



FRANCHISE DISCLOSURE DOCUMENT

Lilian USA LLC
A Delaware Limited Liability Company
One Commerce Center
1201 Orange Street #600
Wilmington, DE 19899
800-246-2677

The franchise offered is to operate a Sharetea food service establishment offering gourmet coffees and teas, coffee or tea-based beverages, bubble tea, compatible food products, coffee and tea makers and related supplies, accessories and gifts. The total investment necessary to begin operation of a Sharetea tea shop is \$224,600 to \$555,400. This includes \$124,500 to \$219,800 that must be paid to the franchisor or its affiliate(s), as applicable. The total investment necessary to begin operation of Sharetea Area Development Business is \$648,800 to \$1,460,200. This includes \$402,500 to \$485,900 that must be paid to the franchisor or its affiliate(s), as applicable.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different format, contact Kai-Lung Cheng at 1201 Orange Street #600, Wilmington, DE 19899, 800-246-2677. The term of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read all of your contracts carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

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

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

The Issuance Date: Feb19, 2025

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Taiwan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Taiwan than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty and advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

TABLE OF CONTENTS

Item 1:	The Franchisor, and any Parents, Predecessors and Affiliates	1
Item 2:	Business Experience	4
Item 3:	Litigation.....	5
Item 4:	Bankruptcy	6
Item 5:	Initial Fees.....	6
Item 6:	Other Fees	10
Item 7:	Estimated Initial Investment	17
Item 8:	Restrictions on Sources of Products and Services	21
Item 9:	Franchisee's Obligations.....	24
Item 10:	Financing.....	25
Item 11:	Franchisor's Assistance, Advertising, Computer Systems, and Training.....	26
Item 12:	Territory	34
Item 13:	Trademarks	37
Item 14:	Patents, Copyrights and Proprietary Information	39
Item 15:	Obligation to Participate in the Actual Operation of the Franchise Business.....	40
Item 16:	Restrictions on What the Franchisee May Sell	41
Item 17:	Renewal, Termination, Transfer, and Dispute Resolution.....	41
Item 18:	Public Figures	55
Item 19:	Financial Performance Representations.....	55
Item 20:	Outlets and Franchisee Information.....	56
Item 21:	Financial Statement.....	60
Item 22:	Contract.....	60
Item 23:	Receipt	61

EXHIBITS

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Directory of Administrative Agencies
Exhibit E	Additional Disclosure Required by the State
Exhibit F	Contact Information of Former and Current Franchisees
Exhibit G	State Effective Dates
Exhibit H	Receipt

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

The Franchisor is Lilian USA LLC, which will be referred to as “Sharetea”, “we”, or “us”. The term “you”, or “Franchisee” means the person, corporation, limited liability company, partnership or other legal entity that is granted the franchise (as well as the direct and indirect owners of any corporation, limited liability company, partnership, or other legal entity that becomes a franchisee). We do not conduct any business activity other than franchising tea shops. Our affiliates operate company-owned tea shops under the Sharetea System (as described below) in the U.S. and internationally and franchised tea shops under the Sharetea System internationally.

Franchisor, Parent, Affiliates

We are a Delaware limited liability company formed on March 20, 2015, with our principal place of business at 1201 Orange Street #600, Wilmington, DE 19899, telephone 800-246-2677. We do business in the organizational name “Sharetea” and under similar marks. We do not do business, nor do we intend to do business, under any other name. We do not have any predecessor during the 10-year period immediately before the close of our most recent fiscal year. We currently do not operate any company-owned Sharetea tea shops.

Our parent company, Lian Fa International Dining Business Corporation (“Lian Fa”), is a corporation formed under the laws of Taiwan in 1992 and continued as a corporation under the laws of Taiwan. Lian Fa offers franchises for businesses featuring gourmet coffees and teas, coffee or tea-based beverages, compatible food products, Taiwanese desserts, coffee and tea makers, related supplies, accessories, and gifts outside of the United States under the Sharetea brand. Since May 2015, Lian Fa and we have opened approximately 400 tea shops worldwide. Currently, Lian Fa also operates company-owned Malaysian restaurants under the brand MamaK.

Lian Fa licenses us the right to use and sublicense the use of Sharetea marks in the United States; our business address in Delaware is One Commerce Center, 1201 Orange Street #600, Wilmington, DE 19899.

We have an affiliated company, UNI GREEN INC, located at 131 Continental Drive, Suite 301, Newark, Delaware 19713, that has begun operating under the brand “UG,” offering beverages that may be similar to those offered by our Sharetea shops. Although UNI GREEN INC is a separate legal entity, it may compete with our Sharetea system because it provides tea-based and similar beverage products. We do not control the day-to-day operations of UNI GREEN INC, but because it shares certain ownership or management interests with us, there is potential for direct or indirect competition. If UNI GREEN INC expands, changes its product offerings, or otherwise engages in

activities that materially affect our market or those of our franchisees, we will make any required disclosures under California law.

