

FRANCHISE DISCLOSURE DOCUMENT
INKISM INTERNATIONAL CO., LLC
dba YI FANG TAIWAN FRUIT TEA™



A California Limited Liability Company
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Inkism grants franchises to operate retail food establishment to sell items from a focused menu featuring a variety of teas and juice drinks, using proprietary teas, milk teas and juices, tapioca balls, recipes and preparation techniques, freshly prepared and available for carry-out or consumption on the premises.

The total investment necessary to begin operation of a Yi Fang Taiwan Fruit Tea franchised business will range from **\$345,000 to \$399,250**. This includes **\$271,000 to \$284,000** that must be paid to the franchisor or affiliate.

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 14 calendar days before you sign a binding agreement with, or make 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 to you. To discuss the availability of disclosures in different formats, contact Tzu Kai Ko at Inkism International Co., LLC, 100 Pine St., 1250, San Francisco, CA 94111; telephone (415) 917-6450.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as a lawyer or an accountant.

Becoming 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, DC 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 C.
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 B 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 San Chen™ business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be YI FANG TAIWAN FRUIT TEA™ franchisee?	Item 20 or Exhibit C 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 E.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. 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 California 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. **Financial Condition.** Franchisor is undercapitalized (see Item 21) and may not be able to meet preopening obligations to all franchisees.
4. **Going Concern.** The auditor's report on the franchisor's financial statements expresses substantial doubt about the franchisor's ability to remain in business. This means that the franchisor may not have the financial resources to provide services or support to you.

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

INKISM INTERNATIONAL CO., LLC
dba YI FANG TAIWAN FRUIT TEA™
FRANCHISE DISCLOSURE DOCUMENT

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"A"	Subfranchise Agreement <i>Exhibit to Subfranchise Agreement:</i> Exhibit 1: Subfranchise Schedule
"A-1"	Form of General Release
"B"	Financial Statements
"C"	List of Franchise Outlets
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ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document uses “we” or “us” to mean Inkism International Co., LLC (hereafter “Inkism-USA”). “You” means the individual or entity buying the Yi Fang Taiwan Fruit Tea franchise and become master franchisee (subfranchisor) of your delineated area.

The Franchisor, Parents and Affiliates

We are the franchisor for the YI FANG TAIWAN FRUIT TEA™ system in the United States. Our principal business address is 100 Pine St., 1250, San Francisco, CA 94111.

Our parent entity is Inkism International Co., Ltd. (“Inkism-Taiwan”), a Taiwan limited company (formerly named “DanYe International Co., Ltd.”) that does business as YI FANG TAIWAN FRUIT TEA™. Inkism-Taiwan offers franchises in Asia and Europe. Inkism-Taiwan provides us with necessary raw materials and supplies to open and operate YI FANG TAIWAN FRUIT TEA™ outlets. Inkism-Taiwan’s principal business address is 19F, No. 88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407025, Taiwan.

Inkism-Taiwan (and in the future one or more affiliated companies) provides our franchise system with the proprietary food ingredients and other products necessary to prepare YI FANG TAIWAN FRUIT TEA™ beverages and other menu items. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or that offers franchises in any line of business.

Predecessors

We have no predecessor during the 10-year period immediately before the close of our most recent fiscal year.

Name Used by the Franchisor

We conduct business under the name YI FANG TAIWAN FRUIT TEA™. We are also the franchisor of Shuang Jiang Cream in Tea 1986 that offers tea-based beverage with traditional Chinese toppings and sweets.

Agent for Service of Process

Our agent for service of process is specified in **Exhibit E**.

Business Organization Used by the Franchisor

We are a limited liability company registered on April 4, 2018 with the California Secretary of State.

The Franchisor's Business

We act solely as a franchisor of YI FANG TAIWAN FRUIT TEA™ franchises. We begin franchising in June 2018. We do not operate businesses of the type being franchised in this state and we do not engage in other business activities.

Our Business Activities

We do not open and operate any YI FANG TAIWAN FRUIT TEA™'s outlet directly, but we reserve the right to license YI FANG TAIWAN FRUIT TEA for franchisees to open and operate outlets under our trademark and tradename.

We are also the franchisor of Shuang Jiang Cream in Tea 1986™. Shuang Jiang Cream in Tea 1986™ outlet(s) offers tea-base beverages and traditional Chinese toppings and sweets.

Offer of Master Franchises (Subfranchises)

We are the Master Franchisor of YI FANG TAIWAN FRUIT TEA™ Franchise, and we are selling master franchises (subfranchises) in this state. You will be granted, for consideration paid to us, rights related to granting unit franchises to third parties or entities in a delineated geographic area. You will be a party to a Subfranchise Agreement with us specifying the territory in which you may license the franchise business in accordance with a minimum opening schedule. Unless otherwise exempted, you will need to register your own Franchise Disclosure Document with the Department of Financial Protection and Innovation before offering to sell or selling a franchise. You will also be a party to Unit Franchise Agreements with third parties ("Subfranchisees") for the selling of unit franchises. You can enter any unit franchise agreements with terms and conditions agreed by you and Subfranchisees. We do not provide any sample form of Unit Franchise Agreement for your use. You will be obligated to provide support services to those Subfranchisees.

The minimum number of outlets that must be sold is given during the term of Subfranchise Agreement, and you must sell at least one outlet per year after you sign Subfranchise Agreement with us. The consequence for failure to meet the development schedule is that we reserve the right to terminate Subfranchise Agreement.

General Market for Franchised Products and Services

The general market franchisees will operate the business involves retail tea and coffee shops and other restaurants offering specialty teas and other food products that are like YI FANG TAIWAN FRUIT TEA™ Products. The market for YI FANG TAIWAN FRUIT TEA™ Products is all individuals within a reasonable proximity to the Outlet. This type of business is fully developed and is not seasonal. Our initial approach to the marketing of our business is to grant subfranchise rights in areas in the United States where the population of ethnic Taiwanese and other Asians is greatest and where potential customer awareness of the brand is most likely. After we establish franchises in those areas, we will expand our marketing efforts to other areas in the United States, which will not involve sales primarily to a certain group.

Industry Specific Laws or Regulations

You will need a business license and reseller's permit and you must comply with federal, state and local laws applicable to the operation and licensing of our type of business, including obtaining all applicable health permits and inspections and approvals by municipal, county or state health departments that regulate food handling and food service operations. Franchisee's YI FANG TAIWAN FRUIT TEA™ Outlet must also meet applicable municipal, county, state and federal building codes and handicap access codes.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service. State and local agencies inspect restaurants and other retail food service providers to ensure that they comply with these laws and regulations.

Competition

To offer the franchise to potential subfranchisee(s), you will face the competition against other franchisors or subfranchisors in this catering business. For those subfranchisee(s) who intends to enter or expand their business in the field, they may consider other franchises that also sell tea-based drinks and coffees. The market for this type of service is very competitive because there are many brand names out there that are well-known in this field. You must consider carefully or consult some franchise experts before you decide to be our subfranchisor(s).

All our outlets of YI FANG TAIWAN FRUIT TEA™ franchise will compete with other tea shops, coffee shops and restaurants that offer and sell specialty teas and tea drink combinations, including franchised operations and national and regional chains such as Teavana, Starbucks and Peets Coffee and Tea, and smaller chains (such as Chatime and Coco Fresh Tea & Juice), and

independent operators that offer specialty teas, tea drink combinations and other products comparable to the YI FANG TAIWAN FRUIT TEA™ Products.

Prior Experience of Franchisor and Predecessors

In 2006, our founder began preparing and selling fresh tea and Taiwanese fruits through a food cart in Taichung, Taiwan. In 2009, our parent entity Inkism-Taiwan's predecessor, DanYe International Co., Ltd., was formed as an entity to begin franchising fresh tea and Taiwanese fruit to Taiwanese outlets. By 2010, outlets expanded into the Asian markets and by 2013, the number of global stores reached 100. In 2014, DanYe International Co., Ltd. became Inkism-Taiwan. In 2016, Inkism-Taiwan began offering YI FANG TAIWAN FRUIT TEA™ franchises in Asia. As of 2020, there are more than 50 YI FANG TAIWAN FRUIT TEA™ outlets in Taiwan and over 800 outlets around the world.

YI FANG TAIWAN FRUIT TEA™ was inspired by three generations of pineapple farmers and our brand was named after our founder's great-grandmother, Yi Fang. Yi Fang utilized a technique to braise overripe pineapples using a secret formula to create fruit jam. Our most popular fruit tea, the "Yi Fang Taiwan Fruit Tea" is based on Yi Fang's secret recipe. To reproduce the traditional and classic taste of YI FANG TAIWAN FRUIT TEA™, all the proprietary fruit and tea ingredients that make up YI FANG TAIWAN FRUIT TEA™ Products come from, and are made in Taiwan, where the climate is exceptionally good for the ingredients.

Inkism-Taiwan offers Shuang Jiang Cream in Tea 1986™ in Asia since December 2019. We start to offer Shuang Jiang Cream in Tea 1986™ franchise in California since April 20, 2020. Shuang Jiang Cream in Tea 1986™ outlets offer tea-based beverages with traditional Chinese toppings and sweet to customers. No Shuang Jiang Cream in Tea 1986™'s master franchise outlets were sold in California.

We ("Inkism-USA") have not previously offered franchises providing the type of business you will operate. Nor have we ever offered franchises in other lines of business. We do not operate businesses of the type being franchised. We do not engage in other business activities.

We have no affiliates that offer franchises in any line of business. However, our affiliate Inkism-Taiwan will provide you with products and services.

ITEM 2: BUSINESS EXPERIENCE

Tzu-Kai Ko: Chief Executive Officer and President

Mr. Ko is our Founder, and he was named our Chief Executive Officer and Managing

Member at our inception in April 2018. He also serves as Chief Executive Officer of our parent entity Inkism-Taiwan, Taichung, Taiwan (since May 2006).

ITEM 3: LITIGATION

Governmental Actions

Applicant: Inkism International Co., LLC dba YI FANG TAIWAN FRUIT TEA™ (org-296986; app-15485)

We offered the YI FANG TAIWAN FRUIT TEA™ franchise in California without first registering with the Department of Business Oversight (the Department changed its name into the Department of Financial Protection and Innovation on September 29, 2020) in violation of California Franchise Investment Law (“CFIL”). The Notice of Violation of CFIL was filed with the Department of Financial Protection and Innovation on September 3, 2019, and the Notice of Violation was approved as to form pursuant to Corporation Code sections 31303 and 31304 on October 02, 2019.

In the Matter of Investigation by Letitia James, Attorney General of New York, of Inkism Intl., Co., Ltd, and Tzu Kai Ko (AOD No. 19-004)

Inkism International Co. Ltd., the franchisor’s parent company, sold two franchises in New York without first registering a franchise offering prospectus with the Office of the Attorney General of the State of New York (“OAG”). The franchisor admitted the OAG’s finding and signed the Assurance of Discontinuance on January 29, 2019. Inkism International Co. Ltd. offered rescission to the franchisee, applied unit franchise registration, and paid \$6,000 as monetary relief. The unit franchise registration was registered on February 8, 2019 and renewed on February 6, 2020 (File No. 18-0320). No subsequent action was taken by the OAG.

Applicant: Fortune Journey LLC d/b/a YI FANG TAIWAN FRUIT TEA™

Fortune Journey LLC is the subfranchisor of YI FANG TAIWAN FRUIT TEA™ in California. Fortune Journey LLC and Roy Lam were involved in offering and selling of YI FANG TAIWAN FRUIT TEA™ franchise to subfranchisees without first filing franchise registration in violation of Section 31110 and 31300 of the California Corporation Code. Fortune Journey LLC filed the Notice of Violation with the Department of Business Oversight of State of California on

October 11, 2019, and the Notice of Violation was approved according to Corporations Code sections 31303 on February 5, 2020.

Except as disclosed under this item, there are no civil, criminal, or administrative actions taken against us, our parent company, and our franchisees.

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FRANCHISE FEES AND OTHER ESSENTIAL FEES

(1) Initial Franchise Fee (Master Franchise)

The initial franchise fee (master franchise) for your delineated area is \$200,000. After we fulfill our pre-opening obligations to you under the Subfranchise Agreement you sign, you will pay us at that time \$200,000 Subfranchise Fee. Then, when your subfranchisees open an additional Outlet under unit franchise agreements executed between you and your subfranchisees, you will pay us additional \$8,000 for each outlet opened (“Unit Franchise Fee”). *See Section 3.4 of the Subfranchise Agreement for the franchise fee.*

The Initial Subfranchise Fee is due and payable in full, by cashier’s check or money order or wire transfer to our bank account when we fulfill our pre-opening obligations to you under the Subfranchise Agreement.

(2) Design Fee

After we review and consent to your application as to the location of your master franchise outlet, and we fulfill our pre-opening obligations to you under the Subfranchise Agreement, you must also pay us a “Design Fee” for our direct services in designing the Outlet as a YI FANG TAIWAN FRUIT TEA™ retail if you asked us to conduct the design. **You will not be liable for the design fee if you do not ask for our service.** The design fee is \$3.3 per square foot. In accordance with our experience of operating an appropriate size of Outlet serving beverage and flavored fruit teas, the design fee probably will range from \$1,000 to 4,000 per Outlet. The amount of the Design Fee is indicated in Exhibit 1 of the Subfranchise Agreement.

(3) Security Deposit

When you sign the Subfranchise Agreement, you must pay us a \$50,000 security deposit. If you default in performing any requirement of the Subfranchise Agreement or any other agreement between you and us, or any of our affiliates, we may use the security deposit, or any portion of it, to cure the default or to compensate us or our affiliates for all damages or expenses we incur because of your default, including damages we suffer because of your purchase of unapproved materials or your use of poor quality raw material in preparing and serving YI FANG TAIWAN FRUIT TEA™ Products. We may also use the security deposit to pay any late charges, interest, penalties, and fees and any costs and charges due us for performing obligations that you do not perform, and which we are entitled to perform for you. If monies are owed, or become due, to us on or after termination or expiration of the Subfranchise Agreement for any reason, we may use all or any part of the security deposit to pay those sums. If we use any part of the security deposit before the end of the term of the Subfranchise Agreement, you will have to restore the balance of the security deposit to \$50,000. If you are not in default in performance under the Subfranchise Agreement or any other agreement with us or any of our affiliates on the date the Subfranchise Agreement expires or is terminated for any other reason, we will return to you within 30 days after the expiration or effective date of termination of the Subfranchise Agreement the remaining balance of the security deposit.

(4) Training Fee

The Initial Training (“First Stage Training”) is **free of charge** to you, store manager, and each principal equity owner, but you must pay us up to \$2,800 for each additional attendee for the training. You are not required to send any additional attendee for the training, it is your sole discretion. Additional On-site Training (“Second Stage Training”) is **not mandatory**, but you may request us to send one to two trainers to Outlet and provide on-site training, advice, and instruction. If you request us to provide Second Stage Training, you will need to pay us \$2,400 for each trainer.

(5) Inventory Fee

Before you open your master franchise outlet, you have to purchase inventory from us. The estimated expenditure of the purchase of inventory for the first 3 months of operation of the master franchise outlet will range from \$10,000 to \$15,000. The opening inventory includes various kind of tea leaves, tapiocas, sugar, syrup, jams, cups, straws, milk, fresh fruits, and any other inventory to make beverages specified in our menu.

(6) Equipment Fee

We will provide you with a list of authorized suppliers of appropriate and recommended equipment. The equipment will cost you from \$10,000 to \$15,000. The purchase of the equipment is related to the master franchise outlet. Without the installation and operation of the equipment necessary to run the food and beverages business, you will not be able to generate the unit franchise business and provide appropriate training to your subfranchisee(s). The equipment includes refrigerator(s), ice-maker(s), teapresso(s), sealing machine(s), induction cooker(s), measure, chairs, tables, and any other equipment necessary to provide the food and beverage service at your outlet.

(7) Refundability of Fees

The initial franchise fee, design fee, security deposit, inventory fee, and equipment fee are fully earned by us when paid and **are not refundable**. If the subfranchise agreement is terminated or expired, we will return the security to you less any expenses, damages, or penalty we incurred relating to the termination or expiration of the subfranchise agreement.

Excepted as disclosed under this item, there are no other initial fees or payments for services or goods received from us or our affiliates before your master franchise outlet opens.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	1.5 % of “Gross Revenues”	The 15 th of every month ³	Royalty is due and payable on the 15 th day of each month beginning the first full calendar month after the date your subfranchisee’s Outlet opens (“Opening Date”). “Gross Revenues” include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority. <i>See</i> Section 3.2 of Subfranchise Agreement.

