will incur certain costs and expenses including, but without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount, and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

(b) All delinquent amounts will bear interest from the date payment was due to an annual percentage rate (“APR”) of 10% and Franchisee must reimburse Franchisor immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.6 No Accord or Satisfaction

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor’s right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement of any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

4.7 Adjustments

Any stated dollar amount in this Agreement may be adjusted in Franchisor’s discretion based on changes in the applicable consumer pricing index since the Effective Date.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term

The initial term of this Agreement (applicable solely to the Outlet franchised hereunder) commences on the Effective Date and expires on _____, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms

(a) Upon written notice delivered to Franchisor not less than 180 calendar days before the end of the existing term hereof, Franchisee may renew its rights granted under this Agreement for additional three-year terms commencing on the expiration date of the previous term, subject to the provisions of sections 5.2(b) through 5.2(g) below.

(b) At the time of renewal, Franchisee must (i) then be solvent (which means that Franchisee is able to pay its debts as and when promised by Franchisee and that Franchisee has assets that are greater than its debts), (ii) not have abandoned the Outlet, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the Ding Tea brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to Franchisor during the Initial Term.

c) Notwithstanding section 5.2(a) above, Franchisor is not obligated to renew Franchisee's rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) Franchisee gives Franchisor written notice of Franchisee's intention not to renew this Agreement at least 180 calendar days before the expiration of the initial term or any successor term;

(ii) During the 180 calendar days prior to expiration of Franchise, Franchisor permits Franchisee to sell the rights to operate the Franchised Business at the Outlet to a purchaser meeting, provided, however, that, at Franchisor's sole discretion, Franchisor's then current requirements for granting new Franchises or the then current requirements for granting renewal Franchises would apply;

(iii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof;

(iv) Franchisee and Franchisor agree not to renew the Franchise;

(v) Franchisor withdraws from distributing Franchisor's products or services through Franchises in the geographic market served by Franchisee, provided that:

(A) Upon the expiration of the Franchise, Franchisor agrees not to seek to enforce any covenant of the non-renewed franchisee not to compete with Franchisor or its franchisees; and

(B) The failure to renew is not for the purpose of converting the business conducted by Franchisee pursuant to this Agreement to operation by Franchisor's employees or agents for Franchisor's own account.

(vi) At the time of renewal, Franchisee or any Principal Equity Owner has been convicted of a felony or crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in Franchisor's reasonable judgment, to have materially adverse effect on the Marks, the System or the goodwill associated with the Marks or System.

(d) As a condition to renewing Franchisee's rights, duties and obligations hereunder, Franchisor will require Franchisee to sign either: (i) Franchisor's then-current standard Franchise Agreement not later than 90 calendar days before the end of the term that is expiring; or (ii) an addendum to this Agreement extending its terms for an additional three-year term ("Renewal

Franchise Agreement”). **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and to Franchisor’s affiliates and all other material obligations under this Agreement, and Franchisor may examine Franchisee’s books and records to verify compliance with this requirement anytime during normal business hours within 60 calendar day of Franchisee’s renewal date.

(f) Before or not later than 90 calendar days after Franchisee’s execution of Renewal Franchise Agreement for an additional term, Franchisor may require Franchisee to update the Trade Dress used at Franchisee’s Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing, and may require Franchisee to install new color schemes, logos, signage or other visual elements, and so that they can accommodate new Ding Tea Products, if any. Franchisee must also bring Franchisee’s Outlet and equipment materials and supplies into compliance with the standards then applicable to new Ding Tea franchises.

(g) Upon signing the Renewal Franchise Agreement, Franchisee is obligated to pay a “Renewal Fee” which shall be 50% of the Initial Franchise Fee. No more refundable Security Deposit is required.

5.3 Month to Month Extension, Longer Notice of Expiration Required by Law

(a) At Franchisor’s option, to be exercised in Franchisor’s sole and absolute discretion, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, Franchisor may extend this Agreement on a month-to-month basis by notifying Franchisee Franchisor is doing so. Said month-to-month extension will continue until Franchisor gives Franchisee at least a 30-day notice that the Franchise rights must be formally renewed in accordance with section 5.2 or the Agreement will expire and be terminated.

(b) If applicable law requires Franchisor to give a longer period of notice to Franchisee then herein provided prior to the expiration of the initial term or successor term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until Franchisee has received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training

(a) It is of paramount importance that Franchisee's General Manager, Assistant Manager and Principal Equity Owners (the General Manager and Assistant Manager may be Principal Equity Owners) understand the Franchised Business and the System, and that Franchisee's General Manager and/or Assistant Manager have been trained how to operate the Franchised Business. Accordingly, Franchisor will provide to Franchisee's General Manager, Assistant Manager, or at least one of Franchisee's Principal Equity Owners, an initial training program, providing an orientation to the System and instruction on how to operate the Franchised Business (collectively, "Initial Training"). Before the grand opening of the Outlet, Franchisee's General Manager, Assistant Manager or at least one of Franchisee's Principal Equity Owners must complete seven to ten calendar days of training in Taiwan. Franchisor will solely determine whether or not Franchisee and its General Manager, Assistant Manager or at least one of Franchisee's Principal Equity Owners satisfactorily completed Initial Training.

(b) The failure of Franchisee to provide at least two (2) personnel (either Franchisee's General Manager, Assistant Manager, or one of Franchisee's Principal Equity Owners) to complete Initial Training to Franchisor's satisfaction will be grounds for termination of this Agreement, provided, however, that before this Agreement is so terminated, Franchisee's General Manager, Assistant Manager, or at least one of Franchisee's Principal Equity Owners who fails to successfully complete Initial Training will have the opportunity to either retake the initial Training or Franchisee may designate one replacement for the Initial Training Program at no additional cost.

(c) Franchisor will determine the contents and manner of conducting the Initial Training program in Franchisor's discretion, however, the training course will be structured to provide practical training in Ding Tea Products and the implementation and operation of the Franchised Business and may include such topics as Ding Tea procedures, standards, marketing and customer service techniques, reports and equipment maintenance.

(d) All costs and expenses (including travel, hotel and food and beverage) of Franchisee's attendees of Initial Training will be Franchisee's sole responsibility. All persons attending Initial Training on behalf of Franchisee's behalf must have a demonstrable relationship to the management and operation of the Franchised Business. If Franchisee desires to have more than two attendees at the Initial Training, Franchisee must pay to Franchisor **\$1,000** for each additional attendee. Franchisor may limit the number of Franchisee's attendees.

6.2 Training and Assistance after Opening

(a) After Franchisee opens the Franchised Business, Franchisor will provide Franchisee with telephone and e-mail assistance at Franchisee's request or otherwise as Franchisor deems necessary to instruct in all phases of the operation of the Franchised Business. Franchisor's representatives may visit Franchisee's Outlet from time to time, but the frequency and duration of any such visits by Franchisor's representatives in Franchisor's sole discretion. In addition, representatives of Franchisor will be available on an ongoing basis at Franchisor's international headquarters for consultation and guidance with respect to the operation and management of the Franchised Business. Franchisor does not provide Franchisee with assistance in contracting with agents or hiring employees.

(b) After Franchisee opens its Outlet, and upon reasonable notice, Franchisor may require attendance of Franchisee's designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in section 6.3 below) that Franchisor deems to be relevant or appropriate to the operation of the Franchised Business. Franchisee specifically agrees that only persons trained by Franchisor or under Franchisor's supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and that Franchisee will send its General Manager to Franchisor for additional training if Franchisor requests this. Franchisor may at its discretion charge Franchisee an additional training fee of up to \$500 per person per day for Ding Tea training courses, seminars, conferences or other programs that Franchisor requires Franchisee or Franchisee's representative(s) to attend in a suitable location selected by Franchisor. All costs and expense (including air and ground travel, hotel, and food and beverage) of Franchisor's trainers and personnel at any post-opening training, conferences or meetings will be Franchisee's sole responsibility.

(c) In addition to updates to the Confidential Operations Manual, Franchisor may provide Franchisee with additional materials relating to the Franchised Business. Franchisor may also from time to time make available to Franchisee for purchase other materials relevant to the System and the Franchised Business.

(d) All costs and expense (including air and ground travel, hotel, and food and beverage) of Franchisee's attendees at any post-opening training, conferences or meetings will be Franchisee's sole responsibility. All persons attending post-opening training, conferences or meetings on Franchisee's behalf must have demonstrable relationship to management and operation of the Franchise.

(e) In the event of a Transfer of the Franchise (which must be done in full compliance with section 12.2 of this Agreement), the transferee must be trained by Franchisor as a condition of Franchisor's consent to such Transfer. The transferred Franchise may not be opened or re-opened by the transferee until Franchisor accepts the transferee in writing as being qualified to operate the

Franchise and Franchisor has otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings

Not more than once a year, Franchisor may conduct a one-day system-wide or national meeting to discuss Ding Tea business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for Franchisee's General Manager and all of Franchisee's other Principal Equity Owners). Franchisor may limit the number of Franchisee's attendees at these meetings. Franchisee must pay the cost of travel, hotel and food and beverage expenses for Franchisee's attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by Franchisor.

6.4 Proprietary Materials

At Initial Training and other training programs and conferences, Franchisor may provide Franchisee with Proprietary Information, as well as training materials, training curricula and related materials for Franchisee's use in training Franchisee's staff. All of these items are and will remain Franchisor's sole and exclusive property. To the extent that Proprietary Information is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Proprietary Information and take adequate precautions to ensure that the Proprietary Information is kept in a locked receptacle at the Outlet when not in use by authorized personnel. Franchisee will promptly notify Franchisor if any part of its Proprietary Information that is maintained in a tangible media is lost or destroyed for any reason. Franchisee must not, nor allow its employees or others to, copy, reproduce, disseminate or otherwise reveal to third parties any Proprietary Information and related materials, without Franchisor's express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Franchisee's Outlet

The Franchised Business may only be operated from Franchisee's Outlet. If Franchisee's Outlet has not been identified when Franchisee signs this Agreement, the exact location of Franchisee's Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. In order to promote the orderly and timely service of Ding Tea customers, Franchisee may not cater or deliver Ding Tea Products outside Franchisee's Territory without Franchisor prior written consent.

7.2 Building Out Franchisee's Outlet

(a) Premises acceptable to Franchisor where Franchisee's Outlet will be operated should be located and secured by Franchisee and reviewed and consented to by Franchisor within 90 calendar days after the Effective Date. Within 7 Business Days thereafter, Franchisor will renew and either consent to or disapprove the location (and if Franchisor disapproves, Franchisee must promptly propose an alternative location). If Franchisee has not located a site for Franchisee's Outlet that is acceptable to Franchisor within 90 calendar days after the Effective Date and configure and equip an Outlet (and commence operation of the Franchised Business there) within 180 calendar days after the Effective Date, Franchisor may cancel this Agreement on the basis of Franchisee's failing to find an acceptable site, and please note that the Initial Franchise Fee is not be refundable.

(b) Franchisor does not assist Franchisee in the site selection process and franchisee has the sole responsibility for locating, securing, and obtaining suitable premises for Franchisee's Outlet. However, Franchisor reserves the sole right of final review and consent to any location of the Outlet. **Franchisor's final review and consent to the location of the Franchisee's Outlet is not a guarantee that a Ding Tea business can be successfully operated there or anywhere else.**

(c) Franchisor has the right to regularly inspect Franchisee's Outlet and any other site where Franchisee conducts the Franchised Business. Franchisee must provide the Franchisor's with proof of all applicable licenses and permits at least 30 calendar days prior the opening of the Outlet.