We are subject to the California Franchise Investment Law and have registered this Franchise Disclosure Document with the California Department of Financial Protection and Innovation. We will comply with all disclosure requirements under California law, including those concerning affiliates operating similar businesses. If our relationship with UNI GREEN INC changes in a way that requires additional or amended disclosure, we will update our Franchise Disclosure Document as required by law.

Agent for Service of Process

Our own agent for service of process in Minnesota is Minnesota Department of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101, (651) 296-6328.

The Business We Offer

We possess advanced technology, management system, continuous and innovative product development, and knowledge in relation to a unique and distinctive system relating to the development and operation of “Sharetea” tea shop (the “Tea Shop”) establishment with unique product lines, distinctive fixtures, equipment, interior and exterior accessories, color scheme, inventory and accounting system, of which may be changed, improved, and further developed by us or our affiliates from time to time (the “Sharetea System”). The distinguishing characteristics of the Sharetea System include, for example, distinctive exterior and interior design, decor, color and identification schemes and furnishings; special menu items; standards, specifications and procedures for operations, manufacturing, distribution and delivery; quality of products and services offered; management programs; training and assistance; and marketing, advertising and promotional programs, all of which we may change, supplement, and further develop.

We may periodically make changes to the systems, menu, standards, and facility, signage, equipment and fixture requirements. You may have to make additional investments in the franchised business periodically during the term of the franchise if those kinds of changes are made or if your tea shop’s equipment or facilities wear out or become obsolete, or for other reasons (for example, as may be needed to comply with a change in the system standards or code changes). All tea shops under the Sharetea System must be developed and operated to our specifications and standards. Uniformity of products sold in Tea Shop is important, and you have no discretion in the products that you sell. The franchise agreement may be limited to a single, specific location and we reserve the right to operate or franchise or license others who may compete with you for the same customers.

We offer a franchise to qualified individuals to own and operate a single Tea Shop at a location we approve, under the terms of our standard franchise agreement, attached as Exhibit B (the

“Franchise Agreement”). Under our Franchise Agreement, we grant our franchisees the right (and they accept the obligation) to operate one Tea Shop, selling gourmet teas-based beverages, coffee-based beverages, compatible food products, coffee and tea makers and related supplies, accessories and gifts we approve under the Sharetea System. There may be instances where we have or will vary the terms to suit the circumstances of a particular transaction.

Your Tea Shop(s) will offer products and services to the general public throughout the year and compete with other beverage and food product service business. The Tea Shop is not seasonal. The market for your type of products and services generally is developed and very competitive in the United States. You can expect to compete in your market with locally-owned businesses as well as national and regional chains that sell similar products. The market for coffee and coffee drinks and baked goods, as well as related products, is well-established and highly competitive. Tea Shops compete on the basis of factors such as price, service, location, convenience and food quality. Additionally, you may find that there is competition for suitable locations. Principal factors that will vary but that will impact our brand’s competitive position are name recognition (which is stronger in some regions than in others), product quality, variety, presentation, location, and advertising. A Tea Shop’s business may also be affected by other factors, such as changes in consumer taste, economic conditions, population, and travel patterns.

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

Applicable Regulations

We are not aware of any laws or regulations specific to the industry in which the Tea Shop operates. However, you must comply with all local, state, and federal laws and regulations that apply to any business. We urge you to inquiries about these laws and regulations, including health (nutrition, menu labeling), sanitation, no smoking, EEOC, OSHA, discrimination, employment, data security and privacy, tax, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for individuals with disability and that may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses, and operational licenses. Federal, state and local laws and regulations also regulate businesses handling food and food products, in particular refrigerated and frozen food items, and these laws and regulations will apply to your business. Please also note that your local county health departments reserve the right to inspect Tea Shops to ensure compliance with safe food handling practices and adequacy of kitchen facilities.

Government contractor laws may also apply if your Tea Shop is located (or if, subject to your franchise agreement, you sell products) at military bases or other government facilities. For example, you may be required to comply with regulations such as government contractors' wage and hour restrictions, preparation and maintenance of written affirmative action plans, retention and access of records, special procedures for resolving contractual disputes, listing employment openings with state employment services, and termination of the contract for default or for the convenience of the government. You should carefully review these requirements with your attorney before entering into any government contracts.

Please note that the data included in this Disclosure Document is based on the information available when we prepared this document. In the last few years, we have all experienced significant changes in the country's economy that had impacted everyone. Among these changes are things like the price of oil and its impact on not just energy costs, but also the costs relating to delivery of goods and services to our businesses. Other commodity costs have also fluctuated. We have also seen wide swings in the cost and availability of credit, labor, goods, and other materials. Although we are not able to predict how these economic factors will impact business costs in the coming year, these variations may affect the costs that a new franchisee will actually experience in operating a franchised business.