Initial Training (First Stage of Training) Fee for Additional Attendees ¹	Up to \$2,800 ² (for each attendee)	At completion of training ³	Initial Training is provided to your Manager and each Principal Equity Owner at no additional charge. Each additional attendee of Initial Training, including replacement Managers, may be required to pay us up to \$2800 for each attendee. You must pay the costs of travel, lodging and meals for all trainees. <i>See</i> Section 5.1 of Subfranchise Agreement.
Additional Training Fee (Second Stage of Training) ¹	Up to \$2,400 ² (for each of Franchisor's personnel)	At completion of training ³	One month before first day of trial operation of each subfranchisee's Store, Subfranchisor shall communicate with Franchisor to ascertain the ingredients, materials, facilities, and personnel are all prepared and ready to provide the drink and beverages to customers. Franchisor shall dispatch one to two supervisors to Subfranchisee's Store and perform on-site assistance for fourteen (14) days. The fourteen (14) day period includes two days off and round-trip travel time from Taiwan to California. Subfranchisees shall be liable for transportation and accommodation of Franchisor's personnel. Subfranchisor shall provide \$200/day for each of Franchisor's personnel. <i>See</i> Section 5.2 and 5.3 of Subfranchise Agreement.
Renewal Fee ¹	\$10,000 ² (per Store subfranchised)	When you sign the renewal Subfranchise Agreement ³	You are qualified for renewal if all fees due us are paid and you are not in breach of any term of your Franchise Agreement. <i>See</i> Section 3.6 of the Subfranchise Agreement.
Unit Franchise Fee	\$8000 (per Outlet subfranchised)	When you sign unit franchise agreement with Subfranchisees	You shall pay us a sum of \$8,000 of Unit Franchise Fee per one additional Subfranchisee's Outlet opened. You shall be liable for the Unit Franchise Fee regardless of whether such Store is owned by you or your Subfranchisee, or its affiliate(s).

Special Training Fee	\$200/day plus hotel fee	When special training is required	Unless agreed otherwise, subfranchisor shall provide Franchisor's personnel with single room in hotel rated at least four (4) stars. Subfranchisor shall provide \$200/day for each of Franchisor's personnel as training fees. <i>See</i> Section 5.3 of Subfranchise Agreement.
Health Inspection Fees	Actual cost of inspection	Before inspection is performed by Franchisor	Franchisor may dispatch personnel to your subfranchisee's Outlet to inspect goods; subfranchisor may provide samples of goods and send it to Franchisor's specified institution or entity for further inspection. In the event that inspection failed the standard, the inspection shall continue until it passes the standard. The fees arising out of or relating to inspection and re-inspection shall be borne by subfranchisor. <i>See</i> Section 7.3 of the Subfranchisor Agreement.
De-identification Fees	\$2,000/day	When violation occurs	Within seven (7) days after expiration, termination or rescission of Subfranchise Agreement, Subfranchisor shall remove any signs, printing and publicity materials attached with Franchisor's intellectual property rights. If subfranchisor fails to remove immediately, the subfranchisor shall be responsible for the sum of \$2,000/day to Franchisor until the date of removal. <i>See</i> Section 8.2 of the Subfranchise Agreement.
Reimbursement Fees to De-identification	Actual Cost of Removal	When the Fees incurred	Franchisor may remove, at its discretion, the signs, printing and publicity materials after ten (10) days of expiration, termination or rescission of the Subfranchise Agreement. Subfranchisor shall be liable for the fees. <i>See</i> Section 8.2 of the Subfranchise Agreement.

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed.

2. This fee may be adjusted by changes since the effective date of the Subfranchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers (“CPI”), or the highest similar future index if these figures become unavailable.

3. If any payment is not paid when due, you must pay a late charge of 5% of the amount past due plus interest on the unpaid amount at an annual percentage rate (“APR”) of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts. Interest begins from the date payment was due.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Subfranchise Fee ^{1,2}	\$200,000	Lump sum	When we fulfill our pre-opening obligations to you under the Subfranchise Agreement.	Us
Unit Franchise Fee	\$40,000	As incurred	When each outlet is opened, you will be liable for \$8,000 per outlet. You will be required to subfranchise at least 5 outlets in your territory.	Us
Design Fee ^{1,2}	\$1,000 to \$4,000	Lump sum	When we consent to the site for your subfranchisee’s Outlet, and we fulfill our pre-opening obligations to you under the Subfranchise Agreement.	Us
Security Deposit ^{1,2}	\$50,000	Lump sum	When we fulfill our pre-opening obligations to you under the Subfranchise Agreement.	Us
Training expenses ^{2,3}	\$3,000 to	As incurred	During training	Airline, travel and lodging vendors

	\$8,000			
Point of sale system ^{2,5}	\$1,000 to \$2,000	As incurred	As arranged	Suppliers and vendors
Interior/exterior signs and graphics ^{2,6}	\$1,000 to \$5,000	As incurred	As arranged	Suppliers and vendors
Professional fees ^{2,7}	\$2,000 to \$3,000	As incurred	Before and during opening	Attorneys, accountants and other professionals
Business licenses and permits ^{2,4}	\$1,000 to \$5,000	Lump sum	As arranged	Government agencies
Inventory and supplies to begin operating ^{2,8}	\$10,000 to \$15,000	Lump sum	Before opening	Us
Equipment	\$10,000 to \$15,000	Lump sum	Before opening	Us
Grand opening advertising and Promotion ^{2,9}	\$5,000 to \$10,000	As incurred	During the 90 days after you open	Advertisers and other suppliers
Business insurance ^{2,10}	\$1,000 to \$2,000	Lump sum	As arranged	Insurance companies
Additional Funds – 3 months ¹¹	\$20,000 to \$40,000	As incurred	As incurred	Employee, suppliers, utilities
TOTAL¹¹	\$345,000 to \$399,000			

(1) These fees must be paid in full at the time indicated. To be eligible to sign the Subfranchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) Although we cannot assure you this will happen, if you do not open for business, you may receive a refund from us for any remaining Security Deposit and from other suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise, the payments listed in the table above are **nonrefundable**.

(3) Initial training is typically completed in two phases - 10 days at our headquarters in Taiwan and then 14 days at the master franchise outlet when it opens. These expenses represent the travel and living expenses for you and your staff during training.

(4) You will need to require your Subfranchisee to rent a suitable retail site for the Outlet and advise subfranchisees that the rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to execute a commercial lease.

(5) This includes point of sale ("POS") system with cash register, receipt printer, computer system, and credit card reading/charging equipment. We do not specify a specific brand of POS system or computer for you to use in operating your Outlet, nevertheless, we recommend you or your subfranchisees obtain the POS system from our parent company (Inkism-Taiwan) .

(6) The quantity, size, type and cost of signs will vary substantially per lease space and in accordance to stipulations of each landlord and local governmental regulations. These estimates include the average filing fees for obtaining the necessary sign permits.

(7) This includes professional legal and accounting fees to review the franchise agreement, leasing agreements, and set up the Outlet.

(8) You must buy initial proprietary tea, fruit and other proprietary ingredients needed to make YI FANG TAIWAN FRUIT TEA™ beverages, proprietary administrative supplies, including flyers, recruitment canvas strips, grand opening canvas strips, sale trial canvas strips and advertising sign stand including promotion rack from us immediately before you open your master franchise outlet.

(9) We will provide promotion for you free of charge through our uniformed website.

(10) As an independently owned and operated subfranchisee's Outlet, you and your subfranchisees are responsible for all costs or liabilities arising from the operation of Outlet, and it is imperative you and your subfranchisees carry adequate insurance to protect yourself. You are recommended to obtain the insurance coverage from local carrier. The currently recommended minimum coverage and limits of insurance are (i) general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate and (ii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella

and/or excess policies. All insurance policies will name you as named insured and, except for Workers' Compensation policies, will name us and any of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. The costs of premiums will vary based on location of the Outlet and any prior claim history. The required coverage and limits are subject to change.

(11) This estimates your initial startup expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. We do not finance any part of the initial investment. We relied on the 15 years of experience of our founder and CEO in determining these figures. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. As to the finance aspect, neither we nor our affiliate will finance any part of the initial investment.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You are recommended to purchase a point of sale system ("POS System") for your master franchise outlet from us. You are not required to purchase, use and maintain a specified personal computer system to operate your franchise business. Nevertheless, we require you to maintain an e-mail account and provide us with reports by email in the manner required in the Confidential Operations Manual (the "Manual").

You must purchase items bearing our trademarks only from us, our affiliated companies or other reputable suppliers. Your subfranchisee(s) must purchase items bearing our trademarks only from you. Also, when you are operating the master franchise outlets, you must use fixtures, items of equipment, including food preparation and storage equipment, display cases, cash registers and computer systems, storefront, supplies, and signs that we have approved as meeting our specifications and standards for appearance, function, design, quality, and performance. You must place or display at the premises of your master franchise outlets only such signs, emblems, lettering, logos, and display materials that we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as if you were us, or on our behalf.

Franchisor or its Affiliates Acting as Approved Suppliers

You must purchase all proprietary tea, fruit jams, and other raw materials to be used in YI FANG TAIWAN FRUIT TEA™ Products from us, as well as cups, uniforms, and any other

items containing the YI FANG TAIWAN FRUIT TEA™ logo. Otherwise, none of our affiliate sells or leases any goods, services, supplies, or equipment related to establishing or operating the franchised business.

Our officer owns an equity interest in our parent company (“Inkism-Taiwan”). Otherwise, there are no suppliers in which any of our officers owns an interest.

Approved Suppliers and Approval of Alternative Suppliers

Other than us and our parent company, we currently do not have any designated or approved suppliers of required inventory or administrative supplies. If we do so in the future, we will only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require that our representative be permitted to inspect the supplier’s facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of particular products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

Issuance of Specifications and Standards

We issue specifications and standards regarding authorized YI FANG TAIWAN FRUIT

TEA™ products and services to its franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized YI FANG TAIWAN FRUIT TEA™ products and services to its designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee's Purchases

In the last twelve (12) months, neither we nor any of our affiliates derived revenue, rebates, or other material consideration because of required purchases or leases. However, our parent company ("Inkism-Taiwan") will derive revenue from required purchases or leases by Yi Fang Taiwan Fruit Tea subfranchisors. The revenue from required purchases ranges from \$450,000 to \$550,000 annually. The source of information used in computing revenues is the order sheets that all franchisees used during the past 3 years. For the purchase of raw materials, machinery, and supplies, Inkism-Taiwan will earn approximately 10% 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 Inkism-Taiwan will not exceed 15% under any circumstances.

Payments to us and purchases from designated vendors and approved suppliers will consist 25% to 30% of your total investment to outlet(s). During the operation of outlets, the payments and purchases will consist 20% to 25% of your monthly expenditure.

Cooperatives

We are not presently involved in establishing purchasing or distribution cooperatives for franchisees.

Negotiated Purchase Arrangements

We do not negotiate purchase arrangements or price terms with suppliers for the benefit of subfranchisor.

Material Benefits Based on Subfranchisee's Purchases

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

Type and Amount of Insurance

You are required to obtain the insurance coverage from local carrier. The currently recommended minimum coverage and limits of insurance are (i) general liability insurance with limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate and (ii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella and/or excess policies. All insurance policies will name you as named insured and, except for Workers' Compensation policies, will name us and any of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. The costs of premiums will vary based on location of the Outlet and any prior claim history. The required coverage and limits are subject to change.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Subfranchise Agreements. It will help you find more detailed information about your obligations in the agreement and in other items of this disclosure document.

	Obligation	Section in Subfranchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Exhibit 1	6,11
b.	Pre-opening purchases/leases	2.2	8
c.	Site development and other pre-opening requirements	2.1	6, 7, 11
d.	Initial and ongoing training	5.1-5.4	11
e.	Opening	Exhibit 1, 1.1	11
f.	Fees	3.1, 3.3-3.7, 5.1-5.3	5, 6
g.	Compliance with standards and policies/ operating manual	Not applicable	11
h.	Trademarks and proprietary information	8.1, 8.2	13,14
i.	Restrictions on products/services offered	1.1	16
j.	Warranty and customer service requirements	Not applicable	11
k.	Territorial development and sales quotas	Exhibit 1, 1.2, 2.4	12
l.	Ongoing product/service purchases	4.1	8
m.	Maintenance, appearance and remodeling requirements	Not applicable	11
n.	Insurance	Not applicable	6, 8

o.	Advertising	6.3-6.6	6,11
p.	Indemnification	Not applicable	6
q.	Owner's participation/management/staffing	Not applicable	11,15
r.	Records and reports	7.2	6
s.	Inspections and audits	5.5, 7.2, 7.3	6,11
t.	Transfer	4	17
u.	Renewal	1.3, 3.7	17
v.	Post-termination obligations	11.1-11.3	17
w.	Non-competition covenants	10.1, 10.2	17
x.	Dispute resolution	12.1-12.5	17
y.	Compliance with anti-terrorism and other federal laws	Not applicable	Not applicable

ITEM 10: FINANCING

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

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Our Pre-Opening Obligations

Before you start your subfranchise business, we will:

(1) Assist you in selecting a site for your master franchise outlet. We do not own any premises; therefore, we will not lease premises to you. Although we do not typically pre-select the site for the master franchise outlet, we must give our final consent to the location before the master franchise outlet can be placed there. You have 180 days after signing the subfranchise agreement to **locate** an acceptable site for your master franchise outlet. We will review and either consent to or decline the proposed site for your outlet within 5 business days after you provide us with its address. The consent will not be withheld unreasonably, rather, as an experienced franchisor in this field of business, we will give you some useful and professional advices. If we cannot agree on the location of a site, then we will defer to your decision. If you are unable to locate an acceptable site within 180 days, we reserve the right to terminate the subfranchise agreement. The factors that we consider in consenting to a site for the outlet include general location, neighborhood, population demographics, probable awareness of the YI FANG TAIWAN FRUIT TEA™ brand, traffic

patterns, parking, size, physical characteristics of existing buildings, and lease or rental terms. Our review and consent to the location of the outlet is no guarantee nor assurance that your master franchise business will be successful there.

(2) Designate your exclusive territory (*See* section 3.1 and Exhibit 1 of the Subfranchise Agreement).

(3) Provide you with initial training and orientation about the YI FANG TAIWAN FRUIT TEA™ system and how to operate the Outlet (*See* the Training Program described below in this Item 11). Your Manager must successfully complete initial training to our satisfaction before you reach out to potential subfranchisee(s).

(4) Provide you with a general plan for the layout, furnishing, and equipping your master franchise outlet, together with a written schedule of all foods, food items, and beverages that must be sold at the outlet. We will provide raw materials and equipment to you directly. We will deliver raw materials and equipment to your outlet directly, but you have to install the equipment by yourself.

(5) Provide you with a copy of, electronic access to, the Manual.

Length of Time for You to Open the Master Franchise Outlet

We estimate the typical length of time between the signing of the master franchise agreement or the first payment of consideration for the franchise and the opening of the master franchise outlet will be 9 months. Factors that may affect this length of time include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the outlet, and delivery and installation of equipment, fixtures and signs. If you do not begin operating your master franchise business within 180 days after we consent to the site, or within 365 days after you sign the subfranchise agreement, we can cancel the subfranchise agreement. If we do so under those circumstances, we are not obligated to refund the initial franchise fee and other fees as disclosed under item 5.

Our Obligations during the Operation of the Franchise

During the operation of the franchised business, we:

(1) Will provide you with access to the YI FANG TAIWAN FRUIT TEA™ website, which will list information, contacts, and introduction of your master franchise business.

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your franchise business. However, we do not provide you with assistance in hiring employees.

(3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. We may also, at our discretion, charge an additional training fee of up to \$200 per day for YI FANG TAIWAN FRUIT TEA™ training courses, seminars, conferences or other programs that we require you or your representatives to attend. The nature, frequency, and duration of this assistance by representatives of us will be in our sole discretion.

(4) In connection with your ongoing obligation to supervise maintenance of the outlets in accordance with our standards, we will notify you if the general state of repair, appearance, cleanliness, fixtures, equipment, or signs do not meet our standards. If that is the case, we will specify the action you must take to correct the deficiency.

(5) May recommend retail prices for YI FANG TAIWAN FRUIT TEA™ Products for your master franchise outlet. We will notify the products and services we authorize for sale at the outlet in order to enhance uniformity in the delivery of goods and services to customers and strengthen our Marks in inter-brand competition. You 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.

Advertising Program for the Franchise System

We intend to use digital media (Internet, Facebook, Twitter, *etc.*) and targeted print media in our marketing and advertising efforts. And in the future, we may use local radio and television advertising. We will be using in-house advertising personnel to do this, but we also intend to hire advertising and public relations firms to assist us in these efforts. We are not required to spend any advertising fees in your territory, although we are inclined to do so. Advertising fees are spent to benefit all Subfranchisors and Subfranchisees, including you.

Although we are not obligated to do so, we may provide you with general advertising programs, sales promotion, campaign, and sample advertising materials. You may develop advertising materials for your own use, at your own cost. But we must approve all advertising materials in advance and in writing.

We do not yet have a franchisee's council that advises us on advertising policies, but we

may establish one in the future. Each master franchisee will automatically become a member of the council. The council serves in an advisory capacity only. We have the power to form, change, or dissolve the advertising counsel.

We are not presently involved in any advertising cooperatives. However, we reserve the right to create advertising cooperatives in the future. If we do so, YI FANG TAIWAN FRUIT TEA™ outlets owned by us, you, and subfranchisees will contribute to the cooperative on the same basis as YI FANG TAIWAN FRUIT TEA™ franchisees. We will be responsible for administering the cooperative. The cooperative must operate from written governing documents agreed upon by us and all franchisees. The documents will be available for any franchisee to review. The cooperatives will prepare annual or periodic financial statements. The statement will also be available for review by any franchisee. We have the right to require cooperatives to change, dissolve, or merge.