7.3 Initial Inventory, Additional Inventory, Fixtures and Equipment

(a) Within the timeframes that Franchisor specifies before the Opening Date, Franchisee must also order from (and if necessary to pre-pay to) Franchisor's affiliates, or other designated or approved suppliers, (i) the "Initial Required Inventory" and other supplies and accessories necessary for Franchisee to provide Ding Tea Products to Franchisee's customers, (ii) number of pieces of required fixtures and equipment, and (iii) other proprietary supplies, items and accessories as specified in the Confidential Operations Manual, with delivery scheduled for not later than two weeks before the Opening Date. Thereafter, Franchisee must buy replacement or additional Required Inventory ("Additional Required Inventory"), fixtures, equipment, accessories and other authorized items only from Franchisor's affiliates, or other designated or approved suppliers. The term "Initial Required Inventory" means at least \$65,000 worth of proprietary supplies, items and accessories necessary to provide Ding Tea Products to Franchisee's customers as specified in the Confidential Operations Manual for the first year after the Opening Date. The term "Additional Required Inventory" means at least \$65,000 worth of proprietary supplies, items and accessories necessary to provide Ding Tea Products to Franchisee's customers as specified in the Confidential Operations Manual for every additional year after the Opening Date. Franchisor shall delivery the Initial Inventory and/or Additional Required Inventory only after Franchisor

receives payment from Franchisee, and Franchisor has provided written confirmation to Franchisee (EX-Work shipping method under Incoterms shall be adopted).

(b) Franchisee must also purchase apparel containing the Marks, other materials containing the Marks, and any other signs containing the Marks from Franchisor's affiliates, or other designated or approved suppliers, with delivery scheduled for not later than two weeks before the opening date. Franchisee may not use unauthorized supplier for the apparel or print Marks on unauthorized apparel.

(c) Franchisee must also procure or purchase paper goods, services, packaging, forms, and other products and supplies that constitute Franchisee's complete initial inventory, as specified in the Confidential Operations Manual, from reputable suppliers, and with delivery scheduled for not later than two weeks before the Opening Date.

(d) Franchisor and its affiliated entities reserve the right to derive and receive revenues, rebates or other material consideration as a result of the required purchases by System franchisees, and to retain for itself or use such revenues, rebates or other material consideration as Franchisor deems appropriate.

7.4 Marketing and Advertising Boundaries

Franchisee may not directly promote, advertise or otherwise market the Franchised Business outside the boundaries of the Territory or other advertising boundary that Franchisor designates, except with Franchisor's prior written consent. The marketing and advertising boundaries are determined by Franchisor and may be changed by Franchisor or overlap with territories of other franchised Outlets as market conditions or type of media warrant, all in Franchisor's sole discretion. Such marketing and advertising boundaries may exceed the Territory provided herein, in Franchisor's sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements

(a) The General Manager must ensure that Franchisee fulfills its obligations to the Franchisee's customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours. The Assistant Manager will assist the General Manager as directed in managing and operating the Outlet. If neither the General Manager nor the Assistant Manager is a Principal Equity Owner, at least one Principal Equity Owner must directly oversee or participate personally in the operation of the Outlet.

(b) Franchisee understands and agrees that the maintenance of the quality of Ding Tea Products offered by each Ding Tea Franchise is of primary importance to Franchisor in order to properly promote and protect the public image of these goods and services, and to protect the Marks under which Ding Tea franchisees are licensed to operate. Franchisee therefore agrees to provide at its Outlet only Ding Tea Products that are properly prepared in accordance with Franchisor's confidential recipes and procedures. Franchisee must sell to customers at Franchisee's Outlet only Ding Tea Products and other food and beverages specified in Franchisor's then authorized menu, and related products and accessories supplied by designated vendors and approved suppliers for resale by Franchisee at Franchisee's Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by Franchisor). Franchisee must only operate the Franchised Business at Franchisee's Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to Franchisee by Franchisor in writing. Franchisee must at all times maintain an adequate level of supplies and required inventory in order to properly operate Franchisee's Outlet. Franchisee must use the standard signs and formats that Franchisor prescribes in operating the Outlet and conducting the Franchised Business.

(c) To protect and maintain the integrity, reputation and goodwill of the System and the Marks, Franchisor requires that Franchisee comply with the methodology Franchisor prescribes in providing Ding Tea Products to customers. To enhance uniformity in the delivery of goods and services to retail customers by Franchisor's franchises and the strength of Franchisor's Marks in inter-brand competition, and subject to applicable antitrust laws, Franchisor may recommend retail prices for specific Ding Tea Products and other products and services Franchisor authorize for sale at Franchisee's Outlet. If Franchisor does so, Franchisee may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices.

(d) Franchisee's Outlet must be open during normal business hours that apply to the premises where the Outlet is located. The obligation to remain open will not apply if Franchisee is subjected to an event of Force Majeure.

(e) Franchisee must promptly satisfy any bona fide indebtedness that Franchisee incurs in operating the Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with Franchisee.

(f) Franchisee must comply with all health, administrative and governmental regulations relating to the storage, sale and shipment of Ding Tea Products. Franchisee must notify Franchisor in writing within 10 calendar days after Franchisee receives actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction,

award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect Franchisee's operation at the Outlet or Franchisee's ability to meet its obligations hereunder.

(g) Upon the occurrence of any event that occurs at the Outlet or in the Territory that has caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or Franchisor or its affiliates, Franchisee must immediately inform Franchisor's designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by Franchisor for this purpose. Franchisee must cooperate fully with Franchisor with respect to the Franchisor's response to an incident described in section 8.1(g).

(h) If there is any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity of that amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, Franchisee may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor against the premises of the Outlet or any of its improvements.

(i) Franchisee may not engage in any co-branding in the Outlet or otherwise in connection with the Franchised Business except with Franchisor's prior written consent. Franchisor is not required to approve any co-branding chain or arrangement except in Franchisor's discretion, and only if Franchisor recognizes that co-branding chain as an approved co-brand for operation within the System. "Co-branding" includes the operation of an independent business, product line or operating system owned or licensed by another entity (not Franchisor) that is featured or incorporated within Franchisee's Outlet or the Franchised Business Franchisee operate in Franchisee's Territory or is adjacent to Franchisee's Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to Franchisee hereunder.

8.2 Confidential Operations Manual

(a) Franchisee must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to Franchisee. To the extent that the Confidential Operations Manual is furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Confidential Operations Manual and take adequate precautions to ensure that the Confidential Operations Manual is kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Confidential Operations Manual is furnished electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor

if any part of the Confidential Operations Manual that is maintained in a tangible media is lost or destroyed for any reason.

(b) Franchisee must keep the Confidential Operations Manual confidential and current, and the master copy of Confidential Operations Manual maintained by Franchisor at its principal office will control in the event of a conflict related to the contents of the Confidential Operations Manual. Franchisor has the right to modify the Confidential Operations manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next Business Day after the digital copy maintain on Franchisor's website is changed.

(c) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Ding Tea franchisees. As modified by Franchisor from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by Franchisor from time to time, will not alter Franchisee's fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that Franchisee may have printed and maintained, the master copy of the Confidential Operations Manual that Franchisor maintains at its headquarters and available on Franchisor's website will be the controlling version and will supersede all prior versions.

(d) If Franchisee loses printed portions of, or allows unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to Franchisee by Franchisor, Franchisee pay to Franchisor \$1,000 for a replacement Confidential Operations Manual within 30 calendar days of demand, and Franchisee will be deemed to be in material breach of this Agreement and all other agreements Franchisee has with Franchisor and its affiliated entities.

(e) Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee must immediately return to Franchisor any printed portions of the Confidential Operations Manual then in Franchisee's possession. Except as specifically permitted by Franchisor, at no time may Franchisee, or Franchisee's employees or agents, (i) make, or cause to be made, any copies or reproductions of all of any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except Franchisee's authorized employees and agents when required in the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor's Trade Secrets or other Proprietary

Information from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

8.3 Menu and Standards of Operation

(a) A standard menu format is required by Franchisor and must be used by Franchisee. Any changes, additions or deletions in the menu format to be used at the Outlet must be approved in writing by Franchisor prior to its use by Franchisee. Franchisee agrees to indemnify and hold Franchisor and Franchisor's affiliated entities, equity owners, managers, officers, employees and agents harmless from and against any and all loss, damage, cost or expense, including reasonable attorney's fees, resulting from any change Franchisee makes in the standard menu or for any deviation of Franchisee's products from the descriptions contained in Franchisor's approved menu. Franchisor may change the standard menu format at any time and from time to time.

(b) Franchisor is entitled to prescribe standard uniforms and attire for all Franchisee's Ding Tea personnel in order to enhance the customer experience at the Outlet and to protect Franchisor's reputation for quality service. Franchisee is required to obtain such uniforms and attire only from an e-store set up by Franchisor's affiliates or from other approved manufacturers or distributors.

(c) Franchisee agrees that Franchisor, Franchisee and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at Franchisee's Outlet and elsewhere in Franchisee's Territory. Therefore, Franchisee agrees to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement, the architectural plans and the Confidential Operations Manual as it may be revised from time to time, and as Franchisor may otherwise direct in writing. In order that Franchisor may establish and maintain an effective network of franchisees, Franchisee specifically agrees it will not display the Marks except in the manner Franchisor authorizes.

8.4 Point of Sale System

Franchisee is required to use and maintain the specific computerized point of sale cash collection system and integrated business computer ("POS System") that is provided by Franchisor's authorized supplier. Franchisee must authorize Franchisor to have access to the POS System and have the ability to review Franchisee's records. Franchisor may also require that Franchisee acquire and use a suitable computer system to manage and record its sales and operations.

8.5 Maintenance of and Refurbishments to the Outlet

(a) Franchisor requires that Franchisee maintain, and from time to time refurbish, the Outlet to conform to the then-current Trade Dress and color schemes applicable for an Outlet. Such

maintenance and refurbishment may require expenditures by Franchisee on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets, or to accommodate new Ding Tea Products. In this regard the following requirements are applicable:

(i) Franchisee must maintain all equipment and furnishings used at the Outlet in good working order and make repairs or perform maintenance on an as needed basis and Franchisee must immediately and completely resolve to Franchisor's satisfaction any maintenance deficiencies Franchisor identifies.

(ii) Franchisee must make any and all upgrades to equipment and any technology used in Franchisee's Outlet that Franchisor may require.

(iii) Franchisor may periodically require Franchisee to update the Trade Dress used at Franchisee's Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to Franchisee in writing. Such updates may require Franchisee to install new color schemes, logos, signage or other visual elements. Franchisor anticipates that such Trade Dress updates will be required no more frequently than once every five years.

(b) Franchisor will only require the types of modifications and expenditures described herein where there is good cause. In this context, "good cause" means that Franchisor make a good faith determination that Franchisee's Outlet is substantially inconsistent with prevailing System-wide standards (for example, either in terms of the Trade Dress, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell Ding Tea Products) and that, as a result of its appearance or condition, Franchisee's Outlet is either (i) not adequately positioned to promote and sell Ding Tea Products as then required or (ii) damaging the integrity of the Ding Tea image, brand and/or Marks.

8.6 Relocation of Franchisee's Outlet

(a) If Franchisee desires to relocate the Outlet, Franchisee may do so provided that not less than 90 calendar days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), Franchisee makes a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 Business Days after receiving Franchisee's request, Franchisor will either approve or disapprove in writing such closure or relocation in Franchisor's reasonable discretion.

In the event of disapproval of a proposed relocation, Franchisee may request an alternative proposed new location pursuant to the provisions of this section 8.6.

8.7 Record Keeping and Reporting Requirements

(a) Franchisee agrees to track, account for and report if and when requested by Franchisor on the financial performance of the Franchised Business.

(b) All financial or statistical information Franchisee provides to Franchisor must be accurate and correct in all material respects.

(c) Franchisor has the right to use any financial or statistical information that Franchisee provides Franchisor, as Franchisor deems appropriate. Franchisor will not identify Franchisee, Franchisee's Outlet or Franchisee's Territory as the source of the information, and will not disclose any of this information except (i) with Franchisee's written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(d) Franchisee must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials

All signs, display materials and other materials containing the Marks must be in full compliance with specifications provided in, and in conformity with, the Confidential Operations Manual. Franchisor will designate or approve the suppliers of such signs, display materials and other materials containing the Marks in accordance with Confidential Operations Manual guidelines.