United States' current economic conditions are unusually volatile both in terms of consumer spending as well as the costs of doing business, such as for example, energy, commodities, credit, etc. As a result, historical performance results may not be as useful in your financial planning as they may have been in less volatile times. If you choose to use the historical financial information appearing in this Disclosure Document, you must carefully consider the potential impact of the current economic volatility.

ITEM 2: BUSINESS EXPERIENCE

Chairman, President: Kai-Lung Cheng

Mr. Kai Lung Cheng has served as Chairman of Lian Fa International Dining Business Corporation at 18F.-7, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221416, Taiwan R.O.C. since May 1992. He has also been Chairman of Lilian USA LLC at 1201 Orange Street #600, Wilmington, DE 19899 since March 2015, and Chairman of Lian Li Food Company at 18F.-7, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221416, Taiwan R.O.C. since August 1977.

From April 2013 to the present, Mr. Cheng has served as a Supervisor of the Taiwan Chain and Franchise Association at 4F, No. 180, Nanking E. Road, Section 4, Taipei 105, Taiwan. He served as a Supervisor of the Taipei Neihu Technology Park Development Association at 4F, No. 12,

Zhouzi St., Neihu Dist., Taipei City 114064, Taiwan, from September 2020 to July 2022, and has been its Director since August 2022.

Vice President: Chihlung Chen

Mr. Chen has served as the Vice President of Lian Fa International Dining Business Corporation, located at 18F.-7, No. 95, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221416, Taiwan (R.O.C.), from September 2024 to the present. Concurrently, Mr. Chen has served as the Vice President of Lilian USA since September 2024 to the present.

From October 2022 until February 2025, Mr. Chen served as Team Manager in the Food Service Department at Walong Marketing, Inc., located at 6281 Regio Ave, Buena Park, California.

Prior to these roles, Mr. Chen was the General Manager at Sushi Express Co., Ltd., located at 3F., No. 45, Wenhua 1st Rd., Guishan Dist., Taoyuan City 33382, Taiwan, from October 2012 through November 2019.

ITEM 3: LITIGATION

Pending Cases

Litigation by Lian Fa in the Commonwealth of Australia

Lian Fa International Dining Business Corporation v Teng (Anthony) Mu & Anor – Federal Court Proceeding NSD1124/2021. On October 26, 2021, Lilian USA, LLC's parent company, Lian Fa International Dining Business Corporation, filed a civil claims of trademark infringement and misleading and deception conduct in the Commonwealth of Australia against its Australian master franchisee, Sharetea Australia Pty Ltd and Mr. Teng (Anthony) Mu in Federal Court of Australia. The litigation is still ongoing, and Lian Fa is actively protecting its trademarks and goodwill in the Commonwealth of Australia. Both parties settled the dispute in June 2024 during the litigation.

Concluded Cases

Alleged Protected Territory Violation and Trademark Infringement:

Tenmei Group, LLC vs. Lilian USA, LLC, Case No. 18-2-11761-5 SEA, King County, Washington. On August 8, 2019, Tenmei Group, LLC, one of our franchisees in the State of Washington, filed a civil lawsuit against Tealicious, LLC and us in the State of Washington in the Superior Court of the State of Washington, County of King. Plaintiff alleged that we and Tealicious, LLC have violated plaintiff's protected territory and seek damages in excess of \$100,000 from us and Tealicious, LLC. The parties have reached a settlement agreement.

Alleged Violation and Trademark Infringement:

Lilian USA, LLC vs Yucheng Liu and Coolblue International, Inc. Case No. 2:21-at-00940, California. On October 01, 2021, we filed a civil lawsuit against Yucheng Liu and Coolblue International, Inc. in the United States District Court of Eastern District of California, Sacramento Division. We alleged that Yucheng Liu and Coolblue International, Inc. have infringed on our Sharetea Trademarks and trade dress. The parties have reached a settlement agreement.

Alleged Personal Injury:

Diana Huynh v. Selin Degirmenci, Queensberry Investments, LLC, Simon Lee, Sofi Hsu, and Lilian USA, LLC. Case No. 21-DCV-289442. On December 7, 2021, Diana Huynh filed a civil claim against damage resulted from Degirmenci pouring hot water on the plaintiff in the District Court of Fort Bend County, Texas. The plaintiff named us as a co-defendant for the civil lawsuit. The parties have reached a settlement agreement.

Government Action

State of Minnesota, Department of Commerce:

On August 16, 2022, we self-reported one unregistered offer/sale of a franchise in the state of Minnesota to the Department of Commerce, State of Minnesota. We cooperated fully with the investigation, and has entered into a consent order on September 16, 2022. As of the issuance date, we are in full compliance with the consent order.

