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PRELIMINARY ROUND PROPOSITION

BOUND BY CHOCOLATE

THE NATIONAL LAW UNIVERSITY, JODHPUR

INTERNATIONAL DEAL NEGOTIATION COMPETITION

IN PARTNERSHIP WITH A&O SHEARMAN

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BACKGROUND INFORMATION

SweetCrumb GmbH

SweetCrumb GmbH ("**SweetCrumb**"), headquartered in Lausanne, Switzerland, is a boutique European confectionery company renowned for its artisanal chocolate cakes. Founded in 1938, SweetCrumb began as a small family bakery in the Vaud region, where Natalie Von Kappeler carefully baked each *Velvette Chocolate Torte*.

The Torte is distinguished by its dense texture and extended natural freshness, achieved without the use of artificial additives or chemical preservatives. This outcome is enabled by a process involving a carefully calibrated sequence of low-heat aeration and natural protein stabilisation, developed to preserve moisture, structure, and shelf stability.

SweetCrumb's long-standing philosophy of "*clean indulgence*" has been central to its commercial success, allowing the brand to command premium positioning among consumers who value ingredient transparency. This process forms the technological foundation of SweetCrumb's value that differentiates it within the premium dessert market.

The company's growth in the mid-to-late 20th century was intentionally managed by the Von Kappeler family to preserve an aura of uncompromising luxury and exclusivity, expanding only into select gourmet stores in Switzerland and Austria. By the 1980s, SweetCrumb had famously rejected three major international acquisition offers and instituted a "*One City, One Distributor*" policy, cementing its status as a highly sought-after, yet deliberately scarce, European delicacy. This conservative approach ensured the brand maintained a superior status among elite gourmands, with production volumes capped to align precisely with the limited supply of cocoa beans from a specific, small farm in Ecuador.

In 2019, the reins of the company were assumed by Emilie Von Kappeler, Natalie's ambitious great-granddaughter. Emilie, a graduate of both the Culinary Institute of Switzerland and the London School of Economics, believes the brand has reached a growth limit due to its high-cost Swiss production. She has initiated a strategic shift: using technology to scale the company's defining asset, the Torte, for global markets without compromising its "*clean indulgence*" philosophy.

Earlier attempts to expand the brand's reach into key Asian markets were, however, met with failure. The Torte's specific manner of baking and reliance on natural protein stabilisation, while key to its clean-label status, meant the product suffered quick spoilage during long-distance shipping. Emilie's vision is now to transition SweetCrumb from a highly respected

niche Swiss baker into the benchmark for premium desserts worldwide, making the challenge of preserving product integrity in different climates the central focus of her expansion strategy.

Frostro Foods Co., Ltd.

Frostro Foods Co., Ltd. ("**Frostro**"), headquartered in Hangzhou, China, was founded in 2015 by food technologist Lin Yuhao, a former product engineer at a multinational dairy group who quit to work on food preservation techniques suitable for industrial-scale production. Lin began Frostro as a small research-and-production start-up, designing cold-chain systems for patisseries and café chains struggling with short dessert shelf lives in tropical climates.

Frostro operates as a manufacturer and distributor for its partners. Under this model, Frostro manufactures dessert products on behalf of its partners based on jointly agreed formulations, quality specifications, and branding requirements. It retains control over core processing technologies and preservation methods that enable extended shelf life. Frostro undertakes distribution through its temperature-controlled logistics network, enabling partners to scale rapidly across multiple markets without requiring the establishment of independent manufacturing or cold-chain infrastructure.

Frostro's growth was driven by a signature innovation called the BASESEAL system. This is a patented low-pressure enzymatic preservation process that allows cream-based and sponge desserts to remain fresh for weeks without deep refrigeration. The technology works by maintaining internal moisture and preventing microbial degradation during transit. This innovation has enabled Frostro to reduce waste and production costs, positioning it as a cost-efficient leader in temperature-sensitive food manufacturing and giving it the scale and precision that smaller competitors cannot replicate. By 2022, Frostro's revenue had grown nearly tenfold from its founding year, but its entry into Western markets has been slow. Distributors in Europe and the Gulf Cooperation Council region perceive Frostro as a mass-scale producer that is technologically advanced but lacks the artisanal positioning and clean-label reputation valued by premium consumers in those markets.

This perception has limited Frostro's ability to secure partnerships with high-end retailers and hospitality groups despite its superior preservation capabilities. Internally, Frostro's board remains divided between prioritising high-volume contracts and rebranding for the premium segment, where growth may be higher but compliance costs steeper.