8.9 Telephone Numbers

At its sole expense, Franchisee must list the telephone number for Franchisee's Outlet in accordance with procedures prescribed by the Confidential Operations Manual or Google listing to ensure that the Outlet is searchable. The Franchisor may use or publicize such contact information for its own internal or compliance purpose. At the time of termination or expiration of this Agreement, for any reason, Franchisee must transfer the telephone number for Franchisee's Outlet to Franchisor or cancel them and de-list them from any applicable telephone directory or other telephone number listing service.

8.10 Insurance

(a) Franchisee must have an effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance in the minimum total amount of two

million U.S. dollars (\$2,000,000) limit for each occurrence and other insurance that is legally required or reasonably prudent for Franchisee to operate Franchisee's business (for example, worker's compensation insurance). Policy coverage requirements and limitations and other terms relating to insurance may be set forth in the Confidential Operations Manual. Any policies of insurance that Franchisee maintains must contain a separate endorsement naming Franchisor and the Owners of the Marks (and Franchisor's other affiliated companies identified by Franchisor in writing), and their respective shareholders, members, managers, directors, officers, employees, and agents as additional insureds to the full extent of coverage provided under the insurance policies. Franchisee's insurance coverage will be primary as respects Franchisor, the Owner of the Marks, and other affiliated companies identified by Franchisor in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents. Any insurance or self-insurance maintained by Franchisor, the Owner of the Marks, and other affiliated companies identified by Franchisor in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents will be excess of Franchisee's insurance and will not contribute with it. Franchisee must provide Franchisor a copy of the policy and endorsement upon issuance and upon each and every renewal. Franchisee hereby grants Franchisor a waiver of any right of subrogation, which any insurer of Franchisee may acquire against Franchisor by virtue of payment of any loss under such insurance. This provision applies regardless of whether or not Franchisor has received a waiver of subrogation endorsement from the insurer. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-VII or better and authorized to do business in the state where the Franchisee's Outlet is located, unless otherwise approved in writing by Franchisor.

(b) Within 30 calendar days after the Opening Date and within 30 calendar days after each succeeding anniversary of the Opening Date, Franchisee must deliver to Franchisor a certificate evidencing such insurance is in full force and effect. Such insurance certificate must contain a statement to the effect the certificate cannot be cancelled without 30 calendar days (10 calendar days for non-payment) prior written notice to Franchisee and to Franchisor. Franchisee must notify Franchisor in writing immediately regarding any cancellation, non-renewal or reduction in coverage or limits.

(c) The failure of Franchisee, for any reason, to procure and maintain the insurance coverage required under this Agreement will be deemed a material breach of this Agreement.

8.11 Review and Inspection

(a) Franchisor has the right to send representatives at reasonable intervals at any time (announced or unannounced) during normal business hours, to Franchisee's Outlet (or any other facility from which Franchisee sells Ding Tea Products or any other offices relating to Franchisee's conduct of the Franchised Business) to review and inspect Franchisee's operations, business

methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Confidential Operations Manual and to ensure Franchisee is in compliance with System standards prescribed by Franchisor and specified in the Confidential Operations Manual.

(b) Franchisor or Franchisor's designated agents also have the right at all reasonable times, upon 10 Business Days prior notice, to examine, copy and audit the books and records relating to the Outlet and Franchisee's operation of the Franchised Business. If an examination or audit discloses any underpayment of any fee, Franchisee must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an annual percentage rate of 18% (or the highest rate of interest allowed by Franchisee's state's law if this is less than 18%). If an examination or audit discloses an underpayment or understatement of any amount due Franchisor by 5% or more, or if the examination or audit is made necessary by Franchisee's failure to furnish required information or documents to Franchisor in a timely manner, or it takes Franchisor's auditors an unreasonable amount of time (more than eight hours) to assemble Franchisee's records for audit, Franchisee must reimburse Franchisor for the cost of having Franchisee's books and records examined or audited (this remedy will be in addition to any other rights or remedies Franchisor has under this Agreement or otherwise, including Franchisor's right to terminate this Agreement).

(c) Franchisee must fully cooperate in permitting Franchisor's representatives to access Franchisee's Outlet (or any other facility from which Franchisee sells Ding Tea Products or any other offices relating to Franchisee's conduct of the Franchised Business) during normal business hours to conduct reviews and inspections, and to render such assistance as Franchisor's representative may reasonably request. Upon notice from Franchisor or Franchisor's representatives, Franchisee must immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection.

8.12 Compliance with Laws

Franchisee must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon Franchisee or upon Franchisee's business or property. Franchisee represents and warrants that it will obtain and at all times maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. Franchisee must provide the Franchisor with proof of all applicable licenses and permits at least 30 calendar days prior the opening of the Outlet. Franchisee must immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against

or involving the Franchisee, or any entity affiliated with Franchisee, or any agent, employee, owner, director or partner of Franchisee, which notification must include relevant details in respect thereof.

8.13 Web Site and Internet Marking

(a) During the term of this Agreement, Franchisee will use the Ding Tea website and any other internet or social media only as specifically authorized by Franchisor in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing to market the Franchised Business conducted at Franchisee's Outlet. Franchisee may not register an internet domain or social networking medial outlet name using any of the Marks.

(b) All domain names used by Franchisee must be pre-approved by Franchisor who will control the usage and right to use all domain names. Upon termination or expiration of, or transfer of the rights and obligations granted under, this Agreement, Franchisee will have no further need or right to use these domain names.

(c) Any alternative distribution methods and programs Franchisee would like to use to engage in the Franchised Business, including e-commerce, web sites, internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, are subject to Franchisor's prior written approval, which approval will be in Franchisors sole discretion.

IX. PROPRIETARY MARKS

9.1 License of the Marks

(a) Franchisor hereby grants Franchisee the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with Franchisee's operation of the Franchised Business at the Outlet. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use, display or permit the use or display of trademarks and service marks approved for use by Franchisor in connection with the Franchised Business. Neither Franchisee nor any Principal Equity Owner nor any employee, agent, or representative thereof may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. Franchisee may only use the Marks and Franchisor's Intellectual Property on the internet or other electronic media in the manner and as specifically authorized by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee agrees to be responsible for and supervise all of its employees and agents in order to insure the proper use of the Marks in compliance with this Agreement.

(b) Franchisee acknowledges and agrees Franchisee's use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that Franchisor and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. Franchisee acknowledges that the use of the Marks outside the scope of the terms of this Agreement without Franchisor's written consent is an infringement of the Owner of the Marks' and Franchisor's exclusive right, title and interest in and to the Marks. Franchisee agrees that as between Franchisee and Franchisor, all rights to use the Marks within the franchised System are Franchisor's exclusive property. Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and Franchisor's other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisee and Franchisor, remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement.

(c) Franchisee agrees that that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, Franchisee will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks.

(d) Franchisee hereby grants Franchisor the right at any time to use the name, image and likeness of Franchisee and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Franchisor's Intellectual Property, Ding Tea Products, any Ding Tea Outlet and the System, without any form of compensation or remuneration. Franchisee also agrees (i) to have any affected employee of Franchisee who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual authorizing Franchisor to also use the employee's name, image and likeness for the purposes described in this section 9.1(d), without compensation or remuneration, and (ii) to provide Franchisor with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Franchisee's Initials _____ Principal Equity Owners' Initials _____
_____]

(e) Franchisee acknowledges that Franchisor prescribes uniform standards respecting the nature and quality of Ding Tea Products provided by Franchisee in connection with which the Marks are used. Nothing herein gives Franchisee any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and

Franchisee agrees that all of the Franchisee's use of the Marks under this Agreement inures to Franchisor's benefit and the benefit of the Owner of the Marks.

(f) Franchisee and all Principal Equity Owners agree that all materials associated with Franchisor, Ding Tea Products or other services, artwork, graphics, layouts, slogans, domain names, other names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by Franchisee, Franchisee's employees, agents and subcontractors and any other party with whom Franchisee may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, Franchisee hereby and irrevocably assigns to Franchisor all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, Franchisee agrees on behalf of itself, its employees, its agents, its subcontractors and any other party with whom Franchisee may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard. As between Franchisee and Franchisor, the Suggestions and all Intellectual Property Rights in and to the Suggestions are owned exclusively by Franchisor, except as otherwise set forth herein. Franchisee's Suggestions will not entitle Franchisee to any Intellectual Property Rights in and to the System, the System will not become a joint work of authorship as a result of Franchisee's Suggestions under any circumstances. Franchisee's Suggestions will be considered as "work for hire" (as defined under the United States Copyright Act), and such Suggestions will be owned by and for the benefit of Franchisor. To the extent that any such Suggestions by Franchisee may not constitute a work for hire, Franchisee hereby grants, assigns and transfers all right, title and interest in and to such Suggestions, including all rights in and to the Intellectual Property therein, to Franchisor and agrees to execute any and all further documents and things reasonably required by Franchisor to effect and record such assignment. If Franchisee has any such rights that cannot be assigned to Franchisor, Franchisee waives the enforcement of such rights, and if Franchisee has any rights which cannot be assigned or waived, Franchisee hereby grants to Franchisor an exclusive, irrevocable, perpetual, worldwide, fully paid license (with right to sublicense through multiple tiers) to such rights. Franchisee acknowledges there are, and may be, future rights that Franchisee may otherwise become entitled to with respect to the Suggestions not yet existing, as well as new uses, media, means and forms of exploitation throughout the universe exploiting current or future technology yet to be developed, and Franchisee specifically intends the foregoing assignment of rights to Franchisor will include all such now known or unknown uses, media and forms of exploitation throughout the universe.

(g) If necessary, Franchisee agrees to join with Franchisor and share the expenses in any application to enter Franchisee as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or

permitted user and Franchisee hereby consents to the cancellation and agrees to join in any cancellation petition. Franchisee will bear the expense of any cancellation petition.

9.2 Franchisee's Business Name

(a) In connection with Franchisee's operation of the Outlet, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, on Franchisee's letterheads, business forms, and at the Outlet and other authorized business sites, in all of Franchisee's business dealings related thereto and to the general public, Franchisee will identify the Franchised Business solely under a trade name containing the Mark "Ding Tea" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Franchisee's letterhead, contract agreements, invoices, authorized social media or internet sites, advertising and other written materials containing the Marks as Franchisor may direct.

(b) Franchisee must file and keep a current fictitious business name statement, assumed name certificate or similar document regarding Franchisee's Business Name in the county or other designated jurisdiction in which Franchisee is conducting business and at such other places as may be required by law. Before Franchisee commences engaging in the Franchised Business under the Marks, Franchisee must supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so.

(d) Franchisee further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of Franchisor or the Owner of the Marks, or (iii) any of Franchisor's other franchisees.

(e) If Franchisee is an entity and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

9.3 Trade Secrets and Proprietary Information

(a) Under this Agreement, Franchisor is licensing Franchisee access to Franchisor's Proprietary Information, Trade Secrets and other confidential data and information. Franchisee acknowledges that the material and information now and hereafter provided or revealed to

Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Confidential Operations Manual) are Franchisor's confidential trade secrets and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all confidences so reposed, both during the term of this Agreement and thereafter. Franchisor expressly reserves all rights with respect to the Marks, Proprietary Information, methods of operation and other proprietary information, except as may be expressly granted to Franchisee hereby or in the Confidential Operations Manual. Franchisor will disclose to Franchisee certain Trade Secrets as reasonably needed for the operation by Franchisee of the Franchised Business by loaning to Franchisee, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the Trade Secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement.

(b) Franchisee acknowledges that Franchisor is the sole owner of all Proprietary Information, including Franchisor's Trade Secrets, that such information is being imparted to Franchisee only by reason of Franchisee's special status as a franchisee of the System, and that Franchisor's Proprietary Information is not generally known to Franchisor's industry or the public at large and are not known to Franchisee except by reason of such disclosure. To the extent that Trade Secrets are furnished in a printed "hard" copy rather than electronically, Franchisee will only grant authorized personnel access to the Trade Secrets and take adequate precautions to ensure that the Trade Secrets are kept in a locked receptacle at the Outlet when not in use by authorized personnel. To the extent that the Trade Secrets are furnished in electronically or in an equivalent format, Franchisee will only share the access password with authorized personnel. Franchisee will promptly notify Franchisor if any part of its Trade Secrets that is maintained in a tangible media is lost or destroyed for any reason. Franchisee further acknowledges that Franchisee will acquire no interest in the Proprietary Information and Trade Secrets disclosed to Franchisee, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement.