As for advertising fund, we do not and will not establish it. Therefore, you are not required to participate in any advertising fund.

Electronic Cash Registers and Computer Requirements

You are recommended to purchase Point-of-Sale (“POS”) System from us and allow us to track and process retail sales at your direct Outlet and Subfranchisee’s Outlet. POS systems are systems that enable the business transaction between the client and you to be completed. POS system is a computerized network that consists of the main computer linked with several checkout terminals and supported by different hardware features starting from barcode scanners and ending with card payment terminals. Payment method used, inventory and tax details, and employee productivity are the types of data be generated or stored in the system. We estimate the cost of purchasing the POS systems is between \$1,000 to \$2,000. You will use this POS system to complete point-of-sale transactions and track your sales. **There are no contractual limits on our independent access to the information and data stored on the POS system.** You are responsible for all ongoing maintenance and repairs and upgrades. We anticipate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the POS system will range from \$500 to \$1,000.

We also require you to maintain an e-mail account and communicate with us regularly concerning sales and operations at your Outlet, in the manner we specify in the Manual or otherwise in writing. We estimate that the annual cost of optional or required maintenance, updating, operating or support contracts regarding the e-mail account is between \$200 to \$500.

Operations Manual

We will loan you one copy of our Manual (containing a total of 56 pages) and other applicable manuals during the relevant phases of initial training. The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We will modify the Manual, and you must comply with these changes when you receive them, but no modification will alter your status and rights under the Subfranchise Agreement. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us and we would be entitled to recover damages from you.

The following is the Table of Contents of the Manual as of the date of this disclosure document:

Topic	Number of Pages
CHAPTER 1: BRAND ORIGIN AND BUSINESS PHILOSOPHY	3
CHAPTER 2: NEW EMPLOYEE'S TRAINING AND WORKING REGULATIONS	2
CHAPTER 3: RULES AND REGULATIONS	1
CHAPTER 4: EMPLOYEE'S DRESSING CODE	1
CHAPTER 5: THE INTRODUCTION OF THE INGREDIENTS / RAW MATERIALS AND STORAGE METHODS	2
CHAPTER 6: THE INTRODUCTION OF HARDWARE APPLIANCES	5
CHAPTER 7: THE INTRODUCTION OF BEVERAGES	5
CHAPTER 8: STANDARD OPERATION PROCEDURE OF BEVERAGES	7
CHAPTER 9: CALCULATION OF SUGAR LEVEL	1
CHAPTER 10: STANDARD ICE LEVEL OF YI FANG TAIWAN FRUIT TEA™	1
CHAPTER 11: STANDARD OPERATING PROCEDURES OF DAILY OPEN	1
CHAPTER 12: STANDARD OPERATING PROCEDURES OF DAILY CLOSE	1
CHAPTER 13: EACH WORKING STATION'S WORKING DETAILS-FRONT DESK AREA	7
CHAPTER 14: EACH WORKING STATION'S WORKING DETAILS-BAR AREA	1
CHAPTER 15: EACH WORKING STATION'S WORKING DETAILS-KITCHEN AREA	3
CHAPTER 16: EQUIPMENT'S SET-UP AND BASIC MAINTENANCE	7
CHAPTER 17: WAYS TO DEVELOP NEW CUSTOMER AND MARKETING	4

STRATEGY	
CHAPTER 18: PURCHASE ORDER MANAGEMENT	2
CHAPTER 19: EMPLOYEE'S WORKING SCHEDULES	2
Total Pages	56

Currently, we have no policy under which we will render services to you not required by the Subfranchise Agreement (or any other agreements you sign with us) or the Manual.

TRAINING PROGRAM

Day	Topics	Hours of Classroom Training	Hours of On-The-Job Training	Location
1	Operation Manual Introduction to Drinks Quiz on Tea Making & Charts	8	0	San Francisco, CA
2	Tea Cooking & Store Opening Procedure Order Taking & Equipment: Operation Practice In-Store Field Work (Position Assignment) Quiz on Flavored & Unflavored Tea Operation Manual (Supplementary)	8	0	San Francisco, CA
3	Store Opening In-Store Field Work (Position Assignment) Quiz on Sugar Cane & Old-Fashioned Drink Operation Manual (Supplementary)	8	0	San Francisco, CA
4	Store Opening In-Store Field Work (Position Assignment) Quiz on Fresh Milk Tea & Fruit Tea Operation Manual (Supplementary)	8	0	San Francisco, CA
5	Store Opening In-Store Field Work (Position Assignment) Quiz on Fresh Milk Tea & Winter Drinks Operation Manual (Supplementary)	8	0	San Francisco, CA
6	Store Opening In-Store Field Work (Position Assignment) Drinks Final Exam Operation Manual (Supplementary)	8	0	San Francisco, CA

7	Operation Manual (Teaching on Profit/Loss Calculation) Machine Operation Practice In-Store Field Work (Position Assignment) Store Closing	8	0	San Francisco, CA
8	Operation Manual Drinks Final (Timed Drink Making) Machine Operation Practice In-Store Field Work (Position Assignment) Store Closing	8	0	San Francisco, CA
9	Supplementary Material End of Training Assessment (written) In-Store Field Work (Position Assignment)	8	0	San Francisco, CA
10	Make-up Written Test Practical Implementation Practice Drinks Final Exam (Practical Implementation Practice) Make-up Test	8	0	San Francisco, CA
11 to 20	On-site Operational Training; Preparation of Cold Drinks and Hot Drinks; Customer Service at an Operational Outlet	0	80	Your outlet
	Total	80	80	

The training program above is effective as of the date of this disclosure document. Initial classroom training is typically provided within 60 days before your outlet opens and is typically scheduled not more frequently than monthly. All classroom training takes place in San Francisco, CA, or another training center designated by us. All on-the-job training takes place at your Store immediately before and during the opening of your master franchise outlet.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our principal instructor is Tzu Kai Ko, the managing director of us.

We do not charge for this training or service for the designated Manager and any other Principal Equity Owners (each additional trainee may have to pay us up to \$2,800 for training). You must pay all travel and living expenses of persons you send to training. Please be noted that additional trainee is not required by the subfranchise agreement, if you decide not to send any additional trainee for training, you do not need to pay this fee.

The successful completion of initial training by your designated Manager to our satisfaction

is a condition to your opening of an Outlet to the public. If your designated Manager fails to complete initial training satisfactorily, you will have the option of sending a replacement approved by us to initial training. We will issue a Certificate of Completion upon successful completion of the training.

After your master franchise outlet is opened, and upon reasonable notice, we may require attendance of your designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings that we deem relevant or appropriate to the operation of the Franchised Business. You specifically agree in the subfranchise agreement that only persons we train or under your supervision will have overall responsibility for the operation of the outlet and conduct of the franchised business there, and that you will send your store manager to us for additional training if we request this. We may at our discretion charge you an additional training fee of up to \$200 per day for YI FANG TAIWAN FRUIT TEA™ training courses, seminars, conferences or other programs that we require you or your representatives to attend. In general, we will not initiate additional training unless we receive requirements by you or customer complaints for the poor quality of goods and service provided at the outlets.

You must pay all the expenses incurred by your trainees and attendees in connection with the training program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses.

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your other Principal Equity Owners).

ITEM 12: TERRITORY

The master franchise is for a specific and exclusive territory agreed under the subfranchise agreement. The minimum territory granted to you will at least encompass 5 million population. We will not approve the relocation of your master franchise territory, because it will affect other master franchisees or unit franchisee's territory for which we have no ability to change simply because by our sole decision.

You will not receive any rights of first refusal, or similar rights to acquire additional franchisees. We grant you an exclusive territory that is specified under the subfranchise agreement. The continuation of territorial exclusivity does not depend on achieving a certain sales volume, market penetration, or other contingency. We will not alter your territory. There will be

requirements under the subfranchise agreement that you must meet. For instance, you will be required to open or subfranchise at least 5 outlets during the term of the subfranchise agreement. We reserve the right of not renewing the subfranchise agreement with you if you fail to meet the requirement. Under no circumstances that we are able to modify your territorial rights. Once we agreed upon the exclusive territory under the subfranchise agreement, we will have no right to modify, change, or alter unilaterally.

We will not solicit or accept orders from consumers inside your territory. We and our affiliate do not reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks.

We and our affiliate do not reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales within your territory of products or services under trademarks different from the ones you will use under the franchise agreement.

If we solicit or accept orders from inside your territory, we will compensate you with all the profit we general for such business activities.

You are prohibited from soliciting or contacting potential subfranchisees outside of your territory. Your master franchise outlet(s) and subfranchisees' unit franchise outlet(s) must be within your exclusive territory. You do not have any right to use other channels of distribution, such as internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your territory.

We and our affiliate operate and franchise a business under another trademark, **Shuang Jiang Cream in Tea 1986™**. The business also sells tea-based beverages to customers, but the menu and recipes of the beverages are completely different from **Yi Fang Taiwan Fruit Tea™**. We do not own and will not own any outlets of Shuang Jiang Cream in Tea 1986™. We will not solicit or accept orders with your territory, but the subfranchisor(s) and subfranchisee(s) may solicit or accept orders with your territory. We have been offering Shuang Jiang Cream in Tea 1986™ franchise since April 20, 2020.

If there is any conflicts between us and between the franchisees of each system regarding territory, customers, and out support, we will hold an mediation in our office to solve the issues and hopefully reached mutual agreements between parties. If mediation's result is not acceptable

to everyone, then we will submit the dispute to a natural arbitrator and reach a decision that is binding to everyone. We will not favor one franchisee over the other, regardless of the franchise system he or she is in.

The principal business address for our two franchise systems is the same address. We do not and will not maintain physically separate offices, but the training facilities will be located at different addresses.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the master franchise outlets under the principal trademark YI FANG TAIWAN FRUIT TEA™, and logotype displayed on the cover of this disclosure document and other current or future trademarks. You are also licensed to advertise as the subfranchisor of YI FANG TAIWAN FRUIT TEA™ and begin to sell the franchise to subfranchisee(s). On November 27, 2016, our parent company (Inkism-Taiwan) filed the principal trademark YI FANG TAIWAN FRUIT TEA™ with the United States Patent and Trademark Office (“USPTO”), for registration on the Principal Register in class 43 (for restaurant services), serial number 87248521. **On October 30, 2018, the principal trademark is registered, and registration number is 5596322.**

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our parent company’s trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

All trademarks are owned by our parent company, Inkism-Taiwan, who granted us the trademark license (the “Trademark License”) and the right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the “Marks”) related to YI FANG TAIWAN FRUIT TEA™. We are authorized to franchise the Marks to any persons or entities. The trademark license will continue for 10 years from the issuance date of this franchise disclosure document. If the trademark license agreement were to be terminated, you will continue to have the right to use the Marks till the end of the subfranchise agreement.

You must follow our rules when you use the Marks. You cannot use our principal trademark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the trademarks in connection with the sale of any unauthorized

product or service, or in any manner that we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the trademarks. But we have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the subfranchise agreement.

If you learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether or not to take any action against the thirdparty.

You must modify or discontinue the use of a trademark if we or the trademark owners modify or discontinue it. You must not directly or indirectly contest our or the trademark owners' rights to the trademarks, trade secrets or business techniques that are part of our business.

Except for the proprietary rights of Inkism-Taiwan in the Marks, there are no infringing uses or superior previous rights known to us that can materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual (and only you or your authorized employees can have access to and use the proprietary information in the Manual). You will have the obligation of not to reveal the contents of the Manual to any third-party that is outside your organization or unnecessary to your operation the business.

We do not currently have any pending patent applications that are material to the franchise.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential

proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate. In general, we will initiate legal action to protect ours and your right to use confidential proprietary information, if that is the case, we may require your assistance to the action taken. The assistance includes, but is not limit to, presenting relevant evidence, participating in the litigation, or presenting testimony in front of appropriate authority. Under no circumstances will we require you to bore any fees arising out of or relating to such legal action shall we decide to purse by ourselves.

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

We are seeking subfranchisor whose principal owner plans to actively participate in the direct licensing, management, and operation of the franchise business. Additionally, you must employ at least one designated Manager (if you are a sole proprietor, this will be you, and if you are an entity, this will be a Principal Equity Owner of at least 50% of the subfranchisor entity) who has successfully completed our initial training program.

You must disclose the identity of the Manager to us and if for any reason the Manager is no longer acting in this capacity; you must notify us immediately and in writing. The Store Manager cannot have an interest or business relationship with any of our business competitors. The Manager must devote full time during normal business hours to the management, operation and development of the Franchised Business.

ITEM 16: RESTRICTIONS ON WHAT THE SUBFRANCHISEE MAY SELL

You must offer and sell within your designated territory only YI FANG TAIWAN FRUIT TEA™ franchise and other goods and services that we designate as required or have approved otherwise.

We have the right to change and add other authorized goods and services that your master franchise outlets will be required to offer. There are no limits on our right to do so except that the additional investment required of equipment, supplies and initial inventory will not exceed \$5,000 per year.

There are no restrictions on the subfranchisees or customers to whom you may sell YI FANG TAIWAN FRUIT TEA™ franchise and menu beverages.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

	Provision	Section in Subfranchise Agreement	Summary
a.	Length of the subfranchise term	1.3	The initial term of the Subfranchise Agreement is 5 years.
b.	Renewal or extension of the term	3.7	Under the Subfranchise Agreement, you can add additional 5-year term upon written notice delivered to us not less than 90 days before the end of existing term.
c.	Requirements for subfranchisor to renew or extend	3.7	Sign Renewal Subfranchise Agreement (or addendum to existing Subfranchise Agreement extending its term), supervise your subfranchisee to remodel the Outlet (if necessary), pay renewal fee of \$10,000 per Outlet that you or your subfranchisee opened, and sign release. The Subfranchise Agreement you sign at renewal may have materially different terms and conditions than your original Subfranchise Agreement.
d.	Termination by subfranchisor	1.3	If we are in material breach (beyond any applicable cure periods), you can terminate your Subfranchise Agreement.
e.	Termination by franchisor without cause	None	
f.	Termination by franchisor with cause	11.1-11.3	We can terminate the Subfranchise Agreement only if you are in material default.
g.	“Cause” defined – curable defaults	11.3	All the conditions not listed as non-curable defaults are curable defaults.
h.	“Cause” defined – non-curable defaults	11.3	Non-curable defaults include (a) the bankruptcy or insolvency of the subfranchisor; (b) assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (c) voluntary abandonment of the

			franchise business; (d) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or (e) any act by or conduct of the subfranchisor which materially impairs the good will associated with the franchisor's trademark, trade name, service mark, logotype or other commercial symbol.
i.	Subfranchisor's obligations on termination or non-renewal	11.2	Obligations include removal of our Brand and other trademarks, return of all confidential and proprietary information and erasure of all copies of confidential and proprietary information, forwarding of telephone number and payment of amounts due. Under the Subfranchise Agreement, your subfranchisee will be able to maintain ownership and operation of the Store which you have subfranchised so long as you are in material breach of the Agreement; however, you will forfeit (i) any further exclusive rights under the Subfranchise Schedule, and (ii) any rights to have a credit applied against the Initial Subfranchise Fee for Store that were not developed.
j.	Assignment of contract by franchisor	9.1(b)	We may assign the franchise right at our sole discretion.
k.	"Transfer" by subfranchisor-defined	9.2	Includes transfer of contract or assets or ownership change.
l.	Franchisor's approval of transfer by subfranchisor	9.1	We have the right to approve all transfers (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a subfranchisor entity), but we will not unreasonably withhold approval.
m.	Conditions for franchisor approval of transfer	9.1	New subfranchisor qualifies, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new subfranchisor. Within 30 days after our receipt of all necessary information and documentation required under the Subfranchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the subfranchise right by you. This notice will be in writing and delivered to you by business courier.
n.	Franchisor's right of first	None	

	refusal to acquire franchisee's business		
o.	Franchisor's option to purchase franchisee's business	None	
p.	Death or disability of franchisee	9.3	If the Subfranchisor is deceased or disabled to operate the franchise business, the subfranchise right shall be assigned by estate to approved buyer within six (6) months after the incident occurs.
q.	Non-competition covenants during the term of the franchise	10.1	During the term of the Subfranchise Agreement, Subfranchisor and each of its "Principal Equity Owners" (persons owning more than 20% of Subfranchisor) must comply with the non-competition covenants. Subfranchisor and each of its "Principal Equity Owner" shall not invest, operate, or manage same or similar products or service within the same specified area.
r.	Non-competition covenants after the Subfranchise Agreement is terminated or expires	10.1	No competing business for 1 year within 25 miles of your principal place of business or any other YI FANG TAIWAN FRUIT TEA™ Outlet within your delineated area (this obligation also applies to you if you assign your subfranchise right).
s.	Modification of the agreement	14.2	No modifications generally, but Manual subject to change. Modification shall be effective only by mutual agreement between you and us.
t.	Integration and merger clause	14.10	Only the terms of the subfranchise agreement are binding (subject to state and federal law). Any representations or promises outside of the franchise disclosure document and subfranchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	12.1	The parties agree in the Subfranchise Agreement to submit disputes (not including your failure to pay us sums due under the Subfranchise Agreement, or an act of yours allowing us to immediately terminate the Subfranchise Agreement) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within 5 business days after a dispute arises to conduct a

			good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not result in a settlement of the dispute (or the meeting does not take place), within 10 business days after the date the meeting took place (or should have taken place), the parties may submit the dispute to non-binding mediation in California. If a mediation takes place but does not resolve the dispute, or no mediation takes place, the dispute will be resolved by arbitration by American Arbitration Association in California. Or if the parties mutually agree, the dispute may be submitted to arbitration by and before another mutually acceptable arbitration organization. The provisions of this Section 12 are subject to the Chapter 658A of Uniform Arbitration Act.
v.	Choice of forum	12.1	Arbitration proceedings must take place in California. Any mediation proceeding will take place at a mutually agreed location. Any litigation proceedings will be filed in an appropriate court in California. The provisions of this section 17(v) are subject to the state law of California (see the Addendum attached as Exhibit H of this disclosure document).
w.	Choice of law	14.1	The Federal Arbitration Act (9 U.S.C. §1 <i>et seq.</i>) governs the arbitration of disputes under the Subfranchise Agreement. Otherwise, the laws of California and the Uniform Arbitration Act governs the Subfranchise Agreement.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use their name to promote the sale of YI FANG TAIWAN FRUIT TEA™ franchises, but we may do so in the future.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if:

(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 representation about a subfranchisor's or subfranchisee'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 your subfranchisee is purchasing an existing outlet, however, we may provide your subfranchisee 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 our Chief Executive Officer, Tsu-Kai Ko, Inkism International Co., LLC, 100 Pine St., 1250, San Francisco, CA 94111, telephone (415) 917-6450; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISE INFORMATION

The outlets disclosed under this item are subfranchise outlets, not unit franchise outlets.