Recognising that technical excellence alone cannot secure global trust, Frostro views collaboration with a European clean-label brand like SweetCrumb GmbH as a strategic opportunity. Such a partnership would allow Frostro to pair its preservation technology with artisanal credibility and enter Western markets through a joint platform that combines manufacturing efficiency with premium brand heritage.

GENERAL INFORMATION

The discussions between SweetCrumb and Frostro began in early 2025, when Emilie Von Kappeler and Lin Yuhao met at the Sustainable Food Innovation Forum in Singapore. Emilie spoke on a panel addressing the challenges of preserving product integrity in humid markets, while Lin Yuhao showcased Frostro's patented BASESEAL preservation technology.

Following successful product trials in mid-2025, the parties agreed to establish CocoaVerse Desserts Pte. Ltd., a strategic joint venture ("**JV**") intended to combine their respective technological and commercial strengths. Under the JV, SweetCrumb's patented low-heat aeration and natural protein stabilisation process would be integrated with Frostro's BASESEAL system to manufacture co-branded premium chocolate desserts marketed as "*SweetCrumb x Frostro*." This union promises to create a product line that combines artisanal quality and clean-label integrity with scalable production and extended shelf life. The collaboration aims to facilitate entry into new consumer markets across Asia and Europe. While commercially compelling, the proposed integration of these patented technologies raises complex questions, including ownership, control, and accountability that must be resolved before the JV can be finalised.

Market Prioritisation and Logistics

While both parties have agreed that the JV will cover Asia and Europe, the parties disagree on prioritisation. For SweetCrumb, rapid expansion into the Asian market is critical to demonstrate that its artisanal product can overcome the spoilage issues it failed to address in earlier export attempts. Successful entry would validate the technological partnership and provide immediate revenue streams to offset the higher compliance costs associated with premium European markets.

Conversely, Frostro believes the JV should first focus on securing the premium European market. Frostro's primary strategic goal is to pair its technology with SweetCrumb's artisanal credibility to enter Western markets through a more trusted platform. Frostro argues that leveraging SweetCrumb's elite reputation across Central Europe initially provides higher margins and is necessary to validate the "*SweetCrumb x Frostro*" brand as a premium offering before entering mass Asian markets.

Intellectual Property ("IP") Ownership, Licensing and Usage

The operation of the JV requires the use of proprietary technologies owned by both Parties. Each Party will retain ownership of its respective registered intellectual property ("**Existing IP**"). However, the Parties disagree on how IP will be licensed, controlled, and commercially valued within the JV.

Both Parties acknowledge that new formulations, process adaptations, and technical improvements may be developed during the course of the JV's operations ("**Developed IP**"). The Parties disagree on how ownership of such Developed IP should be determined, especially where new developments are closely linked to, or derived from, a Party's Existing IP. The treatment of jointly developed improvements remains unresolved.

Governance and Control

Despite the JV's equal ownership structure, the parties hold differing views on the allocation of decision-making power between them. The current draft term sheet proposes that the Board consist of four members - two nominated by each party, with separate committees overseeing management and product quality. However, SweetCrumb argues that this framework offers only nominal equality and fails to reflect the weight of its contribution. It insists on retaining veto power over any decisions that could affect product formulation, sourcing, packaging, or sustainability certifications. Frostro sees this as disproportionate and commercially restrictive. It argues that, as the party responsible for manufacturing, capital investment, and regional logistics, it must have equal decision-making rights and flexibility to operate without repeated approvals. Frostro maintains that if SweetCrumb key vetoes, the venture will be paralysed and unable to respond to fast-moving market demands.

ESG Compliance

During pre-JV due diligence, European distributors and prospective retail partners raised concerns regarding whether the JV's products aligned with EU-equivalent sustainability, labour, and supply-chain transparency standards. They viewed such ESG compliance as a pre-requisite for association with the JV.

SweetCrumb's long-standing distributors in Switzerland and Germany emphasised that continued association with the SweetCrumb brand is premised on adherence to such standards, which they regard as integral to the brand's clean-label identity and consumer trust. SweetCrumb maintains that deviation from these benchmarks, risks undermining the consistency of its market positioning and distributor confidence across its existing channels.

Frostro acknowledges the importance of sustainability credentials for European entry but maintains that its existing suppliers (which will be used for JV's products) already comply with regionally approved sustainability codes and digital traceability requirements. It cautions that immediate venture-wide alignment with EU-equivalent standards would increase costs and disrupt supply chains. Frostro therefore proposes a phased compliance approach, allowing progressive alignment of standards in parallel with market expansion and operational scaling.