(c) Franchisee agrees that Franchisee will not do or permit any act or thing to be done in derogation of any of Franchisor's rights in connection with the Marks, either during the term of this Agreement or thereafter, and that Franchisee will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, Franchisee and Franchisee's employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

(d) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all "Losses" (as defined in section 16.2 below), which Franchisor may sustain as a result of any unauthorized use or disclosure or Proprietary Information or Marks by Franchisee or its

employees and agents. Franchisee further agrees and acknowledges that the disclosure or use of Proprietary Information or Marks in a manner not authorized by Agreement will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such unauthorized disclosures or use without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee further agrees that no bond or other form of security is required to obtain such equitable relief and Franchisee hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee further agrees and acknowledges that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to monetary damages.

(e) 18 U.S.C. Section 1833(b) states: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law, or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal”. Accordingly, Franchisor and Franchisee will each have the right to disclose in confidence Trade Secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Franchisor and Franchisee also have the right to disclose Trade Secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. Section 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. Section 1833(b).

9.4 Modification of Marks and Trade Dress

Franchisor may add to, substitute or modify any or all of the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. Franchisee agrees to accept, use, display or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 calendar days of receiving notification, commence to implement such changes and use its best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks

(a) If Franchisee receives notice or otherwise becomes aware of any claim, suit or demand, threatened or pending, against Franchisee by any party other than Franchisor, the Owner of the Marks or any of Franchisor’s affiliates on account of any alleged infringement, unfair competition or similar matter arising from Franchisee’s use of the Marks in accordance with the terms of this

Agreement, or any misuse of the Marks by third parties on the internet or otherwise, Franchisee must notify Franchisor within 10 calendar days of any such claim, suit, demand or misuse. Franchisee will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without Franchisor's prior written consent. Franchisor will defend, compromise, or settle at Franchisor's discretion any such claim, suit or demand and take steps to stop misuse at Franchisor's cost and expense, using attorneys selected by Franchisor or the Owner of the Marks, and Franchisee agrees to cooperate fully in such matters.

(b) Franchisor will indemnify Franchisee and hold Franchisee harmless from and against any and all judgment resulting from any claim, suit or demand arising from Franchisee's authorized use of the Marks or Franchisor's Intellectual Property in accordance with the terms of this Agreement. Franchisor has the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks or Franchisor's Intellectual Property being used by Franchisee or constitutes a misuse of the Marks or Franchisor's Intellectual Property, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) Franchisee hereby indemnifies Franchisor and holds Franchisor harmless from and against any and all judgments resulting from any claim, suit or demand arising from Franchisee's unauthorized and improper use of the Marks or Franchisor's Intellectual Property. Furthermore, Franchisor also has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of \$20,000 per violation).

X. MARKETING AND PROMOTION

10.1 Marketing and Promotion of the Brand

(a) Franchisor may, but is not obligated to, expend amounts on national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general public recognition and acceptance thereof, and on regional, local or national media or other marketing techniques or programs designed to promote the retail sale of Ding Tea Products, the Marks and other aspects of the Ding Tea brand, creative and production costs, and for other purposes deemed appropriate by Franchisor to enhance and promote the general recognition of Ding Tea franchises. Franchisee shall provide reasonable cooperation to Franchisor's marketing campaign, market research, and other similar effort. Furthermore, Franchisee grants the Franchisor a global, irrevocable, royalty-free, and perpetual right, with the right to sub-license, to use any video, slogan, graphic, marks, or any other copyrighted or advertisement materials that the Franchisee created, licensed, or procured in the Franchisor's marketing campaign.

(b) Franchisor may, but is not obligated to, expend additional amounts on branding and marketing studies, initiatives and research, test marketing new products or concepts, franchisee compliance with System standards and practices through a “mystery shopper” program, the development of marketing strategies, tools, initiatives, and materials, public relations, and market research.

10.2 Advertising Content and Costs

With respect to all regional, national and/or system-wide advertising, Franchisor determines the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION

11.1 Exclusive in Term of Dealing

(a) Franchisee acknowledges it will receive valuable specialized training and access to Proprietary Information, including, without limitation, information regarding Ding Tea Products and the operational, sales, promotional and marketing methods and techniques of the System and Franchisor’s Trade Secrets. In consideration for the use and license of such valuable information, Franchisee agrees that it will not during the term of this Agreement, operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareholder, manager, member, partner or otherwise), or engage in any (i) competing business selling goods or offering services equivalent to Ding Tea Products or the Franchised Business, (ii) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System, without Franchisor’s express prior written consent, which consent may be withheld in Franchisor’s sole and absolute discretion. In the event of a breach of this Article, Franchisor has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of \$20,000 per violation).

11.2 Post Termination Non-Competition Covenants

(a) For a period of one year after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement (“Expiration Date”), Franchisee agrees that neither Franchisee nor any Principal Equity Owner may (either directly or indirectly, for itself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold an interest in, any competing

business selling goods or offering services equivalent to Ding Tea Products or the Franchised Business, within a radius of 25 miles of Franchisee's Territory or any other authorized retail location selling Ding Tea Products, without Franchisor's express prior written consent, which consent may be withheld in Franchisor's sole and absolute discretion. In all events, at all times following termination or expiration of this Agreement, Franchisee must refrain from any use, direct or indirect, of any Franchisor's Proprietary Information. In the event of a breach of this Article, Franchisor has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including liquidated damages of \$20,000 per violation).

(b) If any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights under section 11.2(a) above, then section 11.2(a) will be deemed amended (or deleted) to conform to the requirements of such laws and regulations, but in such event (unless deleted) the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

11.3 General Provisions regarding Non-Competition Covenants

(a) Franchisee acknowledges that the restrictions contained in this Article XI are reasonable and necessary in order to protect Franchisor's legitimate interests, and in the event of violation of any of these restrictions, Franchisor is entitled to recover damages including, without limitation, Service Fees and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which Franchisor is entitled at law or in equity.

(b) Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from and against all Losses which Franchisor may sustain as a result of any breach of this Article XI by Franchisee, any Principal Equity Owner, or Franchisee General Manager. Franchisee further agrees that a breach of the non-competition covenants set forth above will cause immediate and irreparable damage to Franchisor that would be impossible or inadequate to measure and calculate and could not be fully remedied by monetary damages. Accordingly, Franchisor has the right to specifically enforce this Agreement and seek injunctive or other equitable relief as may be necessary or appropriate to prevent such breach or continued breach without the necessity of proving actual damages by reason of any such breach or threatened breach of this Agreement. Franchisee and each Principal Equity Owner further agree that no bond or other security will be required in obtaining such equitable relief and hereby consents to the issuance of such injunction and to the ordering of specific performance. Franchisee and each Principal Equity Owner further

acknowledge that such remedies are in addition to any other rights or remedies, whether at law or in equity, which may be available to Franchisor, including, but not limited to, monetary damages.

(c) This Article XI applies to Franchisee's General Manager, Principal Equity Owners and each of Franchisee's other managers, directors, officers, general partners and affiliates.

(d) Each provision of this Article XI is independent of each other provision of this Agreement. IF any provision of this Article XI is held unreasonable by any court, agency or other tribunal of competent jurisdiction, Franchisee agrees to be bound by the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and also agree to be bound by all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Franchisor

Franchisor has the right to Transfer this Agreement, and all of Franchisor's rights and privileges hereunder to any other person, firm or corporation ("Franchisor's Assignee"), provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by Franchisor's Assignee of the functions of franchisor hereunder (i) at the time of Assignment by Franchisor, Franchisor's Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder, and (ii) Franchisor's Assignee must expressly assume and agree to perform such obligations. If there is an Assignment by Franchisor in compliance with the terms set forth in the preceding sentence, Franchisor will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by Franchisee

(a) This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its Principal Equity Owners and the trust and confidence Franchisor reposes in Franchisee and in them. Therefore, neither Franchisee's interest in this Agreement and the Franchise granted hereunder, nor more than 50% of the equity interest in Franchisee (if Franchisee is an entity), nor all or substantially all of the assets of Franchised Business, nor any controlling interest or non-controlling interest in the Franchised Business may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by Franchisee"), without Franchisor's prior written consent and, except for any transfer of a non-controlling interest, subject to Franchisor's right of first refusal provided for in section 12.3 hereof. Franchisor's consent to a specific Assignment by Franchisee is not cumulative and will not apply to any subsequent assignments, in respect of each which Franchisee must comply with this section 12.2.

(b) Prior to any Assignment by Franchisee, Franchisee must notify Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, the Outlet, all or substantially all of the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice must be in writing, delivered to Franchisor in accordance with section 16.1 hereof and include all of the following:

(i) The name and address of the proposed assignee ("Franchisee Assignee"),

(ii) If requested by Franchisor, a copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest of the Franchised Business, and

(iii) Franchisee's Assignee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by the Franchisor when interviewing prospective new franchisees, if those forms are readily made available to Franchisee. If the forms are not readily available, Franchisee must request that Franchisor deliver the forms to Franchisee by business counter in accordance with section 16.1 hereof within 15 calendar days. As soon as practicable after the receipt of Franchisee's Assignee's application, Franchisor will notify Franchisee and Franchisee's Assignee, in writing, of any additional information or documentation necessary to complete the transfer application. If Franchisor's then-existing standards for the approval of new or renewing franchisees are not readily available to Franchisee when Franchisee notifies Franchisor of Franchisee's intent to sell, transfer or assign the Franchise, all or substantially all of the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, Franchisor will communicate the standards to the Franchisee within 15 calendar days.

(c) Within 60 calendar days after the receipt of all the necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between Franchisor and Franchisee, Franchisor will notify Franchisee of the approval or disapproval of the proposed Assignment by Franchisee. The notice will be in writing and delivered to Franchisee by business counter in accordance with section 16.1 hereof. Should Franchisor elect not to exercise its right of first refusal, or should such right of first refusal be inapplicable, as herein provided, the proposed Assignment by Franchisee will be deemed approved, unless disapproved by Franchisor in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, Franchisor will include the notice of disapproval with a statement setting forth the reasons for the disapproval. Franchisor may impose, among other things, the following conditions precedent to Franchisor's consent to any such Assignment by Franchisee (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand).

(i) Franchisee's Assignee must complete Franchisor's application for a Franchise, and in connection therewith, Franchisee and Franchisee's Assignee must fully disclose in writing all of the terms and conditions of the Assignment by Franchisee,

(ii) Franchisee's Assignee and the principal equity owners of Franchisee's Assignee demonstrate they have the skills, qualifications, moral and ethical reputation, and economic resources necessary, in Franchisor's sole judgment, to conduct the business contemplated by this Agreement,

(iii) Franchisee's Assignee and each principal equity owner of Franchisee's Assignee expressly assume in writing for Franchisor's behalf all of Franchisee's obligations under this Agreement,

(iv) Franchisee must have completed fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor,

(v) Franchisee must have complied fully as of the date of any such Assignment by Franchisee with all of Franchisee's material obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor,

(vi) Franchisee's Assignee agrees that (A) a General Manager successfully trained by Franchisor must at all times be employed to operate the Outlet and (B) Franchisor's Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by Franchisor will be satisfactorily completed by Franchisee's Assignee's General Manager and other necessary personnel within 30 calendar days after the execution by Franchisee's Assignee of a Franchise Agreement, provided, however, that Franchisee's Assignee must agree to pay for all their expenses incurred in connection therewith, including any fee Franchisor charges for training (at the rate in effect at the time of transfer), travel, hotel and food and beverage expenses, and

(vii) Not later than 10 calendar days before the transfer, Franchisee must pay Franchisor a non-refundable "Transfer Fee" of \$10,000.00 (the Transfer Fee is not payable if Franchisor exercises its right of first refusal pursuant to section 12.3 of this Agreement). The Transfer Fee is subject to an adjustment in Franchisor's discretion based on corresponding changes in the applicable consumer pricing index since the Effective Date.