Table No. 1
Systemwide Outlet Summary For years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	3	4	+1
	2020	4	8	+4
	2021	8	12	+4
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Total Outlets	2019	3	4	+1
	2020	4	8	+4
	2021	8	12	+4

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021

State	Year	Number of Transfers
	2019	0

Totals	2020	0
	2021	0

Table No. 3
Status of Franchised Outlets For years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
CA	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
GA	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
HI	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	0
MA	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
MD	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
NJ	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
NV	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
NY	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

PA	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TX	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
WA	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Totals	2019	3	1	0	0	0	0	4
	2020	4	4	0	0	0	0	8
	2021	8	4	0	0	0	0	12

Table No. 4
Status of Company-Owned Outlets For years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Totals	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table No. 5
Projected New Franchised Outlets as of December 31, 2021

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
FL	0	1	0
Totals	0	1	0

Exhibit C lists, as of December 31, 2021, (i) the names, addresses and telephone numbers of all open and operating YI FANG TAIWAN FRUIT TEA™ franchise outlets around the world, and (ii) the names, addresses and telephone numbers of all subfranchisors and franchisees who signed

Subfranchise Agreement or Franchise Agreements but have not yet opened their YI FANG TAIWAN FRUIT TEA™ Outlets around the world.

Exhibit D lists, as of December 31, 2021 the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with YI FANG TAIWAN FRUIT TEA™. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. However, during the last 3 fiscal years, we have not signed any agreements with current or former franchisees that included confidentiality clauses.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the YI FANG TAIWAN FRUIT TEA™ franchise being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our audited financial statements for the period from inception through December 31, 2019, 2020, and 2021.

ITEM 22: CONTRACTS

Exhibit A - Subfranchise Agreement

Exhibit A-1 - Form of General Release

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit H at the very end of this disclosure document.

SUBFRANCHISE AGREEMENT



EXHIBIT A

SUBFRANCHISE AGREEMENT

This Subfranchise Agreement (“Agreement”) is made on _____, 20 ____ (the “Effective Date”) by and between Inkism International Co., LLC (“Inkism-USA), a California limited liability company doing business as “Yi Fang Taiwan Fruit Tea” (“Franchisor”), _____ (“Subfranchisor”), and (if Subfranchisor is not a sole proprietorship) each person owning 20% or more of the Subfranchisor entity, who will sign and be a party to this Agreement (in such context, “Principal Equity Owner”).

Subfranchisor or its affiliated company is concurrently entering into a Subfranchise Agreement with Franchisor, under the terms of which the subfranchisor is being granted a right to offer and sell a Yi Fang Taiwan Fruit Tea franchised business, collect fees and royalties from Subfranchisees, and provide training service and support to Subfranchisees under Yi Fang Taiwan Fruit Tea trademarks and in accordance with Franchisor’s business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, Subfranchisor and Franchisor hereby agree as follows.

I. GRANT OF RIGHTS TO OPEN ADDITIONAL STORES

1.1 Additional Stores.

(a) Subject to the terms and conditions contained herein, Franchisor hereby grants to Subfranchisor the right to, and Subfranchisor hereby agrees to, offer and sell franchise by itself or through affiliated entities in accordance with the schedule of openings attached hereto as Exhibit 1 (the “Subfranchise Schedule”).

(b) So long as Subfranchisor’s obligations under the Subfranchise Schedule are being met on a timely basis and until this Agreement terminates, Franchisor will not grant subfranchise right to other Subfranchisors or itself operate a Store within the geographical area (the “Subfranchise Area”) indicated in the Subfranchise Schedule, nor allow any of its affiliates, or other licensees or Subfranchisors, to do so.

(c) Subfranchisee’s rights to open and operate Stores under this Agreement do not extend to a “Non-Traditional Venue” (defined as a business operated under the “Yi Fang Taiwan Fruit Tea” marks that is located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation

on behalf its facilities to a master concessionaire or contract service provider).

(d) If Franchisor becomes insolvent or declares bankruptcy or is no longer authorized to offer and sell franchises in Subfranchisor's state because of a lapse of applicable franchise registration or other reason, Subfranchisor will continue to have the right to offer and sell Yi Fang Taiwan Fruit Tea franchise under this Agreement unless a state or federal court issues an order otherwise.

1.2 Subfranchisee Agreements.

(a) When Subfranchisee (or its affiliated entity) opens an additional Store under the Subfranchise Schedule, Subfranchisor (or its affiliated entity) must enter into Franchisor's then current form of Unit Franchise Agreement for that additional Store with Subfranchisee. So long as Subfranchisor is in good standing under this Agreement, Subfranchisor (or its affiliated entities) will continue to have the right to offer and sell Yi Fang Taiwan Fruit Franchise in the Subfranchise Area in accordance with the Subfranchise Schedule.

(b) Each Unit Franchise Agreement executed pursuant hereto will provide that Subfranchisor and its affiliates may not open or operate, or franchise or license the operation of, any other Store within the protected "Territory" of the Store (a defined area surrounding the Store) opened by Subfranchisor (or its affiliated entity) pursuant to such Unit Franchise Agreement.

1.3 Term.

The term of this Agreement commences on the Effective Date and, unless sooner terminated by Subfranchisor's material breach hereof, will continue 5 years or until termination as provided in Article XI hereof. There will be no extensions or renewal periods relating to the Subfranchisor Schedule unless done so in writing. Upon termination of this Agreement, Subfranchisor (and its affiliated entities) will no longer have the right to offer or sell Yi Fang Taiwan Fruit Tea franchise under the Subfranchise Schedule.

II. SUBFRANCHISOR'S OBLIGATIONS

2.1 Subfranchisor's Obligations.

(a) Subfranchisor (or its affiliated entity) must offer and sell the franchise to subfranchisee and allow the subfranchisee to construct, equip and open each additional Store not later than the date specified in Exhibit 1 applicable to the Store, and thereafter continue to supervise the operation of the Store or assign it with Franchisor's consent to another Yi Fang Taiwan Fruit Tea Subfranchisor.

(b) Any Store subfranchised hereunder that is open and operating and which has been assigned to an affiliate of subfranchisor, or to another Yi Fang Taiwan Fruit Tea Subfranchisor, or to a third party with Franchisor's consent will continue to be considered as partial satisfaction of Subfranchisor's obligations under the Subfranchise Schedule for so long as the assignee remains in good standing under the Subfranchise Agreement relating to that Store.

2.2 Force Majeure.

(a) The term "*Force Majeure*" means natural disasters (such as tornadoes, earthquakes, hurricanes, floods, fires or other natural catastrophes); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which subfranchisor could not by the exercise of reasonable diligence have avoided; provided however, that 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 subfranchisor by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. For the avoidance of doubt, subfranchisor's financial inability to perform or subfranchisor's insolvency will not be a *Force Majeure* hereunder.

(b) Subject to subfranchisor's continuing compliance with section 2.2(c) below, should subfranchisor be unable to meet subfranchisor's obligation for a scheduled additional Store solely as the result of a *Force Majeure* which results in subfranchisor's inability to offer and sell pursuant to the terms of this Agreement, the date on which the scheduled additional Store is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

(c) In the event of the occurrence of a *Force Majeure*, subfranchisor must notify Franchisor in writing within 10 business days following commencement of the alleged *Force Majeure* of the specific nature and extent of the *Force Majeure*, and how it has impacted subfranchisor's performance hereunder. Subfranchisor must continue to provide us with updates and all information as may be requested by Franchisor, including subfranchisor's progress and diligence in responding to and overcoming the *Force Majeure*.

(d) Franchisor will not be liable to subfranchisor for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Subfranchisor due to any conduct not due to Franchisor's gross negligence or intentional misfeasance.

III. FEES

3.1 Subfranchise Fee.

(a) In consideration of the Subfranchisor receiving the opportunity to offer or sell Yi Fang Taiwan Fruit Tea franchise system, subfranchisor shall pay to Franchisor, upon execution of this Agreement, an initial, non-recurring, non-refundable Subfranchise Fee in the amount of \$200,000. The Subfranchise Fee shall be deemed to be fully earned by the Franchisor upon Execution of this Agreement by Franchisor and in consideration of the grant by it to Subfranchisor of the opportunity to establish or subfranchise the franchise business herein provided. Subfranchisor shall not be entitled to a refund of any part thereof, regardless of the date of expiration or termination of this Agreement, excepted as specifically provided herein.

(b) If Subfranchisor (or its affiliated entity) does not successfully complete initial franchise training required by the Agreement entered into, Franchisor will refund Subfranchise Fee, less any expenses Franchisor incurred relating to this Agreement. **Otherwise, the Subfranchise Fee is not refundable.**

3.2 Security Deposit.

Subfranchisor shall pay Franchisor the sum of \$50,000 as a deposit for guaranty of its performance of obligation under this Agreement. Nevertheless, Franchisor shall return the deposit without interest attached after expiration or termination of this Agreement. In the event that the Agreement is terminated by Franchisor because of Subfranchisor's breach of the Agreement, Franchisor may deduct reasonable amount of deposit fee as compensation or damages.

3.3 Unit Franchise Fee.

Subfranchisor shall pay Franchisor the sum of \$8,000 of Unit Franchise Fee per one additional Subfranchisee's Store. Subfranchisor shall be liable for the Unit Franchise Fee regardless of whether such Store is owned by Subfranchisor, Subfranchisee, or its affiliate(s).

3.4 Continuing Royalty.

In return for the ongoing rights and privileges granted to Subfranchisor, Subfranchisor shall pay to Franchisor, throughout the term of this Agreement, a royalty of 1.5% of Gross Revenues of all Stores for each month. All royalties are payable in arrears on or before 15th of each month for the Gross Sales generated by Subfranchisee during the immediately preceding week. "Gross Revenues" include all revenue from the sale of all products and services and all other income of every kind and nature related to franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any

other taxes you collect from customers for payment to an appropriate tax authority.

3.5 Design Fee.

Subfranchisor shall be responsible of Design Fee for \$3.3/ft² to Franchisor of all Subfranchisee's Stores operated in its territory in the event that Franchisor is asked to conduct in store design. Nevertheless, in the event that Subfranchisor engages local designer to perform the design, Subfranchisor shall obtain Franchisor's prior written consent of the design before construction of any Store.

3.6 Renewal Fee.

Upon written noticed of renewal is delivered to Franchisor not less than 90 days before the end of existing term hereof, Subfranchisor may renew its right granted under this Agreement for additional 5 years commencing on the expiration date of previous term. On or before the execution of the renew Subfranchise Agreement, Subfranchisor shall pay Franchisor a "Renewal Fee" of \$10,000 per Store subfranchised.

3.7 Professional Fee.

Subfranchisor shall be responsible for Professional Fee of \$3,000 in exchange for legal and financial support from the Franchisor. The support is limited to professional consulting during the term of this Subfranchise Agreement. Subfranchisor understands that this does not exempt its obligation to retain the law firm or accounting firm designated by the Franchisor independently for further legal or financial service.

3.8 Payment Terms.

(a) Subfranchisor agrees that all payment shall be made with U.S. Dollars and remittance hereof shall be limited to one bank account.

(b) On or before execution of this Subfranchise Agreement, the Subfranchisor shall remit \$50,000 of the subfranchise fee to the Franchisor. Six months after execution of the Subfranchise Agreement, the Subfranchisor shall remit \$50,000 to the Franchisor. As for the remainder of the Subfranchise Fee specified in Section 3.1 of this Agreement, the Subfranchisor shall clear the balance within 18 months after execution of the Agreement. In the event the Subfranchisor does not receive compensation from the previous Subfranchisor, the remainder of the Subfranchise Fee may be cleared with 24 months after execution of the Agreement.

3.9 DEFERRAL FEES

ALL PAYMENTS SPECIFIED IN THIS AGREEMENT SHALL BE DEFERRED UNTIL FRANCHISOR HAS COMPLETED ITS PRE-OPENING OBLIGATIONS UNDER THE AGREEMENT.

IV. SUPPLY AND OPERATION

4.1 Ingredients, Materials, and Management Procedures

In order to ensure the quality of product and service, Subfranchisor shall assist Subfranchisees order specified raw ingredients and materials from Franchisor. As for unspecified materials, for instance, milk and fruits, Franchisor shall assist Subfranchisor select qualified and reputed local suppliers. Subfranchisor shall establish appropriate store procurement and inventory management procedures for all Subfranchisees. The management procedures shall be implemented after Franchisor's prior written consent.

4.2 Safety of Ingredients and Materials

Franchisor shall provide qualitative raw ingredients and materials to Subfranchisor. In the event that raw ingredients and materials have safety issues identified by local health authorities, Subfranchisor may apply return or exchange to Franchisor; all expenses arising out of or relating to the return or exchange shall be borne by Franchisor.

4.3 Payment Conditions

The payment and shipping terms of the ingredients and materials is as following:

(a) Franchisor shall start to prepare the shipment after receives seventy percent (70%) of the payment of Subfranchisor's purchase order; and

(b) Shipment shall be made within forty-five (45) working days after Franchisor receives the payment specified in section 4.3(a); and

(c) The remaining thirty percent (30%) of the payment shall be paid three (3) days before the shipment is made; and

(d) Subfranchisor should place order on 5th, 10th, or 20th of each month only (Taiwan Date).

(e) After the payment is completed, Franchisor shall deliver to the place designated by Subfranchisor, and Subfranchisor shall accept the goods after inspection thereof. The freight, insurance, and related expenses shall be borne by Subfranchisor.

4.4 Prohibition to Alter Goods or Service Provided

Subfranchisor and Subfranchisee shall not alter price, name of goods or service provides or will

be provided to customers or combine the goods or service with other types of goods or service that it provides to customers without a prior written consent by Franchisor.

4.5 Rebate

Franchisor shall provide rebate of 5% to total payment of ingredients and materials to Subfranchisor from order made in the following month.

4.6 POS System

All Stores located within Subfranchisor's territory are required to install the POS system designated by Franchisor. Additionally, Subfranchisor's shall be liable for all fees arising out of or relating to the implementation and operation of POS system.

4.7 FOB Taiwan

The shipping term of ingredients and raw materials is FOB Taiwan. FOB means that Franchisor shall be liable for cost of ingredients and raw materials transported to any port located in Taiwan. Subfranchisor shall be liable for insurance and transportation fee of the goods once the goods are delivered to freight carriers.

4.8 Damage

In the event that Subfranchisor violates obligation prescribed in this Article, Subfranchisor shall be liable for damages cause to Franchisor.

V. TRAINING

5.1 First Stage of Training

Subfranchisor shall dispatch one to two personnel to Franchisor's place (located in Taiwan) to receive a ten (10) day training. Subfranchisor shall communicate with Franchisor 30 days prior to initiation of training to facilitate and ascertain details of training program. Subfranchisor shall be responsible for accommodation, transportation, or other necessary fees for its personnel. First Stage of training is provided to Subfranchisor's manager and each principal equity owner at no additional charge. Apart from these personnel, each additional attendee may be required to pay Franchisor up to \$2,800 for the training.

5.2 Second Stage of Training

One month before first day of trial operation of each outlet, Subfranchisor shall communicate with Franchisor to ascertain the ingredients, materials, facilities, and personnel are all prepared and ready to provide the drink and beverages to customers. Franchisor shall dispatch one to two supervisors to the outlet and perform on-site assistance for ten (10) days. Subfranchisor shall be liable for transportation and accommodation of Franchisor's personnel.