State of Hawaii Investigation, Department of Commerce and Consumer Affairs, Office of the Securities Commissioner Investigation, Case Number SEB20210009:

On March 2, 2021, the Securities Enforcement Branch of the Department of Commerce and Consumer Affairs for the State of Hawaii began to inquire into the activities of Lilian USA, LLC pursuant to the Hawaii Franchise Investment Law. The inquiries were made in connection with the issues of whether Lilian USA, LLC sold Sharetea franchises in the State of Hawaii without proper registration. We are cooperating fully with the State of Hawaii in the investigation and await the State of Hawaii's finding.

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

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

A. Initial Fees for a Single-Unit Franchise

1. Unit Franchise Fee: \$12,000

This fee grants you the right to operate a single Sharetea Shop at an approved location. You must pay the entire franchise fee in a lump sum when you sign the Franchise Agreement.

2. Technology Transfer Fee: \$20,000

This fee covers our mandatory initial training program for your operating principal and certain designated personnel. It is payable when you sign the Franchise Agreement or within a timeframe specified by us.

3. Store Pre-Opening Fee: \$17,000

This fee covers on-site support we provide around the time your Sharetea Shop opens, including guidance on store setup, initial inventory procedures, and local marketing activities. It is payable when you sign the Franchise Agreement or within a timeframe specified by us.

4. Design Fee: \$3,000

Franchisee acknowledges and agrees that a Design Fee of Three Thousand Dollars (\$3,000) is required for initial design services, which include, but are not limited to, layout, signage, and interior design. This fee is due in full at the time of executing this Agreement or as otherwise required in writing by the Franchisor. The Design Fee covers only the initial scope of work as outlined above; any additional design services, revisions, or expansions beyond this scope may incur additional charges. By remitting the Design Fee, Franchisee confirms understanding and acceptance of the terms and scope of these design services.

5. Security Deposit: \$10,000

We may require you to pay a security deposit to ensure compliance with your obligations, such as maintaining brand standards, meeting minimum inventory requirements, and timely payment of fees. This deposit is held in a non-interest-bearing account. If you comply fully with your obligations, the deposit may be refunded according to the terms of your Franchise Agreement (less any amounts we are entitled to deduct). If you breach your Franchise Agreement, we may draw on or retain this deposit.

6. Equipment Fee: \$45,000 to \$57,000

The Equipment Fee must be paid when the Franchisee places the order. Payment terms will be arranged between the parties, and the fee is payable directly to the Franchisor. The exact amount due may vary depending on market conditions, supplier pricing, and the Franchisee's specific site requirements.

7. Utensils: \$2,500 to \$3,300

The Franchisee must pay \$2,500 to 3,300 for Utensils, also due in full when placing the order. These utensils are essential for the initial operation of the franchise, and all details regarding their delivery and installation are to be arranged between the parties. The Franchisee should make this payment directly to the Franchisor under the terms specified in the Franchise Agreement.

8. Initial Inventory: \$15,000 to \$35,000

Franchisee is required to purchase an initial Inventory which is also due at the time of order. This inventory encompasses the essential goods and ingredients necessary to commence operations and ensure initial product availability. The total due and timing of delivery are determined by the final invoice the Franchisee receives from the Franchisor.

B. Initial Fees for an Area Development Franchise

1. Area Development Fee: \$100,000

You must pay this fee in a lump sum when you sign the Area Development Agreement. In exchange, you receive the right to develop multiple Sharetea Shops within a specified territory over a set development schedule. The Area Development Fee is typically nonrefundable.

2. Technology Transfer Fee: \$20,000

This fee covers our mandatory initial training program for the area developer's operating principal and designated personnel. It is payable at the time you sign the Area Development Agreement or as agreed upon in writing.

3. Store Pre-Opening Fee: \$17,000

This fee covers on-site support for each Sharetea Shop you open under the development

schedule. The amount may be payable for each new unit you develop, or as otherwise specified in the Area Development Agreement.

4. Design Fee: \$3,000

Area Developer acknowledges and agrees that a Design Fee of Three Thousand Dollars (\$3,000) is required for initial design services, which include, but are not limited to, layout, signage, and interior design. This fee is due in full at the time of executing this Agreement or as otherwise required in writing by the Franchisor. The Design Fee covers only the initial scope of work as outlined above; any additional design services, revisions, or expansions beyond this scope may incur additional charges. By remitting the Design Fee, Franchisee confirms understanding and acceptance of the terms and scope of these design services.

5. Security Deposit: \$30,000

We may require a security deposit specific to the Area Development Agreement to guarantee your obligations, including development schedule compliance and payment of all required fees. We hold this deposit in a non-interest-bearing account. If you fulfill your obligations under the agreement, this deposit is refundable according to the terms of the agreement. If you default, we may retain or draw on the deposit.