(d) Franchisee does not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with

Franchisor's consent, which will not be unreasonably withheld, Franchisee may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion but not all of Franchisee's rights hereunder without Franchisor's express prior written consent, which will not be unreasonably withheld.

(e) Any attempt by Franchisee to assign or any purported Assignment by Franchisee in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause the Agreement (and in Franchisor's sole discretion any or all other agreements between Franchisee and Franchisor, or between Franchisee and Franchisor's affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon Franchisor's consent to any Assignment by Franchisee, Franchisee must bring all accounts with Franchisor current and transfer to Franchisee's assignee all service agreements or contracts signed by customers of the Franchised Business conducted at Franchisee's Outlet. Also, Franchisee must (i) execute an agreement among Franchisee, Franchisor and Franchisee's assignee effecting the Assignment by Franchisee, which will include a mutual release between Franchisee, Franchisor and (ii) enter into an assignment of lease for the Outlet premises (including an assignment to the assignee of Franchisee's rights, title and interest to telephone numbers and utilities respecting the Outlet).

12.3 Right of First Refusal

(a) Except for a Transfer (i) to Franchisee's heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.5 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan, Franchisee's right to Transfer Franchisee's entire interest in the Franchise is granted by this Agreement under section 12.2 hereof is subject to Franchisor's right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) Franchisee must deliver to Franchisor a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Assignment by Franchisee, and (ii) all available information concerning Franchisee's Assignee including a detailed summary of how the proposed assignee meets Franchisor's qualifications for a new Ding Tea franchise, and any other related information requested by Franchisor. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with Franchisor's right of first refusal.

(c) Within 15 calendar days after Franchisor's receipt of such notice (or if Franchisor requests additional information, within 10 calendar days after receipt of such additional information), Franchisor may either (i) consent or withhold Franchisor's consent to such Assignment by Franchisee, in accordance with this section 12.2 hereof, or (ii) at Franchisor's option, accept the Assignment by Franchisee itself or on behalf of Franchisor's nominee upon the terms and conditions specified in the notice.

(d) If Franchisor elects not to exercise its right of first refusal and consent to the to the Assignment by Franchisee, Franchisee will for a period of 60 calendar days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by Franchisor), or if said 60-day period expires, Franchisor will again have such right of first refusal with respect thereto and Franchisee will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to Franchisor no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfer to Affiliated Entities

Franchisee or Principal Equity Owner may without Franchisor's consent, upon 30 calendar days prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee's franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under this section 12.4 will be subject to Franchisor's right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide full disclosure of the terms of said transfer and deliver to Franchisor no later than three Business Days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three Business Days following the close of the transaction. Also, Franchisee acknowledges and agrees that any Transfer to an affiliate will not relieve Franchisee of its obligations under this Agreement.

12.5 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner

(a) Notwithstanding the foregoing, in the event of Franchisee's death or legal incapacity, if Franchisee is an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest in the franchisee entity ("Majority Equity Owner") if Franchisee is an entity (corporation, limited liability company or partnership), the transfer of Franchisee's or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal

representatives or conservators, as applicable, will not be deemed an Assignment by Franchisee provided that a responsible management employee or agent of Franchisee that has been satisfactorily trained by Franchisor will be responsible for the Franchised Business.

(b) Notwithstanding the foregoing, in the event of a sole proprietor Franchisee or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer as soon as practicable (but not more than 180 calendar days) after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If Franchisor determines (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, Franchisor may (but is not obligated to) immediately terminate this Agreement.

(c) No Transfer under this section 12.5 will be subject to (i) Franchisor's right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by Franchisee's (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, Franchisee must comply with sections 12.2(b)(i) through (vi) and (to the extent applicable) section 12.2(c) above, as well as provide Franchisor full disclosure of the terms of said transfer not later than three Business Days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to Franchisor no less than three Business Days following the close of the transaction.

12.7 Other Transfers

Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in section 12.3 hereof, Franchisee or a Principal Equity Owner may consummate any transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in Franchisee's franchised entity, not permitted by the preceding sections 12.4 and 12.5 only after written notice to Franchisor and only with Franchisor's written consent, which will not be unreasonably withheld. Franchisor will exercise Franchisor's good faith business judgment in determining whether to give or withhold Franchisor's consent to a Transfer under section 12.6. Such exercise of good faith business judgment may include Franchisor's consideration of certain skills and qualifications of the prospective transferee which are of business concern to Franchisor, including without limitation, the following experience in business similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee, the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement, and the effect that the Transfer and the prospective transferee

will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or Franchisor or any of Franchisor's affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General

(a) This Agreement may be terminated only for good cause, which means a failure of a party to substantially comply with the lawful requirements imposed upon it by this Agreement after being given notice at least 60 calendar days in advance of the termination and a reasonable opportunity, which in no event will be less than 60 calendar days from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If Franchisor is in material breach of this Agreement, Franchisee may terminate this Agreement by giving Franchisor prior written notice setting forth the asserted breach of this Agreement and giving Franchisor 60 calendar days in which to cure the default. A material breach of this Agreement by Franchisor means any unauthorized action or omission seriously impairing or adversely affecting Franchisee or the relationship between Franchisor and Franchisee created by this Agreement. However, if Franchisor becomes insolvent or declares bankruptcy, Franchisee will continue to have the right to operate under this Agreement until and unless a court orders otherwise. If because of the nature of the breach, it would be unreasonable for Franchisor to be able to cure the default within 60 calendar days, Franchisor will be given additional time (up to 30 additional calendar days) as is reasonably necessary to cure said breach, upon condition that Franchisor must, upon receipt of such notice from Franchisee, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the option, to be exercised in its sole discretion, to choose alternative remedies to its right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances which Franchisor has the right to terminate this Agreement, Franchisor also has the right to exercise any and all remedies available to it at law or equity, including without limitation specific performance and damages (including punitive damages of \$20,000 per violation). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination

(a) Franchisor has the right to immediately terminate this Agreement upon notice to Franchisee without an opportunity to cure if:

(i) Franchisee admits its inability to pay its debts as they become due, or Franchisee or the business to which the Franchisee relates (A) has been the subject of an order for relief in bankruptcy, (B) is judicially determined to be insolvent or (C) has all or substantial part of its assets assigned to or for the benefit of any creditor,

(ii) Franchisee Abandons the Franchise by failing to operate the Outlet for five consecutive Business Days during which Franchisee is required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Franchisee's control,

(iii) Franchisor and Franchisee agree in writing to terminate the Franchise,

(iv) Franchisee makes any material representations relating to the acquisition of the Franchise or Franchisee engages in conduct that reflects materially unfavorably upon the operation and reputation of the Franchised Business or the System,

(v) Franchisee fails, for a period of 10 Business Days after notification of noncompliance, to comply with any federal, state or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise,

(vi) after curing any failure in accordance with section 13.3 below, Franchisee engages in the same noncompliance whether or not such noncompliance is corrected after notice,

(vii) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement, whether or not corrected after notice,

(viii) the Franchised Business or the business premises of the Franchise are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 calendar days (unless an appeal bond has been filed), or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and is not discharged within five calendar days of such levy.

(ix) Franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the Franchise,

(x) an audit or investigation conducted by Franchisor (A) discloses that Franchisee knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated Franchisee's Gross Revenues or withheld the reporting of any Franchisee's Gross Revenues, or (B) reveals an underreporting or under recording error on any single occasion of 5% or more, or

(xi) Franchisor makes reasonable determination that Franchisee's continued operation of the Franchise will result in an imminent danger to the public health or safety.

(b) The parties recognize that some breaches may involve conduct, which undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of "cure" will be required. However, the termination will not take effect for 10 calendar days to enable parties to consider whether other alternatives may be possible.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor because of an event described in section 13.2(a) above, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 or 14.3 below, as applicable, to collect damages or otherwise enforce its rights.

13.3 Termination After Notice

(a) Except as provided in section 13.2 above, Franchisor may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving Franchisee prior written notice setting forth the asserted breach of this Agreement and giving Franchisee 60 calendar days in which to cure the default. Upon receipt of a notice of default, Franchisee must immediately commence diligently to cure said breach, and if Franchisee cures said breach within 60 calendar days, Franchisor's right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for Franchisee to be able to cure the default within 60 calendar days, Franchisee will be given additional time (up to 15 additional calendar days) as reasonably necessary in Franchisor's determination to cure said breach, upon condition that Franchisee must, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use Franchisee's best efforts to do so. If Franchisee fails to cure, then the Franchisor may terminate this Agreement for good cause by providing a 180 calendar days prior notice.

(b) If Franchisee's rights under this Agreement are terminated by Franchisor for material breach, Franchisor may, at its option, declare Franchisee in default of all of the other franchisee

agreements or other agreements Franchisee has with Franchisor, and terminate Franchisee's rights under those other agreements as well.

(c) If Franchisee's rights under this Agreement are terminated by Franchisor for Franchisee's failure to make any payment due under this Agreement, section 14.1 below is not applicable, and Franchisor may immediately commence an action under section 14.2 below to collect damages or otherwise enforce its rights.

(d) If Franchisee and Franchisor agree to mutually terminate this Agreement, Franchisee must return a signed counterpart of any document Franchisor prepares to effect the termination not later than 10 calendar days after Franchisee receives it, or the mutual agreement to terminate will be voidable by Franchisor, and Franchisor may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to Franchisor at the date of termination.

13.4 Description of Default

The description of any default in any notice served by Franchisor hereunder upon Franchisee in no way precludes Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations

Notwithstanding anything to the contrary in this Article XIII, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits Franchisor's rights of termination hereunder or requires longer notice periods than those set forth herein, and if the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period

Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which Franchisor has the right to terminate this Agreement, Franchisor also has the right, to be exercised in its sole discretion, to grant to Franchisee in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to Franchisor's right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. Franchisee acknowledges that Franchisor's election to grant an extended cure period to Franchisee will not operate as a waiver of any Franchisor's rights hereunder.

13.7 Franchisor's Right to Cure Franchisee's Defaults

In addition to all other remedies herein granted, if Franchisee defaults in the performance of any of its obligations or breaches any term or condition to this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure the default for Franchisee's account and on Franchisee's behalf, and all costs or expenses including attorney's fees incurred by Franchisor on account thereof will be due and payable by Franchisee to Franchisor on demand.

13.8 Waiver and Delay

No waiver by Franchisor of any breach or sense of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option to give Franchisor hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Confidential Operations Manual constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Collection Costs

Franchisor is entitled to reimbursement from Franchisee upon Franchisor's demand of all costs. Franchisor has incurred (including reasonable attorney's fees and investigator's fees) to enforce Franchisor's rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.10 Continuance of Business Relations

Any continuance of business relations between Franchisee and Franchisor after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute, Mediation

(a) Franchisor and Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to a consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the System, as contemplated by this Agreement. To that end, Franchisee and Franchisor acknowledge that Franchisee and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisee and Franchisor are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof (collectively,

“Dispute”) by first having Franchisor’s executive officers and Franchisee’s Principal Equity Owners meet (without their respective legal counsel) in person at Franchisor’s principal executive office (or in Franchisor’s discretion by videoconference) within five Business Days after a party notifies the other party that a Dispute has arisen to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. Franchisor may proceed to terminate this Agreement in either of the following two situations without a settlement meeting or mediation proceeding: (i) if there is any breach to this Agreement by Franchisee that may result in an immediate termination of this Agreement pursuant to section 13.2 above, or (ii) if Franchisee fails to pay any sums due Franchisor under this Agreement which may result in termination of this Agreement pursuant to section 13.3 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 14.1, the other party may immediately commence an arbitration proceeding pursuant to section 14.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1 above, within 10 Business Days after the date this conference took place (or should have taken place), Franchisee and Franchisor may submit the dispute to non-binding mediation conducted by and before a mutually acceptable mediator, and at a location mutually agreeable to both parties. If the Dispute is not referred to mediation within 10 Business Days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings should be completed within 60 calendar days following the date either party first gives notice of the mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communication under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose, provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission as a result of the mediation.