5.3 Special Requirement of Accommodation and Training Fees

Unless agreed otherwise, Subfranchisor shall provide Franchisor's personnel with single room in hotel rated at least four (4) stars. Subfranchisor shall provide \$200/day for each of Franchisor's personnel as training fees.

5.4 Special Obligation of Subfranchisor

In the event that Subfranchisor's business to offer or sell franchise does not meet the subfranchise schedule in the future, Subfranchisor shall send two (2) more personnel back to Franchisor's office to receive additional training.

5.5 Inspection and Training for New Goods

The Franchisor may at its sole discretion inspect goods or service in Subfranchisee's Outlet or provide training twice a year for new line of product; Subfranchisor shall not refuse such inspection or training. Each training shall continue for five (5) days, and Subfranchisor shall be responsible for transportation and accommodation for personnel dispatched by Franchisor.

VI. MARKETING

6.1 Design Guidelines

Franchisor shall provide Subfranchisor with a digital copy of Design Guidelines, nevertheless, Subfranchisor shall be solely responsible for print out of the Design Guidelines.

6.2 Marketing Activities and Projects

Franchisor authorizes Subfranchisor to perform marketing activities or projects within its territory, however, Subfranchisor is obligated to notify Franchisor one month before the promulgation of marketing activities or projects. Franchisor shall be responsible to provide professional advice to marketing activities or project. In the event that Franchisor deems the marketing materials inconsistent with Yi Fang Taiwan Fruit Tea's brand image, Subfranchisor shall revise or amend the marketing activities or projects until Franchisor's satisfaction. Franchisor shall consider local culture and incorporate into its advice for revision or amendment to marketing materials. Subfranchisor shall bore the fees arising out of or relating to the marketing activities or projects.

6.3 Restrictions of Marketing Activities

Subfranchisor's advertising materials or content shall not violate local laws or regulations, in the event that violation occurs and Subfranchisor encounters litigations, Subfranchisor shall be responsible solely. Franchisor may terminate the Subfranchise Agreement in the event that its brand, trademark, or reputation is damaged because of illegal activities of Subfranchisor.

6.4 Unified Advertising Campaign

Franchisor may promulgate a unified advertising campaign at its sole discretion; Subfranchisor shall cooperate and execute accordingly to the campaign.

6.5 Social Media

Subfranchisor shall establish and manage its own Social Media Homepage, and any fees arising out of or relating to the management and maintenance of the Social Media homepage shall be borne by Subfranchisor only.

6.6 Portrait Rights

Subfranchisor shall respect portrait rights of all public figures. Any violation of laws or regulations shall be attributed to Subfranchisor, Franchisor shall not be responsible to it.

VII. OPERATION

7.1 Supervision by Franchisor

Subfranchisor shall supervise all operation of Store by Subfranchisee, meanwhile, Subfranchisor shall provide monthly and seasonal report to Franchisor. Additionally, Subfranchisor shall grant access to Franchisor the right to monitor POS system and supervise sales turnover at each and every Store. Any fee arising out of and relating to the access shall be borne by Subfranchisor.

7.2 Store Inspection

Franchisor may dispatch personnel to Subfranchisee's Store and its ancillary building during business hours. The scope of inspection hereof includes display of goods, storage of inventory, ship order and stock, management of raw ingredients and materials, facility, logistics, apparatus, procedure of manufacture and techniques, service content, health and safety, matters of management and operation. In order to inspect, audit and provide appropriate advice, Franchisor may conduct inspection, sampling, recording, filing, and demand store/outlet to provide relevant goods, files, report, accounting document, and other records. Subfranchisor and Subfranchisee may not refuse, hide, or obstruct Franchisor's right mandated in the Article.

7.3 Health and Safety Standard

Franchisor may dispatch personnel to Subfranchisee's Store to inspect goods; alternatively, Subfranchisor may provide samples of goods and send it to Franchisor's specified institution or entity for further inspection. The standard of inspection shall follow laws and regulations of health and safety standard mandated by local authorities. In the event that inspection failed the standard, the inspection shall continue until it passes the standard. The fees arising out of or relating to inspection and re-inspection shall be borne by Subfranchisor.

7.4 Other Business Qualifications

Subfranchisor shall acquire its own business qualifications required by local government. The qualification includes, but it not limited to Franchise Disclosure Document, Incorporation of Company, Sales Permit, and Acquisition of Tax Number.

VIII. TRADEMARK

8.1 Prohibition of Illegal Use

Subfranchisor shall not use the same or similar trademark, alternative trademark, Franchisor or its affiliated enterprise name, as the name of Subfranchisor's company. Additionally, Subfranchisor shall not register any domain name, advertise Franchisor's trademark on vehicles, signs, business cards, or other items.

8.2 Removal

Within fifteen (15) days after expiration, termination or rescission of this Agreement, Subfranchisor and Subfranchisee's Stores shall, at its own expense, remove any signs, printing and publicity materials, business system supplies, signs, names, equipment and other articles and documents attached with Franchisor's intellectual property rights, including but not limited to licensed trademark, other trademarks, service marks, copyrights, patents, or enterprise identification system. In the event that Subfranchisor or Subfranchisee's Stores fails to remove immediately, Subfranchisor shall be responsible for the sum of \$2,000/day to compensate Franchisor until the date of removal. Franchisor may remove, at its discretion, the signs, printing and publicity materials after ten (10) days of expiration, termination or rescission of this Agreement. Subfranchisor shall be liable for the fees.

IX. TRANSFER OR ASSIGNMENT

9.1 Assignability.

(a) Franchisor has executed this Agreement in reliance upon and in consideration of the singular personal qualifications, trust and confidence that Franchisor reposes in Subfranchisor. Accordingly, although Subfranchisor may assign individual Subfranchise Agreements, Subfranchisor may not assign this Agreement except as provided in Section 9.2 below.

(b) Franchisor may assign this Agreement in Franchisor's sole discretion and without Subfranchisor's consent, and Subfranchisor acknowledges that Franchisor is permitted to do so without liability or obligation to Subfranchisor, and Subfranchisor expressly and specifically waives any claims, demands or damages arising from or related to any such assignment. Notwithstanding the foregoing, any assignment under this section 9.1(b) will not relieve Franchisor or any assignee from liability imposed by the Laws of California.

9.2 Transfers from Subfranchisor to an Affiliated Entity.

Upon not less than 30 days' prior written notice to Franchisor, Subfranchisor may without Franchisor's consent assign and transfer this Agreement to an entity that is (i) organized to operate as a Subfranchisor to offer and sell Yi Fang Taiwan Fruit Tea franchise and (ii) entirely owned by Subfranchisor. Any assignment and transfer to an affiliated entity must be evidenced by a written

instrument, in form reasonably satisfactory to Franchisor, under the terms of which said business entity expressly assumes all of Subfranchisor's obligations hereunder, whether accrued at the time of such assignment or arising thereafter, and the assignee agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner as Subfranchisor is. A copy of said instrument, executed by both Subfranchisor and said business entity must be delivered to Franchisor before the effective date of the transfer.

9.3 Death or Disability

If the Subfranchisor is deceased or disable to operate the San Chen franchise business, the subfranchise right shall be assigned by estate to approved buyer within six (6) months after the incident occurs.

X. NON-COMPETITION

10.1 Restriction on Competitive Activities.

During the term of this Agreement and for one year after it is terminated or expires, Subfranchisor and each of its "Principal Equity Owners" (persons owning more than 20% of Subfranchisor) must comply with the non-competition covenants. Subfranchisor and each of its "Principle Equity Owner" shall not invest, operate, or manage same or similar products or service within the same specified area.

10.2 Website and Unauthorized Advertising.

During the term of this Agreement, neither Subfranchisor nor any of its Principal Equity Owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark "Yi Fang Taiwan Fruit Tea", or any combination or derivations thereof, or similar marks, or any other trademarks of ours, except as Franchisor specifically authorizes in writing.

XI. DEFAULT AND TERMINATION

11.1 General.

In addition to a termination pursuant to section 2.3 above, this Agreement may be terminated by Franchisor if Subfranchisor (i) fails to substantially comply with any obligation, duty or promise under this Agreement, including failure to offer or sell the franchise to Subfranchisee within the time specified in the Subfranchise Schedule, after being given a written notice of default at least 90 days in advance of termination and reasonable opportunity to cure the default (no more than 60 days), or (ii) is in material breach of any Subfranchise Agreement that Subfranchisor (or its affiliated entity) entered into with Franchisor.

11.2 Operation of Opened Stores after Termination or Expiration.

If Franchisor terminates this Agreement for the reasons described in section 11.1 above, Subfranchisee (or its affiliated entities) will be able to maintain ownership and operation of the Stores which Subfranchisor has o so long as Subfranchisor is not in material breach of the applicable Subfranchise Agreements; however, Subfranchisor will forfeit (i) any further exclusive rights under the Subfranchise Schedule and this Agreement, and (ii) any rights to have a credit applied against the Initial Subfranchise Fee for Stores that were not opened.

11.3 Condition of Termination

Franchisor may terminate the Subfranchise Agreement for “Good Cause.” Good cause means failure by Subfranchisor to substantially comply with the material and reasonable subfranchise requirements imposed by franchisor including, but not limited to:

- (a) the bankruptcy or insolvency of the subfranchisor;
- (b) assignment for the benefit of creditors or similar disposition of the assets of the franchise business;
- (c) voluntary abandonment of the franchise business;
- (d) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or
- (e) any act by or conduct of the subfranchisor which materially impairs the good will associated with the franchisor’s trademark, trade name, service mark, logotype or other commercial symbol.

XII. DISPUTE RESOLUTION

12.1 Mediation.

(a) Franchisor and Subfranchisor have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, considering the overall best interests of the entire System, as contemplated by this Agreement. To that end, Subfranchisor and Franchisor acknowledge that Subfranchisor and Franchisor need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisor and Subfranchisor 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 any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, “Dispute”) by first having Franchisor's executive officers and Subfranchisor's Principal Equity Owners meet in person

within five business days after a party notifies the other party that a Dispute has arisen at Subfranchisor's principal executive office (without their respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 12.1, the other party may immediately commence an arbitration proceeding pursuant to section 12.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section

12.1 above, within 10 business days after the date this conference took place (or should have taken place), Subfranchisor and Franchisor may submit the dispute to non-binding mediation at a location in California (or another location mutually agreeable to both parties) conducted by a mutually acceptable mediator. 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 12.2 below. Any mediation proceedings should be completed within 60 days following the date either party first gives notice of 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 communications 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 because of its use in the mediation. The fees charged by a mediator and any other related fees and costs will be divided equally between the parties.

12.2 Arbitration.

(a) Any Dispute between Franchisor (and/or its affiliated entities) and Subfranchisor (and/or its Principal Equity Owners or affiliated entities) not settled through the procedures described in section 12.1 above, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator from Dispute Prevention & Resolution Inc. in California 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 12.2.

(b) All hearings and other proceedings will take place at the Dispute Prevention &

Resolution Inc. business location in California.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator (including affidavits, interrogatories and depositions). 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 judgment on the award may be entered in any federal or state court having jurisdiction.

(d) 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 ANY OTHER FRANCHISEES 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 OR 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.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE 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.

(f) 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 noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(g) The provisions of this section 12.2 are intended to benefit and bind certain third-party non- signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 12.2 will be construed as independent of any other 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:___ Subfranchisor's Initials:_____] [Principal Equity Owners' Initial:_____]

12.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 12.1 and 12.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of \$1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 12.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 12.1 or 12.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 12.3. Subfranchisor acknowledges that its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities, and Franchisor or Franchisor's affiliates are empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

12.4 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 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 and 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 court. This section 12.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be

deemed merged into the judgment.

12.5 Survival.

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

XIII. NOTICES

13.1 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:

Inkism International Co., LLC
100 Pine St., 1250, San Francisco, CA 94111
Phone: (415) 917-6450

(ii) If to Subfranchisor:

Phone:

(b) Unless previously delivered in person by an agent of the sending party, notices between Subfranchisor 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 addresses listed in section 8.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or in person by an agent of the sending party.

XIV. GENERAL TERMS AND PROVISIONS

14.1 Governing Law.

The laws of the California govern this Agreement, 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.

14.2 Modification.

This Agreement cannot be modified or changed except by a written instrument signed by all of the parties hereto.

14.3 Waiver and Delay.

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Subfranchisor and no failure, refusal or neglect by Franchisor either to exercise any of its rights hereunder or to insist upon strict compliance with or performance of Subfranchisor's obligations under this Agreement, will constitute a waiver of the provisions of this Agreement 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.

14.4 Severability; Partial Invalidity.

Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and 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 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 is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect.

14.5 Titles for Convenience Only.

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

14.6 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 has granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder under so-called "third party beneficiary rights" or otherwise.

14.7 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.

14.8 Successors and Assigns.

Subject to the restrictions on any assignment by Subfranchisor contained herein, this Agreement is binding upon (i) Franchisor and inures to the benefit of its successors and assigns and (ii) Subfranchisor and inures to the benefit of its successors and assigns.

14.9 Counterparts.

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

14.10 Entire Agreement.

(a) This Agreement contains all the terms and conditions agreed upon by Subfranchisor and Franchisor regarding the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Yi Fang Taiwan Fruit Tea franchise disclosure document that was provided to Subfranchisor. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. Subfranchisor acknowledges that it executed this Agreement without reliance upon any unauthorized representation or promise.

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties executed this Agreement as of the Effective Date.

SUBFRANCHISOR:

By: _____

Name: _____

Title: _____

SUBFRANCHISOR'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 Subfranchisor of all duties and obligations of the Subfranchisor under this Agreement)

By: _____

Name: _____

By: _____

Name: _____

FRANCHISOR:

Inkism International Co., LLC.

By: _____

Name: Tzu-Kai Ko

President and CEO

EXHIBIT 1 - SUBFRANCHISE SCHEDULE

All Store will be opened at sites located in the “Subfranchise Area” described as follows:

Subfranchisor must offer and sell (and thereafter maintain) Stores to Subfranchisees in accordance with the following schedule:

NUMBER OF STORE	DATE BY WHICH STORE MUST BE OPENED
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

The number of stores indicated in the above column shall not be interpreted as a limit to Subfranchisor’s right to sublicense more than 10 stores. Subfranchisor is required to subfranchise or open direct store(s) on or before specific date indicated above.

FORM OF GENERAL RELEASE

YI FANG  TAIWAN FRUIT TEA
一芳台灣水果茶

EXHIBIT A-1

FORM OF GENERAL RELEASE

MUTUAL RELEASE AGREEMENT

This Mutual Release Agreement (the “Agreement”) is made and entered into this day of _____ 20__ (the “Effective Date”), by and between Inkism International Co., LLC., a California limited liability company (“Franchisor”), _____, a _____ [insert state of incorporation, formation or organization of franchisee entity] and _____ [insert name of owner or owners of the franchisee entity], individually (collectively, the “Franchisee”; reference to “Franchisee” in this Agreement shall include the parties individually and collectively). Capitalized terms used but not defined herein shall have the meanings attributable to them under the Franchise Agreement (defined below).

RECITALS:

Franchisor and Franchisee entered into a Franchise Agreement (“Franchise Agreement”) dated _____ under which Franchisee obtained the right to establish and operate one (1) Franchised Business (the “Business”) under the System and Marks.

In connection with the [termination; non-renewal; transfer] of the Franchise Agreement, Franchisor and Franchisee desire to enter into this Mutual Release Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties agree as follows:

1. Franchisee’s Release and Covenant Not to Sue.

a. Release. As of the Effective Date of this Agreement, Franchisee and its respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on its behalf or claiming under it (“Franchisee Covenantors”), hereby release and forever discharge Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, successors, and assigns, past and present (“Franchisor Released Parties”), from any claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vested or contingent, which any of them have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the Franchise Agreement from the beginning of the world through the date of this Agreement, except for the obligations of the Franchisor under this Agreement.

b. Covenant Not To Sue. Franchisee further covenants and agrees for itself and for

Franchisee Covenantors not to bring or allow to be brought on behalf of any Franchisee Covenantor, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against the Franchisor Released R2I-2017 Parties arising out of, resulting from, or in any manner related to the matters released in Paragraph 1. a.

2. Franchisor's Release and Covenant Not to Sue.

a. Release. As of the Effective Date of this Agreement, Franchisor, its affiliates and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them ("Franchisor Covenantors"), hereby release and forever discharge Franchisee, and its respective predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, employees, successors, and assigns, past and present ("Franchisee Released Parties"), from any claims, debts, liabilities, demands, obligations, actions, and causes of action, known or unknown, vested or contingent, which any of them have ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the Franchise Agreement from the beginning of the world through the date of this Agreement, except for the obligations of Franchisee under this Agreement and those obligations of Franchisee that survive the expiration, transfer or termination of the Franchise Agreement (including, without limitation, the confidentiality of proprietary information, the surrender of customer lists, indemnification, and the covenants against competition and the diversion of business).

b. Covenant Not To Sue. Franchisor further covenants and agrees for itself and for all Franchisor Covenantors not to bring or allow to be brought on behalf of any Franchisor Covenantor, any action, cause of action, suit or other, proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against the Franchisee Released Parties arising out of, resulting from, or in any manner related to the matters released in Paragraph 2.a.