Exit and Non-compete

The Parties agree that the JV requires clear exit arrangements to protect proprietary assets and commercial interests after termination. The principal dispute concerns the scope of the proposed non-compete clause, in particular the meaning of the term "*substantially similar*." SweetCrumb seeks a broad interpretation that would restrict Frostro, following dissolution, from manufacturing or marketing chocolate-based desserts. This includes adaptations or optimisations developed within the JV. SweetCrumb argues that such restrictions are necessary to protect its premium market positioning and the commercial value of its technology.

Frostro characterises its BASESEAL system as a platform technology capable of lawful deployment across multiple product categories. Frostro argues that an expansive non-compete would unreasonably limit its freedom to operate and commercialise its own patents.

The Parties also disagree on the appropriate duration of the non-compete obligations following termination. SweetCrumb seeks restrictions that extend beyond the life of the JV to prevent erosion of its brand positioning. Frostro seeks time-limited obligations that do not constrain its long-term commercial activities.

A related issue concerns the handling of Existing IP and technical materials following termination of the JV. SweetCrumb seeks safeguards to ensure that data, documentation, and process adaptations generated through the application of its patented technology are not used beyond the agreed licence scope. SweetCrumb proposes audit and certification mechanisms to verify compliance with post-termination restrictions.

ANNEXURE: EXTRACTS FROM DRAFT COCOAVERSE DESSERTS PTE. LTD. TERM SHEET

(Prepared jointly by the legal teams of SweetCrumb GmbH and Frostro Foods Co., Ltd.; draft under review.)

5. Intellectual Property Ownership and Registration

5.1. Each Party shall [retain sole ownership] of all intellectual property, and proprietary processes owned or controlled by it prior to the establishment of CocoaVerse Desserts Pte. Ltd. ("CocoaVerse") ("**Existing IP**").

5.2. Any new formulation, preservation method, or technological improvement developed in the course of CocoaVerse operations ("**Developed IP**") shall, unless otherwise agreed in writing, be registered in the name of CocoaVerse.

5.3. [Where any Developed IP is derived directly from a Party's Existing IP, such Party shall retain ownership of that Developed IP, provided that the other Party shall be granted an unlimited, exclusive, royalty-free license to use it any purposes.] **[Note: To be discussed at the negotiation.]**

5.4. The Parties shall determine, by mutual written agreement, the appropriate form, jurisdiction, and timing of any registration or filing relating to Developed IP.

6. Governance and Management Structure

6.1. The Board of Directors of CocoaVerse Desserts Pte. Ltd. shall comprise four (4) members, with two (2) nominated by each Party. The Chairperson shall be nominated by SweetCrumb GmbH and shall have a casting vote on matters relating to product integrity, brand representation, and sustainability standards.

6.2. CocoaVerse shall operate through two principal committees:

(a) the Executive Management Committee ("**EMC**"), responsible for operations, finance, and distribution; and

(b) the Product and Quality Committee ("**PQC**"), responsible for formulation, sourcing, and quality assurance.

6.3. The following shall constitute Reserved Matters, requiring unanimous written consent of both Parties:

(a) changes to product formulation, packaging, or brand representation;

(b) amendments to supplier or sustainability standards;

(c) capital expenditure above agreed limits; and

(d) any modification to the intellectual property or licensing framework of CocoaVerse.

6.4. Any deadlock on a Reserved Matter shall be referred to the Chief Executive Officers of both Parties for resolution within fifteen (15) days, failing which the matter shall be deferred until mutual agreement is reached.

7. Exit, Non-Compete, and Confidentiality

7.1. Upon termination or dissolution of CocoaVerse, each Party shall promptly return or permanently delete all Confidential Information belonging to the other Party and certify such deletion in writing.

7.2. For a period of [●] years following termination, neither Party shall, without the prior written consent of the other, directly or indirectly engage in, participate in, or assist in the manufacture, marketing, or sale of any chocolate-based dessert *substantially similar* to products manufactured by CocoaVerse.

7.3. For the avoidance of doubt, "*substantially similar*" shall include any product that incorporates or imitates the flavour profile, formulation, or production method used in CocoaVerse desserts, but shall not restrict either Party from developing or marketing other chocolate dessert categories.

7.4. Each Party's confidentiality obligations shall survive for a period of [five (5)] years following termination of this Agreement.