6. Equipment Fee: \$135,000 and \$171,000

The Equipment Fee must be paid when the Franchisee places the order. Payment terms will be arranged between the parties, and the fee is payable directly to the Franchisor. The exact amount due may vary depending on market conditions, supplier pricing, and the Franchisee's specific site requirements.

7. Utensils: \$7,500 to \$9,900

The Franchisee must pay \$7,500 to \$9,900 for Utensils, also due in full when placing the order. These utensils are essential for the initial operation of the franchise, and all details regarding their delivery and installation are to be arranged between the parties. The Franchisee should make this payment directly to the Franchisor under the terms specified in the Franchise Agreement.

8. Initial Inventory: \$90,000 to \$135,000

Franchisee is required to purchase an initial Inventory which is also due at the time of

order. This inventory encompasses the essential goods and ingredients necessary to commence operations and ensure initial product availability. The total due and timing of delivery are determined by the final invoice the Franchisee receives from the Franchisor.

C. Payment and Refund Terms

1. **Payment Terms:** All fees are payable in U.S. dollars. We reserve the right to require payment by wire transfer, certified check, or other accepted methods. You must pay all fees in full as outlined in the Franchise Agreement or Area Development Agreement, unless otherwise agreed in writing.
2. **Refundability:** Except for the security deposit (which may be refundable under specific terms described in the Franchise Agreement or Area Development Agreement), all fees are non-refundable. Once paid, these amounts are not returned to you, even if you do not open your Sharetea Shop or if your Franchise Agreement is terminated.

ITEM 6: OTHER FEES

1. Unit Franchise

Below is a chart summarizing certain recurring or periodic fees you may pay to us under the Franchise Agreement. Unless otherwise stated, all fees are imposed by and paid to us and are non-refundable (see Note 1 below for exceptions).

Type of fee (note 1)	Amount	Due Date	Remarks
Royalty Fees	6% of the Gross Monthly Sales, minimum US\$1,200 per month	The royalty fee for the previous month is payable before the 10th of the next month	“Gross Monthly Sales” means the aggregate amount of all sales of our products, food, beverages and other merchandise and products approved by us and sold and services rendered at Tea Shop per month but excluding sales tax or any other taxes you collect from customers for

			payment to an appropriate tax authority.
Marketing Fund Contributions (note 2)	Certain percentage of Gross Monthly Sales, not yet determined	The marketing fund contributions for the previous month is payable before the 10th of the next month	Applicable only when we have established a Marketing Fund. See Item 11 for details on Marketing Fund.
Printed Advertising and Marketing Materials	US\$1,000	As incurred	Upon your written request, we will provide the printed advertising and marketing materials for the pre-opening, and charge you the cost of production, shipping, handling, and storage of the material.
Pre-Opening Inspection	The inspector's local transportation, meal, three stars or above hotel accommodation expenses, and other reasonable costs.	As incurred	Prior to the grand opening of the Tea Shop, we reserve the right to assign one of our inspectors to conduct a pre-opening inspection that will take no more than one (1) week. We will be solely responsible for such inspector's salary and airfare expenses.
Post Opening Consultation Fees (note 3)	US\$300 per person per day or US\$350 per person per day for a designated consultant, round trip airfare for the business operation	Before the training or consultation begins	After the opening of the Tea Shop, in the event that you request additional consultation service, you will discuss and schedule with us in

	consultant(s); and local transportation, meals, three stars or above hotel accommodation of the business operation consultant(s), and other reasonable costs incur on behalf of you.		advance. For all training sessions and conferences, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging, and meal expenses.
Opening Inventory	US\$43,000~ US\$46,000	When billed	The assortment and number of these items will be based upon the size and configuration of your Tea Shop.
Renewal Fees	US\$10,000	Prior to granting franchise renewal	The Franchise Agreement may be renewed for 2 years. The renewal fee shall be paid each time.
Supplier Testing Fee	US\$0	When billed	We do not charge any administrative supplier testing fees, but you or the supplier will be required to reimburse us for all costs that we incur in the testing and approval process whether the supplier is approved or not.
Audit Fee	Cost of audit	When billed	Payable after an audit, only if we find that you have understated any amount you owe to us by more than 3%.