3. Continuing Liability of Franchisee. Notwithstanding anything to the contrary in this Agreement, following the Effective Date, Franchisee will continue to be responsible for the following:

a. Unpaid Fees. All accrued but unpaid royalty fees, marketing development fees or contributions, and other amounts owed to Franchisor or its affiliates as of the Effective Date, as detailed on Attachment A to this Agreement.

b. Indemnity. All of its respective obligations and/or liabilities to Franchisor arising

under the Franchise Agreement through the Effective Date, including, without limitation, the obligation to indemnify Franchisor for any claims arising from the operation of the Business through the Effective Date.

c. Covenants Against Competition and Use of Confidential Information. All of its respective obligations that survive the termination, expiration or transfer of the Franchise Agreement, including, without limitation, the covenants against competition and use of Franchisor's confidential information set forth in the Franchise Agreement.

4. Franchisee's Acknowledgements and Agreements. By affixing its signature to this Agreement, Franchisee represents, warrants, acknowledges and agrees that:

a. Knowing and Voluntary Release. Franchisee has carefully read and fully understands the provisions of this Agreement, including, specifically, Franchisee's release of claims and covenant not to sue set forth in Paragraphs 1 .a. and 1 .b. of this Agreement, and that the release of such claims and covenant not to sue is knowing and voluntary.

b. No Assignment of Claims. Franchisee has not assigned or transferred, or purported to assign or transfer, to any person or entity, any suit, claim, controversy, liability, demand, action, or cause of action released under Paragraph 1. of this Agreement, and since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the franchised business, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

c. Complete Defense. This Agreement and the release in Paragraph 1.a. above shall be a complete defense to any claim released under Paragraph 1 .a. and Franchisee hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

d. California Waiver. If Franchisee is in California, Franchisee expressly waives and relinquishes all rights and benefits which Franchisee may now or in the future have under and by virtue of California Civil Code Section 1542. Franchisee does so understand the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know, or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Paragraph 1.a. above. Franchisee expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all claims described in Paragraph 1 .a. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

5. Indemnification. Franchisee agrees to indemnify Franchisor, its predecessors, parents, subsidiaries, and affiliates and their respective officers, directors, shareholders, employees, successors, and assigns, past and present, for any losses, damages, liability, costs and expenses (including reasonable attorneys' fees and disbursements and court costs) (i) incurred as a result of any breach by Franchisee of any of the representations and/or warranties contained in this Agreement, or (ii) incurred in defending against, or seeking an injunction to end the assertion of, any claim released under Paragraph 1 .a. above, or (iii) arising out of, resulting from, or related in any way to the Business or of any other business conducted by Franchisee in connection with the Business or the Franchise Agreement or because of any act or omission by Franchisee under the Franchise Agreement.

6. General Provisions.

a. Amounts Due. Franchisee warrants and represents that all fees and other amounts payable to Franchisor or its affiliates under the Franchise Agreement are current as of the date of this Agreement.

b. Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

c. Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any other terms or conditions set forth herein.

d. Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein, and further warrants that this Agreement is being executed without reliance on any representation of any kind or character not expressly set forth herein. Each party warrants that it has read this Agreement and has had the opportunity to consult with legal counsel as to its effect.

e. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

f Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the

obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

g. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by certified, registered or express mail, postage prepaid to the parties at their respective addresses set forth below or to such other address as any party may hereafter specify in writing and deliver in accordance with this Paragraph 6.g. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission or, if mailed, three (3) days after the date of deposit in the United States mail, to;

If to Franchisee: _____

Telephone: _____

If to Franchisor: Inkism International Co., LLC
100 Pine St., 1250, San Francisco, CA 94111
Telephone: (415) 917-6450

h. Gender. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable.

i. Confidentiality. Franchisee shall at all times treat as strictly confidential and refrain from disclosing the terms and conditions of this Agreement to any third party, except Franchisee's attorney. If Franchisee violates this Paragraph 8.i., Franchisor shall be entitled to seek all legal and equitable remedies, including, without limitation, the return of the full Agreed Amount and any additional damages, as well as injunctive relief

j. Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date.

FRANCHISOR:

Inkism International Co., LLC.

a California limited liability company

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

FINANCIAL STATEMENTS



EXHIBIT B

INKISM INTERNATIONAL CO., LLC
Independent Auditor's Report
and Financial Statements
December 31, 2021 and 2020

INKISM INTERNATIONAL CO., LLC

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

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CHEN & FAN
ACCOUNTANCY CORPORATION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Manager
INKISM INTERNATIONAL CO., LLC
San Francisco, California

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script, appearing to read "Chen & Fan", written in dark ink.

Chen & Fan
Accountancy Corporation

El Monte, California

March 10, 2022

INKISM INTERNATIONAL CO., LLC

Balance Sheets

December 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 35,325	\$ 444,015
Accounts receivable	116,438	-
Other receivable - related party	700,000	-
Loan to related party	100,000	-
Prepaid expense and other current assets	3,257	3,939
Total Current Assets	955,019	447,954
Other Asset - Security deposit	145	161
Total Assets	<u>\$ 955,164</u>	<u>\$ 448,115</u>

LIABILITIES AND MEMBER'S CAPITAL DEFICIENCY

Current Liabilities		
Accrued expenses - others	\$ 26,020	\$ 34,250
Accrued expenses to related party	669,021	7,194
Accounts payable to related party	26,363	-
Deferred revenues - current	233,501	528,604
Income tax payable	7,509	1,012
Total Current Liabilities	962,414	571,060
Long-term and Other Liabilities		
Deferred revenues - non-current	142,033	159,850
Security deposits from franchisees	190,000	160,000
Total Long-term and Other Liabilities	332,033	319,850
Total Liabilities	1,294,447	890,910
Member's Capital Deficiency	(339,283)	(442,795)
Total Liabilities, Net of Member's Capital Deficiency	<u>\$ 955,164</u>	<u>\$ 448,115</u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Income (Operations)
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue	\$ 878,775	\$ 2,088
Cost of revenue	<u>(38,134)</u>	<u>-</u>
Gross profit	840,640	2,088
Operating expenses	<u>727,610</u>	<u>190,632</u>
Income (Loss) from operations	<u>113,031</u>	<u>(188,544)</u>
Non-operating income (expense)		
Interest income	29	118
Other expense	<u>-</u>	<u>(28,725)</u>
Non-operating income (expense), net	<u>29</u>	<u>(28,607)</u>
Income (loss) before income taxes	113,059	(217,151)
Income tax expense	<u>9,547</u>	<u>1,812</u>
Net income (loss)	<u><u>\$ 103,512</u></u>	<u><u>\$ (218,963)</u></u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Changes in Member's Capital Deficiency
For the Years Ended December 31, 2021 and 2020

	Member's Contributed Capital	Accumulated Deficit	Total Member's Capital Deficiency
Capital contribution from member	\$ 120,200	\$ (344,032)	\$ (223,832)
Net loss for the year	<u>-</u>	<u>(218,963)</u>	<u>(218,963)</u>
Balance at December 31, 2020	120,200	(562,995)	(442,795)
Net income for the year	<u>-</u>	<u>103,512</u>	<u>103,512</u>
Balance at December 31, 2021	<u>\$ 120,200</u>	<u>\$ (459,483)</u>	<u>\$ (339,283)</u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Net Income (loss)	\$ 103,512	\$ (218,963)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Non-refundable security deposit due to early termination of lease agreement	-	28,725
Changes in operating assets and liabilities:		
Accounts receivable	(116,438)	125
Other receivable - related party	(700,000)	-
Prepaid expense and other current assets	683	(3,501)
Right-of-use asset - operating lease	-	7,977
Security deposit	16	(161)
Accrued expenses	(8,230)	16,061
Accounts payable to related party	26,363	-
Other payable to related party	661,827	(308,191)
Deferred revenues	(312,920)	466,787
Income tax payable	6,497	(288)
Security deposit from franchisees	30,000	100,000
Net Cash (Used for) Provided by Operating Activities	<u>(308,690)</u>	<u>88,571</u>
Cash Flows from Investing Activity		
Loan to related party	<u>(100,000)</u>	<u>-</u>
Total Cash Used for Investing Activity	<u>(100,000)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(408,690)	88,571
Cash and Cash Equivalents at Beginning of Year	<u>444,015</u>	<u>355,444</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 35,325</u></u>	<u><u>\$ 444,015</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Income taxes	<u><u>\$ 3,050</u></u>	<u><u>\$ 1,300</u></u>

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

INKISM INTERNATIONAL CO., LLC

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 - ORGANIZATION AND BUSINESS

Inkism International Co., LLC (the "Company") was formed in the State of California on April 19, 2018. The Company is wholly owned by Inkism International Holding Co., Ltd, (Samoa) (the "Parent Company"). The Company operates as a franchisor of restaurants that offer gourmet coffee, tea, coffee or tea based beverages, compatible food products and desserts, coffee and tea makers and related supplies, accessories and gift items under a brand name of Yi Fang Taiwan Fruit Tea, a brand name owned by Inkism International Ltd., its affiliate company, in the United States.

Liquidity, Uncertainty, Going Concern and Plans for Improvement

As of December 31, 2021, the Company has member's capital deficiency of approximately \$332,000, which decreased from \$443,000 approximately in 2020. At the same date, the Company is indebted to its related party of \$695,000 approximately. In 2020, COVID-19 pandemic added uncertainty to the Company's operations, the ability of the Company to remain a going concern is dependent on 1) the realization of deferred revenue and 2) its parent company's continuing support. The mentioned matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In 2020, during the COVID-19 pandemic, interest in franchise inquiries was reduced in the US market and many franchisees postponed their plans of opening new stores. Therefore, there has been a dramatic decrease in the number of new and potential customers and the franchise fees the Company expected to receive from its franchisees did not materialize in 2020. The Company, with the assistance of its parent company, keeps looking for new marketing strategies and promotes its brand through the internet. As inquiries of franchise increase and most of its franchisees opened new stores in 2021 due to the gradual reopening of the U.S. market, the Company has recognized franchise revenues of \$554,000 approximately in 2021.

The Parent Company also has taken measures that management believes will improve its financial position. In the event that operating results do not improve, it may be necessary for the Company to obtain additional advances or capital contributions from its related parties or to obtain debt from an unrelated party. According to statements and representation by its affiliate company, the Company is assured of its continuing financial support for the Company's operation in 2022 and onward.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Assumptions

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

Revenue Recognition

ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") is effective in 2019. As 2019 is the Company's first year of generating revenue, the adoption of ASC 606 has no effect on the financial statements.

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

The Company's revenues consist of fees from restaurants to be operated by franchisees directly, and area development by subfranchisees. Initial franchise fee is to grant franchisee or subfranchisee ("franchisee", collectively) the right to operate or develop franchise restaurants, which is one-time, non-recurring and non-refundable and is billed based on the schedule of executed franchise or subfranchise agreement. Area development agreement grants usually with minimum number but not limited number of franchise restaurants set in the agreement, in future periods in specific geographic areas. For pre-opening services provided to franchisee, the Company distinguishes them into different stages and then recognizes related revenue according to the service provided and benefit to the franchisee or amortized on a straight-line basis throughout the term of the franchise or subfranchise agreement which is usually 3 to 5 years. Franchise renewal fees for future franchise renewal periods are amortized over the life of the renewal period. Royalty fees that are based on a percentage of franchise restaurant sales are billed and recognized on a monthly basis. Consulting fee which arises from franchise or subfranchise agreement is amortized over the term of the agreement.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

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

Accounts Receivable

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

Income Taxes

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

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

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

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

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 operations.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company.

Fair Value of Financial Instruments

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

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

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

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

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

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Lease

The Company early adopted Accounting Standards Update No. 2016-02 Leases and all subsequent amendments to the ASU (collectively "ASC 842") in 2019. The Company categorizes lease in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either as finance leases or operating leases depending on the criteria the lease met. The Company's lease term currently is a twelve-month lease. The Company elected not to apply the recognition requirement of ASC 842 as its office lease is a short-term lease. The Company recognizes the lease payment as expense currently. The Company office lease is from June 1, 2021 to May 31, 2022. Future lease payment in 2022 is \$725.

Subsequent Events

The Company has evaluated events and transactions through March 10, 2022 the date on which these financial statements were available to be issued.

Note 3 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Gross amount	\$ 116,438	\$ -
Less: allowance for doubtful account	<u>-</u>	<u>-</u>
Net	<u>\$ 116,438</u>	<u>\$ -</u>

Note 3 - REVENUES, DEFERRED REVENUES AND SECURITY DEPOSITS

1. Revenues for the years ended December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Consulting service revenues	\$ 53,400	\$ 2,088
Royalty revenues	271,455	-
Franchise revenues	<u>553,920</u>	<u>-</u>
Total	<u>\$ 878,775</u>	<u>\$ 2,088</u>

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 3 – REVENUES, DEFERRED REVENUES AND SECURITY DEPOSITS, CONTINUED

1. Revenues for the years ended December 31, 2021 and 2020 consist of the following, continued

In 2020, the Company did not recognize franchise revenue due to COVID-19 pandemic that put majority of businesses on hold. In 2021, as more vaccines become available and more businesses reopen, the Company has begun to realize its franchise and royalty revenues.

2. Deferred revenues at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current:		
Initial franchise fees	\$ 227,970	\$ 526,000
Consulting revenue	<u>5,531</u>	<u>2,604</u>
	<u>233,501</u>	<u>528,604</u>
Non-current:		
Initial franchise fees	125,787	143,000
Consulting revenue	<u>16,246</u>	<u>16,850</u>
	<u>142,033</u>	<u>159,850</u>
Total	<u>\$ 375,534</u>	<u>\$ 688,454</u>

Future recognition of deferred revenue is as follows:

<u>For the year ending December 31,</u>	<u>2021</u>	<u>2020</u>
2022	\$ 233,501	\$ 528,604
2023	50,364	43,770
2024	49,676	43,770
2025	39,076	43,770
2026	<u>2,917</u>	<u>28,549</u>
	375,534	688,454
Less: Current portion	<u>(233,501)</u>	<u>(528,604)</u>
Deferred revenues – non-current	<u>\$ 142,033</u>	<u>\$ 159,850</u>

3. The Company also charges a refundable security deposit to each of its franchisees and subfranchisees ("franchisees"). As of December 31, 2021 and 2020, security deposits from franchisees are \$190,000 and \$160,000, respectively.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 4 - INCOME TAXES

For the years ended December 31, 2021 and 2020, income tax expense consists of the following:

	<u>2021</u>	<u>2020</u>
Current		
Federal	\$ -	\$ -
State	<u>9,547</u>	<u>1,812</u>
Total	<u>\$ 9,547</u>	<u>\$ 1,812</u>

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

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Unearned revenue	\$ 33,000	\$ 56,000
State taxes	2,000	-
NOL carryforwards	<u>17,000</u>	<u>76,000</u>
	52,000	132,000
Less: valuation allowance	<u>(52,000)</u>	<u>(132,000)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2021, the Company has net operating loss (NOL) carryforward available to reduce future taxable income for federal and state income tax return purposes of approximately \$63,000 and \$181,000 respectively. Federal NOL will be carried forward indefinitely and the state NOL will expire in various years through 2039.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded full valuation allowance as of December 31, 2021 and 2020.

The net change in deferred tax asset valuation allowance decreased by \$81,000 and increased by \$33,200 for the years ended December 31, 2021 and 2020, respectively.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 5 - RELATED PARTY TRANSACTIONS

A. Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Inkism International Holding Co., Ltd. (Inkism Holding)	Parent Company
Inkism International Co, Ltd (Inkism Taiwan)	Affiliate

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

B. Significant Related Party Transactions:

a. For the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cost of trade name and trademark charged by Inkism Taiwan	<u>\$ 26,363</u>	<u>\$ -</u>
Service fee charged by Inkism Taiwan	<u>\$ 669,021</u>	<u>\$ -</u>

In 2021, Inkism Taiwan charged service fee to the Company for its service provided in Taiwan. The service includes franchise legal consultation and FDD filings, finance and accounting, market promotion strategy, technical support and other overall business strategies.

b. As of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Other receivable from Inkism Holding (bearing no interest)	<u>\$ 700,000</u>	<u>\$ -</u>

In 2021, the Company's management planned to sell beverage-related materials and accessories in addition to its franchising business. Therefore, it paid \$700,000 to Inkism Holding for purchasing beverage material and accessories. Later, in February 2022, the Company's management canceled the plan. Inkism Holding will return \$700,000 in the first half-year of 2022.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2021 and 2020

Note 5 - RELATED PARTY TRANSACTIONS, CONTINUED

B. Significant Related Party Transactions, continued

b. As of December 31, 2021 and 2020, continued

	<u>2021</u>	<u>2020</u>
Loan to Inkism Taiwan	\$ 100,000	\$ -

On December 24, 2021, the Company entered into a loan agreement with Inkism Taiwan with an aggregate amount of \$500,000, bearing interest at 0.5% per annum. Inkism Taiwan can draw funds from the Company as it needs. The loan period of each draw is twelve months but can be extended a month before the expiration date in writing. The balance of loan to Inkism Taiwan at December 31, 2021 is \$100,000.