14.2 Arbitration

(a) Except as specifically provided in sections 13.2(c) and 13.3(c) above, any Dispute between Franchisor (and/or its affiliated entities) and Franchisee (and/or its Principal Equity Owners or affiliated entities) not settled through the procedures described in section 14.1 above, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator administered by JAMS, Inc. in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in

controversy is less than \$250,000.00) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is \$250,000.00 or more), or if the parties in dispute mutually agree, through binding arbitration by one arbitrator administered by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) All hearings and other proceedings will take place at American Arbitration Association (“AAA”) in Delaware, or other county where Franchisor’s headquarters is then located, or if Franchisor so elects, at the JAMS business location nearest the county where Franchisee’s (or an applicable Principal Equity Owner’s) principal place of business is then located.

(c) A limited amount of discovery (including e-discovery) is permitted within the discretion of the arbitrator (including affidavits and a maximum of three discovery depositions for each side, with each side’s depositions not to consume more than a total of 15 hours) and either party may present briefs and affidavits of witnesses who are unable to attend the hearings. However, no interrogatories or requests to admit will be allowed and requests for documents will be limited to documents which are directly relevant to significant issues in the case or to the case’s outcome, will be restricted in terms of timeline, subject matter and persons or entities to which the request pertain and will not include broad phraseology such as “all documents directly or indirectly related to” (in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2). Regarding permissible e-discovery in an arbitration arising out of or related to this Agreement, the following restrictions will apply:

(i) There will be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are required to be produced from backup servers, tapes or other media.

(ii) Absent a showing of compelling need, the production of electronic documents will normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the e-documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence.

(iii) The description of custodians from home electronic documents may be collected will be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the Dispute.

(iv) Where the costs and burdens of e-discovery are disproportionate to the nature of the Dispute or to the amount in controversy, or to the relevance of the materials

requested, the arbitrator will either deny such requests or order disclosure on the condition that the requesting party advance the reasonable costs of production to the other side, subject to the allocation of costs in the final award (in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2).

(d) Any party wishing to make a dispositive motion must first submit a brief letter (not exceeding five pages) explaining why the motion has merit and why it would speed the proceeding and make it more cost-effective. The other side will have a brief period within which to respond. Based on the letters, the arbitrator will decide whether to proceed. If the arbitrator decides to move forward with the motion, the arbitrator will place page limits on the briefs and set an accelerated schedule for the disposition of the motion. Under ordinary circumstances, the pendency of such a motion will not serve to stay any aspect of the arbitration or adjourn any pending deadlines.

(e) The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and the judgment on the award may be entered in any federal or state court having jurisdiction.

(f) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING OTHER FRANCHISEE'S, OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE ACKNOWLEDGES FRANCHISEE IS AGREEING TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS THAT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS. ACCORDINGLY, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY RIGHT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(g) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(h) This Arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly notice arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(i) The provisions of this section 14.2 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this section 14.2 will be construed as independent of any covenant or provision of this Agreement, provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Franchisor's Initials _____ Franchisee's Initials _____]

[Principal Equity Owners' Initials _____]

14.3 Legal Fees and Expenses

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other "Expenses" (as defined in section 16.2(e) below) incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert or other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or the court. This section 14.4 is intended to expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be merged into the judgment.

14.5 Survival

The terms of this Article XIV shall survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Franchisee's Obligations

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, Franchisee must forthwith discontinue the use or display of the Marks in any manner whatsoever, and Franchisee may not thereafter operate or do business under the Marks or any other Ding Tea brand or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by Franchisor or the Owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Trade Dress. Franchisee must contact online review sites and other online directories and websites which have made reference to Franchisee's Outlet during the 18 months prior to the date this Agreement terminates, is cancelled or expires, and request the removal of all use of the trademarks in connection with the former franchised Outlet (and the physical address of the former Outlet) and all use of former reviews from the period Franchisee was a Ding Tea franchisee. Franchisee also must comply with section 15.2 respecting the return to Franchisor of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, Franchisee must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor,

(ii) Erase or obliterate from letterheads, stationary, printed matter, advertising or other forms used by Franchisee the Marks and all works indicating that Franchisee is associated or affiliated with Franchisor,

(iii) Permanently discontinue all advertising of Franchisee that states or implies Franchisee is associated or affiliated with Franchisor or the System (if Franchisee engages in any business thereafter Franchisee must use trade names, service marks or trademarks that are significantly different from those under which Franchisee had done business and must use formats

that are significantly different in color and type face, and take all necessary steps to ensure that Franchisee's present and former employees, agents, officers, shareholders and partners observe the foregoing obligations), and

(iv) Assign all interest and right to use all telephone numbers and all listing to applicable Outlet in use at the time of such termination to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such listing as soon as possible.

(c) If Franchisee fails or omits to make or cause to be made any removal or change described in section 15.1(b)(i) through 15(b)(iv) above, then Franchisor will have the right within 15 calendar days after written notice to enter Franchisee's Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at Franchisee's expense, which expenses Franchisee agrees to pay Franchisor promptly upon demand, and Franchisee hereby irrevocably appoints Franchisor as Franchisee's lawful attorney upon termination of this Agreement with the authority to file any document in the name of and on Franchisor's behalf for the purpose of terminating any and all of Franchisee's rights in any trade name Franchisee has used that contains any of the Marks.

15.2 Franchisor's Rights

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any of Franchisor's rights against Franchisee and such termination, cancellation, expiration or assignment will not relieve Franchisee of any of Franchisee's obligations to Franchisor existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of Franchisor which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) Franchisor may direct that all applicable suppliers immediately cease providing Franchisee with equipment, inventory, marketing materials, email access, website access, accessories and other items comprising or to be used to provide Ding Tea Products.

(c) Franchisee is obligated to return, at no expense to Franchisor, any and all copies of the Confidential Operations Manual and all other Ding Tea proprietary materials and any other items that were supplied by Franchisor for Franchisee's use without additional charge in connection with the operation of the Franchised Business. Franchisee must also permanently erase anything relating to Franchisor or the Franchised Business from any computers and other media storage devices Franchisee retains after expiration, cancellation or termination of this Agreement.

(d) Upon a lawful termination or nonrenewal of this Agreement, Franchisor will purchase from Franchisee, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by Franchisee to Franchisor or Franchisor's approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in Franchisee's possession or used by Franchisee in the Franchised Business. Franchisor is not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Agreement or any ancillary or collateral agreement or to which Franchisee, at the cessation of operation of the Franchised Business by Franchisee, cannot lawfully, or does not, grant Franchisor clear title and possession upon Franchisor's payment to Franchisee for the inventory, supplies, equipment, fixtures, or furnishings (we have the right to receive clear title to and possession of all items purchased from Franchisee under this section 15.2(d)). Franchisor may offset against the amounts owed to Franchisee under any such purchase under this section 15.2(d) any amounts Franchisee owes to Franchisor. Notwithstanding the foregoing however, Franchisor's requirement to purchase from Franchisee under this section 15.2(d) will not apply:

- (i) if and when Franchisee declines a bona fide offer of renewal from Franchisor,
- (ii) if Franchisor does not prevent Franchisee from retaining control of the Outlet or other principal place of the Franchised Business,
- (iii) to any termination or nonrenewal of the Franchise due to a publicly announced and nondiscriminatory decision by Franchisor to completely withdraw from all Franchise activity within the relevant geographic market area in which the Franchisee is located,
- (iv) if Franchisor and Franchisee mutually agree in writing to terminate and not renew the Franchise, or
- (v) to any inventory, supplies, equipment, fixtures, or furnishings that are sold by Franchisee between the date of the notice of termination or nonrenewal, and the cessation of operation of the Franchised Business by Franchisee, pursuant to the termination or nonrenewal.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement must be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next Business Day and addressed as follows:

- (i) if to Franchisor:

Ding Tea Corporation

(ii) if to Franchisee:

Telephone: _____

(b) Unless actually delivered in person by an agent of the sending party, notices between Franchisee and Franchisor will be deemed given the next Business Day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next Business Day,

(c) Any change in the address listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier,

(d) Any notices sent to Franchisee which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why and (ii) the effective date of such termination or nonrenewal or expiration.

16.2 Indemnity

(a) Franchisee and its Principal Equity Owners, jointly and severally, hereby agree to protect, defend and indemnify Franchisor, and all of Franchisor's past, present and future owners, affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all Losses arising out of or in connection with any "Proceeding" (as defined in section 16.2(f) below) concerning Franchisee's intentional tort or negligence, or the intentional tort or negligence of Franchisee's agents, servants or representatives, relating to Franchisee's development, maintenance or operation of the Outlet and the Franchised Business, except if caused by Franchisor's intentional misfeasance, gross negligence or material default of any terms of, or Franchisor's obligations arising under this Agreement.

(b) In order for the indemnification to be effective, each indemnified party ("Indemnified Party") will give the indemnifying party ("Indemnifying Party") reasonable notice of each claim or loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel

reasonably acceptable to the Indemnifying Party, except that the Indemnified Party may at its option and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle, provided, however, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement that (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable, or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and “Losses” (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party’s duty to defend is independent of its duty to indemnify. Each indemnified party must submit all of its claims to its insurers in a timely manner. Any payments made by an indemnified party will be net of benefits received by any indemnified party on account of insurance in respect of such claims.

(c) The term “Losses” means, refers to, and includes all “Expenses” (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party’s respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(d) The term “Expenses” means, refers to, and includes, all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding casts, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement. Including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(e) The term “Proceeding” means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

16.3 Franchisee’s Relationship to Franchisor as Franchisee, Customer Reviews

(a) It is expressly agreed by the parties they intend by this Agreement to establish between themselves the relationship of franchisee and franchisor. It is further agreed neither Franchisee nor any Principal Equity Owner has the authority to create or assume in Franchisor's name or on Franchisor's behalf, any obligation, express or implied, or to act or purport to act as agent or representative on Franchisor's behalf for any purpose whatsoever. Neither Franchisee (nor any Principal Equity Owner) nor Franchisor is the employer, employee, agent, partner, fiduciary or joint-venturer of or with the other, each being independent. Franchisee and all Principal Equity Owners jointly and severally agree none will hold itself out as Franchisor's agent, employee, partner or joint-venturer or the Owner of the Marks. All employees or agents hired or engaged by or working for Franchisee will be only the employees or agents of Franchisee and will not for any purpose be deemed employees or agents of Franchisor or the Owner of the Marks, nor subject to Franchisor's control, and in particular, Franchisor will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. Franchisee and Franchisor agree to file their own tax, regulatory and payroll reports with respect to their respect employees or agents and operations.

(b) Franchisee agrees to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by Franchisee, its employees and agents, in a diligent and professional manner and Franchisee agrees to cooperate with representatives of Franchisor or the Owner of the Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities.

16.4 No Third Party Beneficiaries

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than financing sources to whom Franchisor may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise.

16.5 Survival of Covenants

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns

Subject to restrictions on Assignment by Franchisee contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of Franchisor's successors and assigns, (i) Franchisee and inures to the benefit of Franchisee successors and assigns, and (iii) Principal Equity Owners and inures to the benefit of their respective successors and assigns.

16.7 Joint and Several Liabilities

If Franchisee consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Franchisor are joint and several.

16.8 Titles for Convenience Only

Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender

All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability, Partial Invalidity

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to the law. Whenever there is any conflict between (i) any provision of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts

This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both which together will be deemed to be one and the same instrument.