Late Payment	Interest on unpaid amount at 5% per month or highest rate allowed by law	When billed	We can change these fees without notice. They apply if you fail to pay us.
Manual Replacement Fee	Currently, we do not charge a fee, but we reserve the right to do so	When billed	If you request additional or replacement copies of the Manual.
Liquidated Damages for Buying from Unauthorized Supplier	US\$20,000	Per violation	Franchisee is liable for all additional damages and losses incurred by franchisor from violation.
Liquidated Damages for All Other Violation	US\$10,000	Per violation	All gains that the Franchisee derives from the violations shall also be refunded to us.
Transfer Fees	US\$10,000	At the time of transfer	The transfer is subject to our Right of First Refusal.
Cost and Attorney Fees	Will vary under circumstances	On demand	If you default under the Franchise Agreement, you must reimburse us for the expenses we incur (such as attorney fees) in enforcing or terminating the applicable Franchise Agreement.
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs and damages we incur in for any claims that arise from your Tea Shop's operation.

2. Area Developer

Below is a chart summarizing certain recurring or periodic fees you may pay to us under the Area Development Agreement. Unless otherwise stated, all fees are imposed by and paid to us and are non-refundable (see Note 1 below for exceptions).

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fees	6% of Gross Monthly Revenues, minimum \$1,200 per month	The royalty fee for the previous month is payable before the 10th of the next month	Royalty is due and payable on the 10th day of each month beginning the first full calendar month after the date your 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.
Software Service Fee	\$50 per month	Payable monthly along with the Royalty Fee	This fee covers your monthly software license, system usage, updates, and support for the required operational software. It is non-refundable.
Marketing Fund Contributions (Note 2)	A percentage of Gross Monthly Revenues not yet determined (estimated to be ~3%)	The marketing fund contribution for the previous month is payable before the 10th of the next month	Applies only if and when we establish a Marketing Fund for the Sharetea System. The percentage rate will be disclosed in writing once the Marketing Fund is established. See Item 11 for more details on the Marketing Fund.
Printed Advertising and Marketing Materials	\$1,000	As incurred	If you request printed advertising or marketing materials (e.g., banners, flyers), you must pay the cost of production, shipping, handling, and storage of the materials.
Pre-Opening Inspection	You pay the inspector's local transportation, meals, three-	As incurred	Before the grand opening of the Sharetea Shop, we may assign an inspector for up to one (1) week. We are responsible for the inspector's salary and airfare; you must reimburse us only for the inspector's

	stars-or-above hotel accommodations, and other reasonable costs		reasonable local travel and living expenses during the inspection.
Post-Opening Consultation Fees (Note 3)	\$300 per person, per day, or \$350 per person, per day for a designated consultant, plus round-trip airfare from our main training facility (Taiwan), and local transportation, meals, three-stars-or-above hotel accommodations, and other reasonable costs	Before the training or consultation begins	These fees apply only if you request additional on-site consultation after the Sharetea Shop's opening. You must arrange and schedule these sessions with us in advance. You are also responsible for your own personnel's salaries, travel, lodging, and meal expenses if they attend any additional training or consultations.
Renewal Fees	\$72,500	Prior to granting franchise renewal	You may renew the Franchise Agreement for 5 years if you meet certain conditions. The renewal fee must be paid each time you renew.
Supplier Testing Fee	\$0.00 (You or the supplier pay our actual testing costs)	When billed	We do not charge an administrative supplier testing fee. However, you (or the supplier) must reimburse us for the actual costs we incur in testing or approving a proposed supplier, regardless of whether that supplier is ultimately approved.
Audit Fee	Cost of the audit	When billed	You shall be liable for all audit fees, including the auditor's expenses and any other reasonable costs.
Late Payment	5% per month or the highest rate allowed by law (whichever is lower)	When billed	We may change this fee without notice, but it will not exceed the maximum rate permitted by law. If you fail to pay us on time, we may charge interest on the unpaid amount. Continued non-payment may be grounds for termination of your Franchise Agreement.

Manual Replacement Fee	Currently no charge, but we reserve the right to implement a fee	When billed	If you request additional or replacement copies (physical or electronic) of our confidential operating manual or other manuals, we may charge a fee in the future.
Liquidated Damages for Buying from Unauthorized Supplier	\$20,000 per violation	Upon notice of violation	In addition to this liquidated damages amount, you will be liable for any further damages or losses we incur because of your violation.
Liquidated Damages for All Other Violations	\$10,000 per violation	Upon notice of violation	In addition, any gains you derive from these violations must be refunded to us.
Transfer Fees	\$30,000	At time of transfer	If you propose to transfer your franchise, we have the right of first refusal. If we approve the transfer, you must pay the transfer fee.
Cost and Attorney Fees	Will vary under circumstances	On demand	If you default under the Franchise Agreement, you must reimburse us for all costs (including attorney fees) we incur in enforcing or terminating the agreement.
Indemnification	Will vary under circumstances	On demand	You must reimburse us for all costs and damages arising out of claims related to your Sharetea Shop's operation, except to the extent caused by our own negligence or willful misconduct.