	<u>2021</u>	<u>2020</u>
Account payable to Inkism Taiwan	\$ 26,363	\$ -
Accrued expense and other payable to Inkism Taiwan	\$ 669,021	\$ 7,194
Prepayment for purchases to Inkism Taiwan	\$ 3,198	\$ -

Inkism Taiwan hired and paid an overseas attorney for submitting Franchise Disclosure Document on the Company's behalf. Total payable in this regard is \$0 and \$7,194 as of December 31, 2021 and 2020, respectively.

INKISM INTERNATIONAL CO., LLC
Independent Auditor's Report
and Financial Statements
December 31, 2020 and 2019

INKISM INTERNATIONAL CO., LLC
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San Diego

INDEPENDENT AUDITOR'S REPORT

To the Board of Manager
INKISM INTERNATIONAL CO., LLC
South San Francisco, California

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

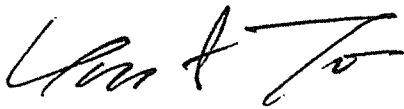
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

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

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

Chen & Fan
Accountancy Corporation

El Monte, California

March 4, 2021

INKISM INTERNATIONAL CO., LLC**Balance Sheets
December 31, 2020 and 2019****ASSETS**

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 444,015	\$ 355,444
Accounts receivable	-	125
Prepaid expense and other current assets	3,939	10,013
Total Current Assets	<u>447,954</u>	<u>365,582</u>
Other Assets		
Right-of-use asset - operating lease	-	308,303
Security deposits	161	19,150
Total Other Assets	<u>161</u>	<u>327,453</u>
Total Assets	<u>\$ 448,115</u>	<u>\$ 693,035</u>

LIABILITIES AND MEMBER'S CAPITAL DEFICIENCY

Current Liabilities		
Accrued expenses	\$ 34,250	\$ 18,189
Other payable to related party	7,194	315,385
Operating lease liability - current	-	102,512
Deferred revenues - current	528,604	-
Income tax payable	1,012	1,300
Total Current Liabilities	<u>571,060</u>	<u>437,386</u>
Long-term and Other Liabilities		
Deferred revenues - non-current	159,850	221,667
Operating lease liability - non-current	-	197,814
Security deposits from franchisees	160,000	60,000
Total Long-term and Other Liabilities	<u>319,850</u>	<u>479,481</u>
Total Liabilities	890,910	916,867
Member's Capital Deficiency	<u>(442,795)</u>	<u>(223,832)</u>
Total Liabilities, Net of Member's Capital Deficiency	<u>\$ 448,115</u>	<u>\$ 693,035</u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue	\$ 2,088	\$ 46,458
Operating expenses	<u>190,632</u>	<u>384,971</u>
Loss from operations	<u>(188,544)</u>	<u>(338,513)</u>
Non-operating income (expense)		
Interest income	118	57
Other expense	<u>(28,725)</u>	<u>(3,300)</u>
Non-Operating expense, net	<u>(28,607)</u>	<u>(3,243)</u>
Loss before income taxes	(217,151)	(341,756)
Income tax expense	<u>1,812</u>	<u>500</u>
Net loss	<u><u>\$ (218,963)</u></u>	<u><u>\$ (342,256)</u></u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Changes in Member's Capital Deficiency
For the Years Ended December 31, 2020 and 2019

	Member's Contributed Capital	Accumulated Deficit	Total Member's Capital (Deficiency)
Capital contribution from member	\$ 120,200	\$ (1,776)	\$ 118,424
Net loss for the period	<u>-</u>	<u>(342,256)</u>	<u>(342,256)</u>
Balance at December 31, 2019	120,200	(344,032)	(223,832)
Net loss for the year	<u>-</u>	<u>(218,963)</u>	<u>(218,963)</u>
Balance at December 31, 2020	<u><u>\$ 120,200</u></u>	<u><u>\$ (562,995)</u></u>	<u><u>\$ (442,795)</u></u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Net loss	\$ (218,963)	\$ (342,256)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Uncollectible security deposit due to early termination of lease agreement	28,725	-
Changes in operating assets and liabilities:		
Accounts receivable	125	(125)
Prepaid expense and other current assets	(3,501)	(10,013)
Right-of-use asset - operating lease	7,977	(7,977)
Security deposit	(161)	(19,150)
Accrued expenses	16,061	18,189
Other payable to related party	(308,191)	315,385
Deferred revenues	466,787	221,667
Income tax payable	(288)	500
Security deposit from franchisees	100,000	60,000
Net Cash Provided by Operating Activities	<u>88,571</u>	<u>236,220</u>
Net Increase in Cash and Cash Equivalents	88,571	236,220
Cash and Cash Equivalents at Beginning of Year	<u>355,444</u>	<u>119,224</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 444,015</u></u>	<u><u>\$ 355,444</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Income taxes	<u>\$ 1,300</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

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

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements
December 31, 2020 and 2019

Note 1 - ORGANIZATION AND BUSINESS

INKISM INTERNATIONAL CO., LLC (the "Company") was formed in the State of California on April 19, 2018. The Company is wholly owned by Inkism International Holding Co., Ltd, (Somoa) (the "Parent Company"). The Company operates as a franchisor of restaurants that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts, coffee and tea makers and related supplies, accessories and gift items under a brand name of Yi Fang Taiwan Fruit Tea in the United States.

Liquidity, Uncertainty, Going Concern and Plans for Improvement

In 2020, the Company incurred net operating loss in the amount of \$218,963, mainly due to COVID-19 pandemic ("the pandemic"). As of December 31, 2020, it has working capital deficiency and member's capital deficiency of approximately \$123,000 and \$443,000, respectively. The pandemic added uncertainty to the Company's operations, the ability of the Company to remain a going concern is dependent on 1) the realization of deferred revenue and 2) its parent company's continuing support. The above mentioned matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

During the pandemic, interest in franchise inquiries were reduced in the U S market and many franchisees postponed their plans of opening new stores. Therefore, there has been a dramatic decrease in the number of new and potential customers and the franchise fees the Company expected to receive from its franchisees did not materialize in 2020. The Company, with the assistance of its parent company, keeps looking for new marketing strategies and promotes its brand through the internet. As inquiries of franchise increase and the Company expects most of its franchisees will open new stores in 2021 due to the gradual reopening of the U.S. market, the Company believes that upon new stores opening, its deferred revenues will be realized in 2021.

The Parent Company also has taken measures that management believes will improve its financial position. In the event that operating results do not improve, it may be necessary for the Company to obtain additional advances or capital contribution from its related parties or to obtain debt from an unrelated party. According to statements and representation by its parent company, the Company is assured of its continuing financial support for the Company's operation in 2021 and onward.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates and Assumptions

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

Revenue Recognition

ASU 2014-09 Revenue from Contract with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") is effective in 2019. As 2019 is the Company's first year of generating revenue, the adoption of ASC 606 has no effects on the financial statements.

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

The Company's revenues consist of fees from restaurants to be operated by franchisees directly, and area development by subfranchisees. Initial franchise fee is to grant franchisee or subfranchisee ("franchisee", collectively) the right to operate or develop franchise restaurants, which is one-time, non-recurring and non-refundable that billed based on the schedule of executed franchise or subfranchise agreement. Area development agreement grants usually with minimum number but not limited number of franchise restaurants set in the agreement, in future periods in specific geographic areas. For pre-opening services provided to franchisee, the Company distinguishes them into different stages and then recognizes related revenue according to the service provided and benefit to the franchisee or amortized on a straight-line basis throughout the term of the franchise or subfranchise agreement which is usually 3 to 5 years. Franchise renewal fees for future franchise renewal periods are amortized over the life of the renewal period. Royalty fees that are based on a percentage of franchise restaurant sales are billed and recognized on a monthly basis. Consulting fee arises from franchise or subfranchise agreement is amortized over the term of the agreement.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

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

Leases

The Company adopted Accounting Standards Update No. 2016-02 Leases and all subsequent amendments to the ASU (collectively, "ASC 842") in 2019. The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either as finance leases or operating leases depending on criteria the lease met. In 2019, the Company's lease is categorized as operating lease. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Income Taxes

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

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

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

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 operations.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company.

Fair Value of Financial Instruments

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

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

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

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Value of Financial Instruments, Continued

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

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

Subsequent Events

The Company has evaluated events and transactions through March 4, 2021 the date on which these financial statements were available to be issued.

Reclassification of Prior Year Presentation

Current portion of deferred revenue as of December 31, 2019 is reclassified to under non-current portion due to economy uncertainty. This reclassification has no effect on the reported results of operations.

Note 3 – REVENUES, DEFERRED REVENUES AND SECURITY DEPOSITS

1. Revenues for the years ended December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Consulting service revenues	\$ 2,088	\$ 458
Initial franchise fees	<u>-</u>	<u>46,000</u>
Total	<u>\$ 2,088</u>	<u>\$ 46,458</u>

In 2020, the Company did not recognize franchise fee due to COVID-19 pandemic that put majority of businesses on hold. In 2021, as more vaccines become available and more business reopen, the Company will begin to realize its franchise fees during 2021.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

**Note 3 - REVENUES AND DEFERRED REVENUES AND SECURITY DEPOSITS,
CONTINUED**

2. Deferred revenues at December 31, 2020 and 2019 are as below:

	<u>2020</u>	<u>2019</u>
Current:		
Initial franchise fees	\$ 526,000	\$ -
Consulting revenue	<u>2,604</u>	<u>-</u>
	<u>528,604</u>	<u>-</u>
Non-current:		
Initial franchise fees	143,000	217,000
Consulting revenues	<u>16,850</u>	<u>4,667</u>
	<u>159,850</u>	<u>221,667</u>
Total	<u>\$ 688,454</u>	<u>\$ 221,667</u>

Future recognition of deferred revenue is as follow:

<u>For the years ending December 31,</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
2021	\$ 528,604	\$ 194,464
2022	43,770	10,200
2023	43,770	10,200
2024	43,770	10,200
2025	<u>28,549</u>	<u>6,800</u>
	688,454	221,667
Less: Current portion	<u>(528,604)</u>	<u>-</u>
Deferred revenues – non-current	<u>\$ 159,850</u>	<u>\$ 221,667</u>

3. The Company also charges a refundable security deposit to each of its franchisees and subfranchisees ("franchisees"). As of December 31, 2020 and 2019, security deposits from franchisees are \$160,000 and \$60,000, respectively.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 4 - LEASES

1. For the year ended and as of December 31, 2020:

In May 2020, the Company early terminated its long-term lease agreement then signed a month-to-month lease with a different landlord in a different location. Upon the termination of the lease signed in 2019, the Company reversed its right-of-use asset and lease liability and recorded the uncollectible security deposit of \$28,725 under non-operating expense.

2. For the year ended and as of December 31, 2019:

In 2019, the Company's lease contract for its office is classified as operating lease, that would expire in August 2022. Lease cost recognized in the statement of operations for the year ended December 31, 2019 is \$39,000, approximately. The following table shows right-of-use assets and lease liabilities, and the associated financial statement line items, as of December 31, 2019:

<u>Financial Statement Line Items</u>	<u>Amount</u>
Right-out-use assets	\$ <u>308,303</u>
Lease liability – current	\$ 102,512
Lease liability – noncurrent	<u>197,814</u>
Total	\$ <u>300,326</u>

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

<u>For the Year Ending December 31,</u>	
2020	\$ 106,473
2021	119,528
2022	<u>81,264</u>
Total	307,265
Less: imputed interest	<u>(6,939)</u>
	300,326
Less: current	<u>(102,512)</u>
Lease liability – non-current	\$ <u>197,814</u>

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 4 - LEASES, CONTINUED

The discount rate related to the Company's lease liabilities was 1.7%. The Company's lease discount rates are generally based on estimates of its incremental borrowing rate of its parent company, as the discount rates implicit in the Company's leases cannot be readily determined and the parent company is its major creditor.

Note 5 - INCOME TAXES

For the years ended December 31, 2020 and 2019, income tax expense consists of the following:

	<u>2020</u>	<u>2019</u>
Current		
Federal	\$ -	\$ -
States	<u>1,812</u>	<u>500</u>
Total	<u>\$ 1,812</u>	<u>\$ 500</u>

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

Deferred tax assets:		
Unearned revenue	\$ 56,000	\$ 2,300
NOL carryforward	76,000	96,300
State income taxes	<u>-</u>	<u>200</u>
	132,000	98,800
Less: valuation allowance	<u>(132,000)</u>	<u>(98,800)</u>
Net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020, the Company has net operating loss (NOL) carryforward available to reduce future taxable income for federal and states income tax return purpose of approximately \$316,000. Federal NOL will be carried forward indefinitely and the state NOL will expire in various years through 2039.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2020 and 2019

Note 5 - INCOME TAXES - CONTINUED

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded full valuation allowance as of December 31, 2020 and 2019.

The net change in deferred tax asset valuation allowance increased in \$33,200 and \$98,800 for the years ended December 31, 2020 and 2019, respectively.

Note 6 - RELATED PARTY TRANSACTIONS

A. Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Inkism International Co, Ltd (Inkism Taiwan)	Affiliate

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

B. Significant Related Party Transactions:

a. For the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cost of trade name and trademark charged by Inkism Taiwan	<u>\$ -</u>	<u>\$ 4,647</u>
Service fee charged by Inkism Taiwan	<u>\$ -</u>	<u>\$ 2,385</u>

b. As of December 31, 2020 and 2019:

Accrued expenses and other payable to Inkism Taiwan	<u>\$ 7,194</u>	<u>\$ 315,385</u>
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Inkism Taiwan hired and paid an overseas attorney for submitting Franchise Disclosure Document on the Company's behalf. Total payable in this regard is \$7,194 and \$314,353 as of December 31, 2020 and 2019, respectively.

INKISM INTERNATIONAL CO., LLC
Independent Auditor's Report
and Financial Statements
December 31, 2019 and 2018



CHEN & FAN

ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Manager
INKISM INTERNATIONAL CO., LLC
San Jose, California

We have audited the accompanying financial statements of **INKISM INTERNATIONAL CO., LLC**, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in member's capital (deficiency), and cash flows for the year ended December 31, 2019 and for the period from April 19, 2018 (inception) to December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

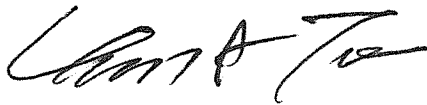
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **INKISM INTERNATIONAL CO., LLC** as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and for the period from April 19, 2018 (inception) to December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

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

Chen & Fan
Accountancy Corporation

El Monte, California

June 1, 2020

INKISM INTERNATIONAL CO., LLC
Independent Auditor's Report
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To the Board of Manager
INKISM INTERNATIONAL CO., LLC
San Jose, California

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Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **INKISM INTERNATIONAL CO., LLC** as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and for the period from April 19, 2018 (inception) to December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Chen & Fan
Accountancy Corporation

El Monte, California

June 1, 2020

INKISM INTERNATIONAL CO., LLC

Balance Sheets

December 31, 2019 and 2018

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 355,444	\$ 119,224
Accounts receivable	125	-
Prepaid expense and other current assets	10,013	-
Total Current Assets	365,582	119,224
Other Assets		
Right-of-use asset - operating lease	308,303	-
Security deposit	19,150	-
Total Other Assets	327,453	-
Total Assets	<u>\$ 693,035</u>	<u>\$ 119,224</u>

LIABILITIES AND MEMBER'S CAPITAL (DEFICIENCY)

Current Liabilities		
Accrued expenses	\$ 18,189	\$ -
Other payable to related party	315,385	-
Operating lease liability - current	102,512	-
Deferred revenues - current	184,267	-
Income tax payable	1,300	800
Total Current Liabilities	621,653	800
Long-term and Other Liabilities		
Deferred revenues - non-current	37,400	-
Operating lease liability - non-current	197,814	-
Security deposit from franchisees	60,000	-
Total Long-term and Other Liabilities	295,214	-
Total Liabilities	916,867	800
Member's Capital (Deficiency)	(223,832)	118,424
Total Liabilities, Net of Member's Capital (Deficiency)	<u>\$ 693,035</u>	<u>\$ 119,224</u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Operations
For the Year Ended December 31, 2019 and
For the Period from April 19, 2018 (Inception) to December 31, 2018

	<u>2019</u>	<u>2018</u>
Revenues	\$ 46,458	\$ -
Cost of trade name and trademark	4,647	-
Operating expenses	<u>380,324</u>	<u>1,001</u>
Total cost and opearating expenses	<u>384,971</u>	<u>1,001</u>
Loss from operations	(338,513)	(1,001)
Non-operating income (expense), net	<u>(3,243)</u>	<u>25</u>
Loss before income taxes	(341,756)	(976)
Income tax expense	<u>500</u>	<u>800</u>
Net loss	<u><u>\$ (342,256)</u></u>	<u><u>\$ (1,776)</u></u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Changes in Member's Capital (Deficiency)
For the Year Ended December 31, 2019 and
For the Period from April 19, 2018 (Inception) to December 31, 2018

	Member's Contributed Capital	Accumulated Deficit	Total Member's Capital (Deficiency)
Capital contribution from member	\$ 120,200	\$ -	\$ 120,200
Net loss for the period	<u>-</u>	<u>(1,776)</u>	<u>(1,776)</u>
Balance at December 31, 2018	120,200	(1,776)	118,424
Net loss for the year	<u>-</u>	<u>(342,256)</u>	<u>(342,256)</u>
Balance at December 31, 2019	<u><u>\$ 120,200</u></u>	<u><u>\$ (344,032)</u></u>	<u><u>\$ (223,832)</u></u>