16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws

(a) Franchisee and each of the Principal Equity Owners certify that none of Franchisee, the Principal Equity Owners, employees, or anyone associated with the Franchisee is listed in the Annex to Executive Order 13224 (available at <http://treasury.gov/offices/enforcement/ofac/sanctions.terrorism.html>). Franchisee covenants not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, the Principal Equity Owners, employees or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee and each of the Principal Equity Owners will comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each of

the Principal Equity Owners certify, represent and warrant that none of Franchisee’s respective property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that Franchisee and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws. Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement also pertain to its obligations under this section 16.12. Any misrepresentation by Franchisee under this section 16.12 or any violation of the Anti-Terrorism Laws by Franchisee, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee entered into with Franchisor or one of Franchisor’s Affiliates. “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither Franchisee nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

c) Neither Franchisee nor any Principal Equity Owner nor any employee of either is named as a “Specifically Designated National” or “Blocked Person” as designated by the U.S. Department of the Treasury Office of Foreign Asset Control, and published at <https://www.treas.gov/offices/enforcement/ofac/sdn/>. Franchisee acknowledges that Franchisee is not directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States of America, nor does Franchisee or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to an embargo imposed by the United States of America. Franchisee and the Principal Equity Owners agree that Franchisee will notify Franchisor in writing immediately of the occurrence of any event that renders the foregoing representatives and warranties of this section 16.12 incorrect.

[Franchisee’s Initials _____ Principal Equity Owners’ Initials _____
_____]

16.3 Governing Law

The Federal Arbitration Act (9 U.S.C. §1 et seq.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of Delaware govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under the governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.4 Entire Agreement

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all of the terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, the signatories each agree and promise each other that this Agreement, and the Confidential Operations Manual supersede and cancel any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements, understandings or any other term), by any of the parties or by anyone acting on their behalf, with respect to the rights and obligations of the parties to this Agreement or the relationship between them. Each signatory to this Agreement agrees and promises the other that they have placed, and will place, no reliance on such discussions or writings.

(b) In accordance with the foregoing section 16.4(a), the parties to this Agreement agree that this Agreement and the Confidential Operations Manual constitutes the entire agreement between the parties and contain all of the terms, conditions, rights and obligations of the parties with respect to the Franchised Business contemplated by this Agreement and any other aspect of the relationship between the parties.

(c) This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by Franchisee and by Franchisor. THIS AGREEMENT IS NOT BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY THE FRANCHISOR.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations

(a) Franchisee and each of Franchisee's Principal Equity Owners hereby jointly and severally represent and warrant that the following statements in this section 18.1 are true and accurate.

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or Franchise within 12 months after Opening Date.

(c) Franchisee understands and acknowledges that the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Confidential Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Confidential Operations Manual. Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with Franchisor's standards.

(d) If Franchisee is an entity, Franchisee is duly organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(e) Franchisee's execution of this Agreement will not constitute or violate any other agreement or commitment to which Franchisee is a party.

(f) Any individual executing this Agreement on Franchisee's behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of Franchisee and all of Franchisee's Principal Equity Owners.

(g) Franchisee and its Principal Equity Owners (i) carefully read this Agreement and all other related documents to be executed by Franchisee concurrently or in conjunction with the execution hereof, (ii) conducted an independent investigation of the business contemplated by this Agreement, (iii) obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, (iv) understand the nature of this Agreement, and (v) intend to comply with the terms hereof and be bound hereby. Franchisee also recognizes that the Franchise involves significant risks, making the success of the Outlet largely dependent on Franchisee's abilities and attention. Franchisor expressly disclaims the marking of, and Franchisee agrees that Franchisee has not received or relied on, any representation or warranty from Franchisor regarding the likelihood of Franchisee's success at Franchisee's Outlet or in Franchisee's operating the Franchised Business.

(h) IN ENTERING INTO THIS AGREEMENT, FRANCHISEE HAS NOT RELIED ON ANY REPRESENTATIONS BY FRANCHISOR, OR ANY OF FRANCHISOR'S OFFICERS, MANAGERS, DIRECTORS, PARTNERS, SHAREHOLDERS, EMPLOYEES OR AGENTS, CONCERNING THE FRANCHISED BUSINESS CONTRARY TO THE TERMS OF THIS AGREEMENT, THE DOCUMENTS INCORPORATED INTO THIS AGREEMENT (OR ATTACHED TO IT).

(i) Franchisee agrees that complete and detailed uniformity among Franchisor's franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that Franchisor, in its sole discretion, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. Franchisee further agrees that Franchisor has no obligation to disclose or offer the same or similar variances to Franchisee. Franchisee is aware that other Ding Tea franchisees may operate under different agreements and, consequently, that Franchisor's obligations and rights as to those franchisees may differ materially in certain circumstances.

(j) Franchisee received a copy of this Agreement at least 14 calendar days before it is signed.

(k) Franchisee made no payment to Franchisor before Franchisee signed this Agreement.

(l) Franchisee and each Principal Equity Owner acknowledge that in operating the System, Franchisor must take into account the needs of the System as a whole, and the need to protect the Marks, even if Franchisor's actions are contrary to Franchisee's individual interests as a franchisee.

(m) Franchisee and each Principal Equity Owner acknowledge that the success of the business venture is speculative and depends in large part on Franchisee's participation in the daily affairs of the Franchised Business.

18.2 Additional Information Respecting Franchisee and Franchisee's Principal Equity Owners

(a) Attached as Exhibit 3 is a schedule containing complete information regarding Franchisee's Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered by Franchisor pursuant to section 16.1 hereof) where Franchisee's financial and other records are maintained is either [] the same address provided in section 16.1 hereof, or [] the following address:

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

FRANCHISEE

FRANCHISOR
Ding Tea Corporation

By: _____
Title: _____

By: _____
Title: _____

FRANCHISEE'S PRINCIPAL EQUITY OWNERS

(Note: each Principal Equity Owner is signing below as a party to this Agreement, and is individually obligated to perform or guarantee the performance by an entity franchisee of all duties and obligations of the franchisee under this Agreement)

Printed Name:

Printed Name:

Printed Name:

Printed Name:

List of Exhibits to Franchise Agreement

Exhibit 1 – Territory and Location of Outlet

Exhibit 2 – Evaluation

Exhibit 3 – Names and Addresses of Principal Equity Owners

EXHIBIT 1 – TERRITORY AND LOCATION OF OUTLET


The Territory is (3) miles straight line distance from the Outlet to the next outlet. The straight line distance between the Outlet to the next outlet is measured by Google Map or similar application.

The Outlet is located at

(If the address of the Outlet is unknown when this Agreement is signed, as soon as the address is determined it will be inserted later into the space above or added by addendum to this Exhibit 1).

The Outlet must be open and operating no later than _____.

EXHIBIT 2 – EVALUATION

					
Date:		Store:		Examiner:	
Main Item	No	Descriptions	Qualification	Buffer Period	Fine
First Appearance	1	Whether environment is clean		7 days	\$500
	2	Whether staff wears uniform or apron (clothes shall be consistent)		7 days	\$500
Manners	3	Whether staff is polite to customers		7 days	\$500
	4	Whether cashier inquires customer about ice and sugar level and toppings		7 days	No
	5	Whether staff actively introduce the products to customers and whether the staff is familiar about DING TEA products		7 days	No
Hygiene & Safety	6	Whether the counter is tidy		7 days	\$1,000
	7	Whether seating area is clean and comfortable		7 days	\$500
	8	Whether the working station is clean and tidy		7 days	\$1,000
	9	Whether the wall is clean		7 days	\$500
	10	Whether shaker cup is clean		7 days	\$1,000/pic
	11	Whether the sink is clean and without waterlogging		7 days	\$500
	12	Whether the tea containers, powder containers, syrup containers are clean		7 days	\$500
	13	Whether the tea containers, powder containers, syrup containers are clean		7 days	\$1,000
	14	Whether the tea and powder have been preserved well		7 days	\$1,000
	15	Whether the restroom is clean		7 days	\$500
	16	Whether the sugar machines is clean		7 days	\$1,000
	17	Whether the sugar values are all correct		7 days	\$1,000
	18	Whether there is anything in sugar machine		7 days	\$1,000
	19	Whether the sealer machine is clean		7 days	\$1,000
	20	Whether the POS and other equipment are clean		7 days	\$1,000
	21	Whether pots, cover, strainer, seals, stoves are clean and in the right position		7 days	\$1,000
	22	Whether the tea clothes are clean		7 days	\$1,000/pic
	23	Whether the sink and ground in kitchen is clean and without waterlogging		7 days	\$500
	24	Whether the working station in kitchen is clean		7 days	\$500

	25	Whether the storage is clean, and the environment is good for preserving the food		7 days	\$1,000
	26	Whether the inventory is tidy		7 days	\$500
Technique	27	Cooking Tea Process (Flavor, Color, Smell)			
	A	Black Tea		7 days	\$500
	B	Green Tea		7 days	\$500
	C	Oolong Tea		7 days	\$500
	28	Toppings (Appearance, Flavor, Mouthfeel)			
	A	Boba		7 days	\$500
	B	Grass Jelly		7 days	\$500
	C	Pudding		7 days	\$500
	D	Sea Cream		7 days	\$500
	29	Making Tea Process			
	A	Fresh Tea		7 days	\$500
	B	Milk Tea		7 days	\$500
	C	Fruit Juice		7 days	\$500
	D	Matcha		7 days	\$500
	E	Latte		7 days	\$500
F	Flavored Tea		7 days	\$500	
Inventory	30	Whether there is any checking list for inventory		7 days	No
	31	Whether the store comply with FIFO regulations		7 days	\$500
	32	Whether the store ever purchase any materials from other supplier instead of HQ		No	\$5,000
Compatibility	33	Whether the store have launched seasonal new products or promotion		7 days	\$1,000
	34	Whether the store us the expired materials		No	\$5,000
	35	Whether the store use DING TEA logo without HQ's permission		7 days	\$1,000
	Total Score				
Description					
Suggestion					

EXHIBIT 3 – NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

If Franchisee is an entity, list below the names, residential addresses and respective percentages equity ownership interests of each Principal Equity Owner:

1. _____ 2. _____

_____ % _____ %

3. _____ 4. _____

_____ % _____ %

5. _____ 6. _____

_____ % _____ %

EXHIBIT C

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:

Department of Financial Protection and
Innovation
2101 Arena Boulevard, Sacramento, CA 95834
Toll-free (866) 275-2677
(916) 445-7205

Hawaii:

Commissioner of Securities,
Dept. of Commerce and Consumer Affairs
335 Merchant St., Rm. 203, Honolulu
HI 96813-2921
(808) 586-2722

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:

Indiana Securities Division, Franchise Section
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:

Office of the Attorney General
Securities Division
200 Saint Paul Pl. Baltimore, MD 21202-2020
(410)576-6360

Michigan:

Michigan Attorney General
Consumer Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005-1495
(212) 416-8236

North Dakota:

Securities Department
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:

Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave. Bldg. 69-1
Cranston, RI 02920-4407
(401)462-9527

South Dakota:

Division of Insurance, Securities Regulation
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:

State Corporation Commission, Div. of
Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:

Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW, Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:

Securities Division
201 W. Washington Ave. Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:

Commissioner of Department of Financial
Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834
(916) 445-7205

Hawaii:

Commissioner of Securities
Dept. of Commerce and Consumer Affairs,
Business Registration Div., Securities
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:

Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:

Secretary of State
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:

Maryland Securities Commissioner
200 Saint Paul Pl., Baltimore, MD 21202-2020
(410)576-6360

Michigan:

Michigan Attorney General, Consumer
Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:

Commissioner of Commerce
85 7th Pl. E., Ste 280, Saint Paul
MN 55101-3165
(651) 539-1600

New York:

Secretary of State
28 Liberty St., 21st
Flr., New York, NY
10005-1495
(212) 416-8236

North Dakota:

Securities Commissioner
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:

Director of the Division of Business Regulation
1511 Pontiac Ave. Bldg. 69-1
Cranston RI 02920-4407
(401)462-9527

South Dakota:

Director of the Division of Securities
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:

Clerk, Virginia State Corporation Commission
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:

Director of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:

Administrator, Division of Securities
Department of Financial Institutions
201 W. Washington Ave. Ste. 300, Madison, WI
53703-2640

EXHIBIT D

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT

- Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)
 - that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
 - that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this ___ day of _____ 20____.