1. All fees in this Item 6 are non-refundable, imposed by and payable to franchisor, unless otherwise noted. Except for the specific circumstances under which the Franchise Agreement or Area Development Agreement might allow a refund (if any), you should assume that no refunds will be available once these fees are paid. We may modify or adjust the fees under this Item 6 based on changing market conditions, cost fluctuations, or internal policies.
2. We reserve the right to establish and administer a marketing fund for the Sharetea System. We have not established the fund, and do not intend to establish a fund until an adequate number of Tea Shops have been established to provide national or regional marketing for the benefit of the Sharetea System. We anticipate that all Tea Shops will contribute to the marketing fund. When the advertising fund is established, we estimate that Franchisees will contribute approximately 3% of gross monthly sales. For more details, please see Item 11.

3. The fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

To Become a Unit Franchisee

The following table provides an estimate of your initial investment to establish a single Sharetea franchise. These figures are estimates only and may vary depending on numerous factors, including your local real estate market, labor rates, the size and condition of your premises, your business experience and capabilities, and your management of the Sharetea Shop.

Type of Expenditure (note 1)	Estimated Amount or Estimated Low-High Range	When Due	Method of Payment	To Whom Payment is to be Made
Franchise Fee (note 2)	\$12,000	When you sign the Franchise Agreement	As arranged	Us
Technology Transfer Fee	\$20,000	When you sign the Franchise Agreement	As arranged	Us
Store Pre-opening Fee	\$17,000	When you sign the Franchise Agreement	As arranged	Us
Store Design Fee	\$3,000	When you sign the Franchise Agreement	As arranged	Us
Security Deposit	\$10,000	When you sign the Franchise Agreement	As arranged	Us
Equipment	\$45,000 to \$57,000	When you place the order	As arranges	Us
Utensils	\$2,500 to \$3,300	When you place the order	As arranges	Us
Inventory (note 3)	\$30,000 to \$45,000	When you place the order	As arranged	Us
Related Personnel Cost for initial training (note 4)	\$6,000 to \$8,000	Before opening	As arranged	Third Party

Rent for the Tea Shop (note 5)	\$2,000 to \$10,000	As specified in lease	As arranged	Third party
Rental for Warehouse (note 6)	\$0 to \$5,000	As specified in lease	As arranged	Third party
Renovation (note 7)	\$55,000 to 250,000	As incurred	As arranged	Third party
Licenses, Permits, Fees and Deposit	\$10,000 to \$12,000	Lump Sum	Before opening	Third party
Point of Sale System (note 8)	\$2,100	As incurred	Before opening	Third party
Office Equipment & Supplies	\$1,500	As incurred	As arranged	Third party
Uniforms	\$2,000 to \$2,500	As incurred	Before Opening	Third party
Insurance (note 9)	\$4,500 to \$15,000	As incurred	Before opening, as arranged	Third party
Advertisement (note 10)	\$2,000	As incurred	Before Opening	Third party
Additional Funds – 3 Months (note 11)	\$20,000 to \$80,000	As incurred	As arranged	Third Party
Total			\$224,600 to \$555,400	

YOUR ESTIMATED INITIAL INVESTMENT

To Become an Area Developer

The following table provides an estimate of your initial investment to establish a Sharetea Area Developer franchise. These figures are estimates only and may vary depending on numerous factors, including your local real estate market, labor rates, the size and condition of your premises, your business experience and capabilities, and your management of the Sharetea franchised business.

Type of Expenditure (note 1)	Estimated Amount or Estimated Low-High Range	When Due	Method of Payment	To Whom Payment is to be Made
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Area Development Fee (note 2)	\$100,000	When you sign the Area Development Agreement	As arranged	Us
Technology Transfer Fee	\$20,000	When you sign the Area Development Agreement	As arranged	Us
Store Pre-opening Fee	\$17,000	When you sign the Area Development Agreement	As arranged	Us
Design Fee	\$3,000	When you sign the Area Development Agreement	As arranged	Us
Security Deposit	\$30,000	When you sign the Area Development Agreement	As arranged	Us
Equipment Fee	\$135,000 to \$171,000	When you place the order	As arranged	Us
Utensils	\$7,500 to \$9,900	When you place the order	As arranged	Us
Inventory (note 3)	\$90,000 to 135,000	When you place the order	As arranged	Us
Related Personnel Cost for initial training (note 4)	\$18,000 to \$24,000	Before opening	As arranged	Third Party
Rent for the Tea Shop (note 5)	\$6,000 to \$30,000	As specified in lease	As arranged	Third party
Rental for Warehouse (note 6)	\$0 to \$5,000	As specified in lease	As arranged	Third party
Renovation (note 7)	\$165,000 to 750,000	As incurred	As arranged	Third party
Licenses, Permits, Fees and Deposit	\$10,000 to \$36,000	Lump Sum	Before opening	Third party
Point of Sale System (note 8)	\$6,300	As incurred	Before opening	Third party
Office Equipment & Supplies	\$4,500	As incurred	As arranged	Third party
Uniforms	\$6,000 to \$7,500	As incurred	Before Opening	Third party
Insurance (note 9)	\$4,500 to \$25,000	As incurred	Before opening, as arranged	Third party