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

INKISM INTERNATIONAL CO., LLC
Statements of Cash Flows
For the Year Ended December 31, 2019 and
For the Period from April 19, 2018 (Inception) to December 31, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Net loss	\$ (342,256)	\$ (1,776)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(125)	-
Prepaid expense and other current assets	(10,013)	-
Right-of-use asset - operating lease	(7,977)	-
Security deposit	(19,150)	-
Accrued expenses	18,189	-
Other payable to related party	315,385	-
Deferred revenues	221,667	-
Income tax payable	500	800
Security deposit from franchisees	60,000	-
Net Cash Provided by (Used for) Operating Activities	<u>236,220</u>	<u>(976)</u>
Cash Flows From Financing Activity:		
Capital contribution from member	-	120,200
Net Cash Provided by Financing Activity	<u>-</u>	<u>120,200</u>
Net Increase in Cash and Cash Equivalents	236,220	119,224
Cash and Cash Equivalents at Beginning of Year/Period	<u>119,224</u>	<u>-</u>
Cash and Cash Equivalents at End of Year/Period	<u><u>\$ 355,444</u></u>	<u><u>\$ 119,224</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year/period for:		
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

INKISM INTERNATIONAL CO., LLC

Notes to Financial Statements

December 31, 2019 and 2018

1. ORGANIZATION AND BUSINESS

INKISM INTERNATIONAL CO., LLC (the "Company") was formed in the State of California on April 19, 2018. The Company is wholly owned by Inkism International Holding Co., Ltd, (Somoa) (the "Parent Company"). The Company operates as a franchisor of restaurants that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts, coffee and tea makers and related supplies, accessories and gift items under a brand name of Yi Fang Taiwan Fruit Tea in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Liquidity, Going Concern and Plans for Improvement

The Company has incurred net operating loss in 2019, second year of operations, in the amount of \$342,256. As of December 31, 2019, it has working capital deficiency and member's capital deficiency of approximately \$293,000 and \$224,000, respectively. On the same date, it was indebted to by Inkism International Holding Co., Ltd, (Somoa), its parent company and sole member, in the amount of \$321,000. The ability of the Company to remain a going concern is dependent on its parent company's continuing forbearance with respect to the maturity of the debts due from the Company. The above mentioned matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The parent company expects loss from the Company's second year operation as it put efforts in obtaining franchise rights in more than 30 states in the United States, which incurred substantial attorney and government fees of more than \$300,000. In 2019, the Company entered into several franchise agreements with total amount of initial franchise fee more than \$500,000. The Parent Company also has taken measures that management believes will improve its financial position. These measures encompass building up the Company's management team, maintaining good relationship with customers (area developers and franchisees), increasing revenue from franchise fee and service income by seeking more area developers or franchisors, generating profit from operations, and pursuing more cost and expense savings. In the event that operating results do not improve, it may be necessary for the Company to obtain additional advances or capital contribution from its related parties or to obtain debt from an unrelated party.

According to statements and representation by its parent company, the Company is assured of its continuing financial support for a period up to July 31, 2021.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

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

Revenue Recognition

ASU 2014-09 Revenue from Contract with Customers and all subsequent amendments to the ASU (collectively, "ASC 606") is effective in 2019. As 2019 is the Company's first of generating revenue, the adoption of ASC 606 has not effects on the Company's financial statements.

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

Initial non-recurring and non-refundable franchise fee is billed based on the schedule of executed franchise agreement. Area development exclusivity fee is to grant the right to develop franchised restaurants, usually with minimum number but not limited number of franchise restaurants set in the agreement, in future periods in specific geographic areas. Area development fee is a one-time non-refundable payment. For pre-opening services provided to franchisees, the Company distinguishes them into different stages and then recognize related revenue according to the service provided and benefit to the franchisee or amortized on a straight-line basis throughout the term of the franchise agreement which is usually 3 to 5 years. Franchise renewal fees for future franchise renewal periods are amortized over the life of the renewal period. Royalty fees that are based on a percentage of franchise restaurant sales are billed and recognized on a monthly basis.

Leases

The Company early adopted Accounting Standards Update No. 2016-02 Leases and all subsequent amendments to the ASU (collectively, "ASC 842"). The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either finance leases or operating leases depending on criteria the lease met. Currently, the Company's lease is categorized as operating

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Leases - Continued

lease. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Income Taxes

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

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

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

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by FDIC for the Company.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates and Assumptions

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

Fair Value of Financial Instruments

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

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

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

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

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, other payable and accrued expenses approximated their fair value due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2019.

Subsequent Events

The Company has evaluated events and transactions through June 1, 2020 the date on which these financial statements were available to be issued.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

3. REVENUES AND DEFERRED REVENUES AND SECURITY DEPOSITS

1. Revenues for the year ended December 31, 2019 and for the period from April 19, 2018 (inception) to December 31, 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Consulting service revenues	\$ 458	\$ -
Initial franchise fees	<u>46,000</u>	<u>-</u>
Total	<u>\$ 46,458</u>	<u>\$ -</u>

2. Deferred revenues at December 31, 2019 and 2018 are as below:

	<u>2019</u>	<u>2018</u>
Current:		
Initial franchise fees	\$ 184,000	\$ -
Consulting fees	<u>267</u>	<u>-</u>
Initial franchise fees	<u>184,267</u>	<u>-</u>
Non-current:		
Initial franchise fees	33,733	-
Consulting fees	<u>3,667</u>	<u>-</u>
	<u>37,400</u>	<u>-</u>
Total	<u>\$ 221,667</u>	<u>\$ -</u>

As of December 31, 2019, future recognition of deferred revenue is as follows:

<u>For the year ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 184,267
2021	10,200
2022	10,200
2023	10,200
2024	<u>6,800</u>
Total unearned revenue	221,667
Less: current portion of unearned revenue	<u>(184,267)</u>
Non-current portion of unearned revenue	<u>\$ 37,400</u>

3. The Company also charges a refundable security deposit to each of its franchisees and subfranchisees ("franchisees"). As of December 31, 2019 and 2018, security deposits from franchisees are \$60,000 and \$0, respectively.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

4. LEASE

The Company's lease contract for its office is classified as operating lease, that will expire in August 2022. Lease cost recognized in the statement of operations for the year ended December 31, 2019 is \$39,000, approximately.

The following table shows right-of-use assets and lease liabilities, and the associated financial statement line items, as of December 31, 2019:

Operating Lease Related Asset and Liability	Financial Statement Line Items	December 31, 2019
Right-of-use asset	Right-of-use asset	\$ <u>308,303</u>
Lease liability –		
Current	Lease liability – current	\$ 102,512
Non-current	Lease liability – noncurrent	<u>197,814</u>
Total		\$ <u>300,326</u>

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

<u>For the Year Ending December 31,</u>	
2020	\$ 106,473
2021	119,528
2022	<u>81,264</u>
Total	307,265
Less: imputed interest	<u>(6,939)</u>
	300,326
Less: current	<u>(102,512)</u>
Lease liability – non-current	\$ <u>197,814</u>

The discount rate related to the Company's lease liabilities was 1.7%. The Company's lease discount rates are generally based on estimates of its incremental borrowing rate of its parent company, as the discount rates implicit in the Company's leases cannot be readily determined and the parent company is its major creditor.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

5. INCOME TAXES

For the year ended December 31, 2019 and for the period from April 19, 2018 (inception) to December 31, 2018, income tax expense consists of the following:

	<u>2019</u>	<u>2018</u>
Current		
Federal	\$ -	\$ -
State	<u>500</u>	<u>800</u>
Total	<u>\$ 500</u>	<u>\$ 800</u>

The Company's deferred tax assets are recognized for temporary deductible difference and for tax loss carryforwards only to the extent that realization of related tax benefit is probable. Significant deferred tax assets at December 31, 2019 and 2018 were approximately as follows:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Unearned revenue	\$ 2,300	\$ -
NOL carryforward	96,300	-
State income taxes	<u>200</u>	<u>-</u>
	98,800	-
Less: valuation allowance	<u>(98,800)</u>	<u>-</u>
Net	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2019, the Company has net operating loss (NOL) carryforward available to reduce future taxable income for federal and state income tax return purpose each of approximately \$321,000. Federal NOL will be carried forward indefinitely and the state NOL will expire in various years through 2039.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded a full valuation allowance as of December 31, 2019.

The net change in deferred tax asset valuation allowance is an increase of \$98,800 for the year ended December 31, 2019.

INKISM INTERNATIONAL CO., LLC
Notes to Financial Statements - Continued
December 31, 2019 and 2018

6. RELATED PARTY TRANSACTIONS

A. Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Inkism International Co, Ltd (Inkism Taiwan)	Affiliate

In 2019, the Company has extensive transactions with Inkism Taiwan. It is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

B. Significant Related Party Transactions:

a. For the year ended December 31, 2019:

Cost of trade name and trademark charged by Inkism Taiwan	<u>\$ 4,647</u>
Service fee charged by Inkism Taiwan	<u>\$ 2,385</u>

b. As of December 31, 2019:

Accrued expenses and other payable to Inkism Taiwan	<u>\$ 315,385</u>
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In 2019, Inkism Taiwan hired and paid an overseas attorney for submitting Franchise Disclosure Document on the Company's behalf. Total payable in this regard is \$314,353 at December 31, 2019.

LIST OF FRANCHISE OUTLETS

YI FANG  TAIWAN FRUIT TEA
一芳台灣水果茶

EXHIBIT C

LIST OF FRANCHISE OUTLETS

The following master franchise outlets were open and operating on December 31, 2021:

State	Contact Name and Address	Tel No.
CA	Roy Lam 2516 Bancroft Way, Berkeley, CA 94704	415-939-5600
	Kang Ping Wen 18495 Colima Rd #5, Rowland Heights, CA 91748	626-803-7883
GA	Sam Kok 5705 Buford Highway NE Doraville, GA 30340	405-965-7878
HI	GCH OHANA, LLC Manuel Tony Wong Cam 602 Dillingham Blvd, Honolulu, HI 96817	808-829-2514
MA	Peng Chen 215 Newbury St., Boston, MA 02116	347-836-3876
MD	Dai Wen Chen 777 Hungerford Dr, Rockville, MD 20850	865-437-9777
NJ	Run Jiang 561 US-1S A5 Edison NJ 08817	470-299-8110
NV	Elaine Song 5000 University Way NE, Ste. C, Seattle, WA 98105	425-945-6231
NY	Run Jiang 135-15 40th Road Flushing NY 11354	929-300-7485
PA	Ron Chen 941 Race St., Philadelphia, PA 19107	267-992-1616
TX	Yida Ma 9244 Prestmont PL, suite 210, Frisco, TX 75035	469-468-8906
WA	Elaine Song 5000 University Way NE, Ste. C, Seattle, WA 98105	425-945-6231

LIST OF TERMINATED FRANCHISES

Yi Fang  TAIWAN FRUIT TEA
一芳台灣水果茶

EXHIBIT D

LIST OF TERMINATED FRANCHISES

As of March 26, 2022, no YI FANG TAIWAN FRUIT TEA™ franchisee had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during the past 12 months.

No franchisee has failed to communicate with us within the 10 weeks ending on the date of this disclosure document.

**STATE FRANCHISE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**

YI FANG  **TAIWAN FRUIT TEA**
一 芳 台 灣 水 果 茶

EXHIBIT E

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, Business Registration Div.,
Securities Compliance Branch
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 Financial Protection and Innovation
Department of Financial Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834

Hawaii:

Commissioner of Securities
Dept. of Commerce and Consumer Affairs,
Business Registration Div., Securities Compliance Branch
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
(608) 266-8557

STATEMENT OF SUBFRANCHISOR

YI FANG  TAIWAN FRUIT TEA
一芳台灣水果茶

EXHIBIT F

STATEMENT OF SUBFRANCHISOR

Inkism International Co., LLC and you are entering into a Subfranchise Agreement under the terms of which you will be authorized to sell and offer Yi Fang Taiwan Fruit Tea franchise outlets to Subfranchisees. The purposes of this Statement of Subfranchisor are (i) to verify compliance with franchise disclosure legal requirements and (ii) to determine whether any statements or promises were made to you that we did not authorize or that may be untrue, inaccurate or misleading. ***This Statement of Subfranchisor must be completed, signed and dated on the same day you sign your initial Yi Fang Taiwan Fruit Tea Subfranchise Agreement.***

This statement must be completed when you sign your initial Yi Fang Taiwan Fruit Tea Subfranchise Agreement.

A. The following dates are true and correct:

1. _____, 20____
(Date) (Initials)

The date on which I received a Franchise Disclosure Document ("FDD") about the Yi Fang Taiwan Fruit Tea Franchise.

2. _____, 20____
(Date) (Initials)

The date on which I signed the Yi Fang Taiwan Fruit Tea Subfranchise Agreement (must be at least 15 days after the date in A.1)

3. _____, 20____
(Date) (Initials)

The earliest date on which I delivered cash, check or other consideration to a Yi Fang Taiwan Fruit Tea Franchise sales representative (must be at least 15 days after the date in A.1)

B. Representations:

1. No oral, written or visual claim or representation which contradicted or was not disclosed in the Yi Fang Taiwan Fruit Tea FDD was made to me, except:

Initial: _____

(If none was made, you must write "none")

2. Inkism International Co., LLC made no oral, written or visual claim or representation which stated or suggested any financial performance, sales, income or profit levels to me, except:

Initial: _____

(If none was made, you must write "none")

I/we certify the above is true and correct to the best of my/our knowledge.

Subfranchisor

By: _____ Date: _____

STATE SPECIFIC ADDENDUM

YI FANG  TAIWAN FRUIT TEA
一芳台灣水果茶

EXHIBIT G

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA**

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
2. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before solicitation of a proposed material modification of an existing franchise.
3. The Franchise Agreement requires binding arbitration. The arbitration will occur at Los Angeles, California with the costs being borne by both parties equally. The arbitration will occur in Los Angeles County, California, or other county where the franchisor's headquarters is then located, with the costs being borne equally by both parties but reimbursable to the prevailing party. Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 20040.5, Code of Civil Procedure section 1281 and the Federal Arbitration Act) to any provision of a franchise agreement that restricts venue to a forum outside of California.
4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 *et seq.*)
5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination or transfer of the franchise. This provision may not be enforceable under California Law.
6. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (Corporations Code §§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
8. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain liquidated damage clauses are enforceable.
9. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE

CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT
www.dfpi.ca.gov.

10. Neither the franchisor, nor any person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934 (15 U.S.C.A. §78A *et seq.*), suspending or expelling these persons from membership in such association or exchange.

11. The Department of Financial Protection and Innovation (formerly the Department of Business Oversight) requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

STATE EFFECTIVE DATES

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EXHIBIT H

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Document is effective and may be used in the following states, where the document is filed, registered or exempted from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	April 19, 2021
Indiana	N/A
Maryland	June 24, 2021
Michigan	May 13, 2021
Minnesota	N/A
New York	Pending
North Dakota	N/A
Rhode Island	N/A
Virginia	September 22, 2021
Washington	Pending
Wisconsin	N/A

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.

RECEIPTS

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EXHIBIT I

RECEIPT

This disclosure document summarizes certain provisions of the Subfranchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Inkism International Co., LLC. offers you a franchise, it must provide this disclosure document to you 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.

If Inkism International Co., LLC 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 government agency or file suits in the court with appropriate jurisdiction.

We have no franchise brokers. The name, address and telephone number of the franchise seller for this offering is: Tzu-Kai Ko, 100 Pine St., 1250, San Francisco, CA 94111; telephone (415) 917-6450.

Date of Issuance: March 26, 2022

Inkism International Co., LLC authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated March 26, 2022 that included the following Exhibits:

- “A” Subfranchise Agreement
Exhibit to Subfranchise Agreement:
Exhibit 1: Subfranchise Schedule
- “A-1” Form of General Release
- “B” Financial Statements
- “C” List of Franchise Outlets
- “D” List of Terminated Franchises
- “E” State Franchise Administrators and Agents for Service of Process
- “F” Statement of Subfranchisor
- “G” State Specific Addendum
- “H” State Effective Dates
- “I” Receipts

DATED: _____
(Do not leave blank)

If a business entity:

(Name of Business Entity)

(Signature of Primary Contact Owner)

(Print Name and Title)

If an individual:

(Signature of Prospective Subfranchisor)

(Print Name)

Please date and sign this page, and then keep it for your records

RECEIPT

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 Inkism International Co., LLC. offers you a franchise, it must provide this disclosure document to you 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.

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- “H” State Effective Dates
- “I” Receipts

DATED: _____
(Do not leave blank)

If a business entity:

(Name of Business Entity)

(Signature of Primary Contact Owner)

(Print Name and Title)

If an individual:

(Signature of Prospective Subfranchisor)

(Print Name)

Please date and sign this page, and then return it by first class mail to Inkism International Co., LLC, Tzu-Kai Ko, 100 Pine St., 1250, San Francisco, CA 94111; or by e-mail to info@inkism.com.tw.