FRANCHISOR:

Ding Tea Corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT E
GENERAL RELEASE

THIS GENERAL RELEASE is made this _____ day of _____, 20_____.
_____, a resident(s) in the State of _____, and
_____, a _____ company having its
principal place of business at _____

(each of the foregoing being collectively referred to herein as the "UNDERSIGNED") for and in consideration of the sum of One Dollar (\$1.00) paid to them by Ding Tea Corporation 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 Ding Tea Corporation, 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 (all collectively referred to herein as "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, shall, 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 shall 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 shall it be construed as an admission of any wrongdoing or liability and that it shall 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 corporation hereby represents and warrants that he or she is duly authorized by action of the Board of Directors of the UNDERSIGNED corporation to execute this release on its behalf.

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 shall 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:

Name: _____

Witness: _____

Print Name: _____

Print Name: _____

Title: _____

Date: _____

Date: _____

EXHIBIT F

STATE EFFECTIVE DATES

The following states have franchise laws that require that this 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 Disclosure 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	[Pending]
Hawaii	[Pending]
Illinois	[Pending]
Indiana	Not registered
Maryland	[Pending]
Michigan	[Pending]
Minnesota	[Pending]
New York	[Pending]
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	[Pending]
Washington	[Pending]

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 G

Contact Information of Former and Current Franchisees

Below please find contact information of the former franchisees (please note that one franchisee may have multiple stores):

State	Name and Address	Telephone Number
AZ	Steve Le 2739 E Speedway Blvd, Tucson, AZ 85716	520-888-5046
AZ	Steve Le 7555 N. La Cholla suite 105, Tucson, AZ 85704	520-888-5046
CA	Vince Dang 2424 W Ball Rd Unit W, Anaheim, CA 92804	562-278-2844
CA	Darrin Okimoto (Darrin) 7311 W Stockton Blvd, #120, Sacramento, CA 95823	916-330-7676
CA	Danny Hai (Danny) 2516 E Workman Ave Covina, CA 91791	626-622-5520
CA	Diem Thuy Dang Huong Diem Dang 6 Creekside Dr Suite 500 San Marcos, CA 92078	858-344-5845
CA	Jennifer Thanhthuy Ngo 4950 Hamner Ave, Eastvale, CA 91752	909-538-9127
CA	Wai Loeung Vong 114 W Carson ST, Carson, CA 90745	562-826-2812
CA	Tommy Anh Tuan Nguyen 1815 E Valley Pkwy Escondido, CA 92027	858-925-392
CA	Tri Le 26612 Towne Centre Dr Suite #D, Foothill Ranch, CA 92610	424-242-3737
CA	Tri Minh Do Nguyen 74998 Country Club Dr, Ste 220, Palm Desert CA	760-682-5630
CA	Khanh Vu Phuong Nguyen (Michelle) 26963 Date St Murrieta, CA 92563	714-873-2678
CA	Juntao Tobie Vong 5263 Rosecrans Ave, Hawthorne, CA 90250	714-697-0772
CA	Juntao Tobie Vong Trung Viet Tran 4259 Oceanside Blvd, Suit 101, Oceanside, CA 92056	No record
CA	Loi Sam 6450 Sepulveda Blvd Ste E, Van Nuys, CA 91411	714-326-4313
CA	Darin H Ven 2114 Colorado Blvd Eagle Rock, CA 90041	562-606-8420
CA	Fashion Valley Mall 7007 Friars Rd San Diego, CA 92111	858-925-3902
CA	Soyoung Kim 31431 Santa Margarita Pkwy G704, Rancho Santa Margarita, CA 92688	1-714-478-7781
CA	Frederick Ulanday 3926 Long Beach Blvd, Long Beach, CA 90807	562-673-6897

CA	John Trang 5620 E Santa Ana Canyon Rd Anaheim CA 92807	562-505-6128
CA	John Trang Loi Sam 9000 Reseda Blvd #102, Northridge, CA 91324	714-326-4313
CA	Ramon Wu 1355 Broadway, Suite C, Chula Vista, CA 91911	619-368-1527
CA	Nam Tran 12165 Alta Carmel Ct Ste 320, Rancho Bernardo San Diego, CA 92128	562-743-0227
CA	Jenna Thao Pham 1356 west valley parkway Escondido, CA 92029	760-957-6556
CA	John Trang 1133 W Casmalia St. Rialto, CA 92337	909-762-9803
CA	Ohnmar Min 10601 Tierrasanta Blvd suite C, San Diego, CA 92124	760-533-4971
	Limkao Chea 3034 W Temple Ave, Pomona, CA	626-267-5774
CO	Nhi Thi Nguyen 1699 S Colorado Blvd Denver, CO 80222	682-230-1656
CO	Thi Ngoc Hung Nguyen 1110 W Elizabeth St, Fort Collins, CO 80521	970-405-2941
FL	Kim Nugyen 4462 Cortez Rd W Bradenton, FL 34209	941-928-0220
FL	Kim Nugyen Tony Ho 2728 Stickney Point Road, Sarasota FL.34231	941-685-9218
FL	Lam Dinh 4680 Millenia Plaza Way, Orlando, FL 32839	407-446-3598
FL	Chanel Pham 14949 Tamiami Trail, North Port, FL	No record
GA	Jennifer Than South Point Shopping Center GA-20, McDonough, GA 30253	678-362-3588
GA	Jennifer Than Thanh Luan Phan 2180 Pleasant Hill Rd STE B13, Duluth, GA 30096	404-966-9466
GA	Kathy Bich Tran (Kathy) 2850 Lawrenceville Suwanee Rd Unit A Suwanee, GA 30024	626-548-0879
GA	Darshankumar Patel 10900 Medlock Bridge Rd Johns Creek, GA 30097	210-416-6203
GA	Ngoc Tuyen Thi Nguyen 125 W Washington St #221 Athens, GA 30601	404-704-2040
GA	Ngoc Tuyen Thi Nguyen 1000 Northside Dr NW #900 Atlanta, GA 30318	404-704-2040
GA	Kathy Bich Tran (Kathy) 3333 Buford Dr, Buford, GA 30519	626-548-0879
GA	Khyati Patel 4101 Five Forks Trickum Rd., Lilburn, GA 30047	404-735-9532
GA	Taslim Ahmed 1227 Rockbridge Rd STE-208 PMB375 Stone Mountain, GA 30087	404-384-3734

GU	Renato L. Silvestre Jr. 1779 Army Drive, Tamuning, GU 96913	671-898-3262
	Brandon Lam 2465 Campus Rd, Honolulu, HI	808-428-3946
IL	Brandon Lam Hung Phi Nguyen 2226 W Algonquin Rd, Rolling Meadows, IL 60008	773-999-6409
LA	Janeth Oliva 302 St Charles avenue New Orleans, LA 70130	224-433-8158
MI	Thu Thi-Nong 30569 Dequindre Rd Madison Heights, MI 48071	586-556-6789
MI	Jimmy Van Duong 970 Trowbridge Rd, East Lansing, MI 48823	517-303-3116
MI	Jimmy Van Duong 55 Ottawa Ave SW Grand Rapids, MI 49503	517-303-3116
MN	Thanh Chi Nguyen 1327 University Ave W St Paul, MN 55104	612-999-7442
MN	Thanh Chi Nguyen 2401 Fairview Ave N, Roseville, MN 55113	612-999-7442
NC	Tin Le 7211 E Independence Blvd, Charlotte, NC 28227	919-744-0720
NV	Johnny Duy Ngo 2900 Clear Acre Ln U-1, Reno, NV 89512, USA	714-943-8939
	Duong Hai Lam 3550 EXECUTIVE PARKWAY STE4, TOLEDO, OHIO 43606	567-702-1490
OR	Duong Hai Lam Toan Duc Trang 9244 SE Woodstock Blvd, Portland, OR 97266	626-371-5472
OR	Brian Ying Yin Jiang 536 SW College St, Portland, OR	503-952-6891
OR	Cindy Tran 4225 N Williams Ave, Portland, OR 97217	626-371-5472
TX	Cecilia Vu 2425 SE Green Oaks Blvd Ste 115, Arlington, TX 76018	817-966-0000
TX	Ly Kim Nguyen Vinh Nguyen (Vinh)23227 Mercantile Pkwy, Unit # A3 Katy, TX 77449	469-463-8282
TX	Hai Hoang (Andy) 3317 Belt Line Rd Garland, TX 75044	240-727-9294
TX	Tien Thomas Quang Pham 581 W Campbell Rd #119 Richardson, TX 75080	972-989-4013
TX	Cecilia Vu 1302 S Cooper St, Arlington, TX 76013	817-966-0000
TX	Kyle Cam Chung 4650 Hwy 6 Sugar Land, TX 77478	714-386-8185
TX	Kyle Cam Chung Kiem Ly 23735 Brazos Town Crossing Rosenberg, TX 77471	713-779-1103
TX	Hai Hoang 3529 Heritage Trace Pkwy #157, Fort Worth, TX 76244	240-727-9294

TX	Andrew Lau 2050 W University Dr #145 McKinney, TX 75071	316-992-8882
TX	Kevin Danh 911 W CENTERVILLE RD, GARLAND, TX 75041	714-616-9200
UT	Ban Le Tran (Ban) 5624 S Redwood Rd #60 Salt Lake City, UT 84123	1-801-520-4425
UT	Hieu Trung Nguyen 10382 S Redwood Rd South Jordan, UT 84095	3859559166
UT	Hieu Trung Nguyen Ban Le Tran (Ban) 175 N 500 W, West Bountiful, UT 84010 USA	801-520-4425
UT	Ban Le Tran (Ban) 2121 S McClelland St #107, Salt Lake City, UT 84106	801-520-4425
WA	Ban Le Tran (Ban) Lily Bullock 18520 33rd Ave W, Lynnwood, WA 98037	801-404-3622
	Amie Blanton 11 NW 12th Ave ste 111 Battleground WA 98604	503-553-9581
WA	Trish Phoung Huynh 12229 29th Ave W Everett, WA 98204	
WA	Jennie Dang 1125 SE 163rd Pl Suite 103, Vancouver, WA 98683	503-758-0950
WA	Jennie Dang 8207 NE Vancouver Mall Dr, Vancouver, WA 98662	503-758-0950
WA	Jennie Dang Lily Bullock 9740 NE 119th Way, Kirkland, WA	801-404-3622
SC	Thuy Diem Le Nguyen 30 Orchard Park Dr Suite #20 Greenville, SC 29615	864-371-2132

**EXHIBIT H
RECEIPT (1)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Ding Tea Corporation offers you a franchise, it must provide this 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) 10 Business Days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, if applicable, at least 10 Business Days before you sign any binding franchise or other agreement or pay any consideration to us, whichever occurs first.

If Ding Tea Corporation does not deliver this 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 agencies listed in EXHIBIT C of the Disclosure Document.

The principal business address and telephone number of each franchise seller offering the franchise is contacting Wei Hsiang, Hsu, Operations Manager, at 919 North Market Street, Suite 950, Wilmington, DE 19801, 800-246-2677, bow6509@dingtea.com.

This Disclosure Document was issued: March 19, 2026

I received a Disclosure Document issued March 19, 2026. Included are the following exhibits:

- EXHIBIT A FINANCIAL STATEMENTS
- EXHIBIT B FRANCHISE AGREEMENT
- EXHIBIT C STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- EXHIBIT D ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT & FRANCHISE AGREEMENT
- EXHIBIT E GENERAL RELEASE
- EXHIBIT F STATE EFFECTIVE DATES
- EXHIBIT G CONTACT INFORMATION OF FRANCHISEES
- EXHIBIT H RECEIPTS

Date Disclosure Document Received: _____, 20____ *(enter date here)*

Signed: _____
Name: _____ **(Please print)**
_____ **Street Address (domicile)**

Please date and sign this page, and then keep it for your records.

**Exhibit H
RECEIPT (2)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Ding Tea Corporation offers you a franchise, it must provide this 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) 10 Business Days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or (c) under Michigan law, if applicable, at least 10 Business Days before you sign any binding franchise or other agreement or pay any consideration to us, whichever occurs first.

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Date Disclosure Document Received: _____, 20____ (*enter date here*)

Signed: _____

Name: _____ (**Please print**)

Street Address (domicile)

Please date and sign this page, and then return it by first class mail or email to DING TEA CORPORATION.