Advertisement (note 10)	\$6,000	As incurred	Before Opening	Third party
Additional Funds – 3 Months (note 11)	\$20,000 to \$80,000	As incurred	As arranged	Third Party
Total			\$648,800 to \$1,460,200	

Notes to Item 7

1. This note to Item 7 clarifies the various fees and expenditures you will incur as part of the estimated initial investment when becoming a unit franchisee. Specifically, the total of the franchise fee, technology transfer fee, store pre-opening fee, and store design fee is \$52,000 for your first outlet. These fees cover the right to operate under the franchise system, access to proprietary technology and ongoing technology support, pre-opening training and assistance, and the brand-specific architectural and design guidance for your initial store. Once paid, these fees are typically nonrefundable. If you invest in multiple outlets, we offer a discounted fee structure based on the number of outlets in which you choose to invest. For your second and third outlets, the total fee for these same items is reduced to \$30,000 for each outlet. For your fourth and fifth outlets, the total fee is \$20,000 per outlet, and for any outlets beyond the fifth, the total fee is discounted to \$10,000 per outlet. While the foregoing establishes our standard multiple-outlet discounts, we reserve the right to modify or offer alternative fee incentives as permitted by law. Additional information about other costs that may apply to your development of the franchise, such as real estate expenses and equipment purchases, can be found elsewhere in Item 7 of this Franchise Disclosure Document.
2. Your initial investment for a new Tea Shop or Area Developer depends on several factors, including but not limited to: the number of Tea Shops you develop; the size, configuration, and location; real estate and/or construction costs; and your method or terms of financing. The amounts shown are estimates only, and we cannot and do not guarantee that your costs will fall within these ranges. Costs may change frequently and can vary widely based on your local market conditions.
3. Opening Inventory includes tea products, ingredients, packaging, and other supplies. The exact cost depends on your store size, anticipated sales volume, and local supply costs.
4. Initial Training: Mandatory training occurs at your Tea Shop in the United States, prior to opening, for up to eight (8) of your employees. You must pay for the consultant's round-trip airfare from Taiwan (Republic of China), plus local transportation, meals, and hotel accommodations (three-stars or above). Additionally, you will pay for your own trainees'

travel and living expenses during training. Initial training typically takes 5 to 10 calendar days, although additional time may be required depending on the trainees' competence levels.

5. Rent for the Tea Shop: Costs will vary based on lease terms, location, space size, and local market conditions. Commercial leases often include taxes, insurance, repairs, and common area maintenance fees.
6. Warehouse Rental: You may need additional storage space depending on your inventory management strategy and the number of Tea Shops you operate. Similar variations in rental costs apply.
7. Renovation costs typically include architectural, engineering, and legal fees. Your costs could be higher if extensive redesigns, environmental remediation, or additional construction permit requirements are involved.
8. The Point of Sale (POS) System estimate covers site preparation, hardware, software, and installation for one station. Additional POS stations may be required if your Tea Shop is large or has high-volume sales.
9. You must maintain a minimum of \$2,000,000 in commercial general liability coverage (subject to our right to change coverage requirements). Some landlords may require higher coverage. Insurance premiums can vary significantly based on your location, claim history, and other factors.
10. Advertisement reflects initial marketing expenditures during the first three (3) months. Actual amounts may vary based on your local market.
11. Additional Funds – 3 Months is our estimate of the funds needed to cover business (not personal) expenses during your first three months of operation. These expenses include payroll, utilities, taxes, and general overhead. The figure does not include your personal living expenses or any allowance for the purchase of the opening inventory. Your actual costs will depend on a variety of factors, including local economic conditions and how you manage the Tea Shop.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

We and our affiliates have spent considerable time, effort and money to develop the Sharetea System. We have acquired experience and skill in developing the Sharetea System, which includes

producing, merchandizing and selling Sharetea coffee, tea, bubble tea, compatible food products, and other products and merchandise that we approve. The distinguishing characteristics of our Sharetea System include, among others, proprietary trademarks, distinctive exterior and interior design, decor, color and identification schemes and furnishings; special menu items; standards, specifications, requirements and procedures for operations, manufacturing, distribution and delivery; quality and safety of products and services offered; management systems/programs; training and assistance; and marketing, advertising and promotional programs. You must conform to our high standards of consistency, quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time. You are expected to adhere to these changes.

Required and approved suppliers

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

We do not have exclusive suppliers of our products, cups, teas, or equipment at this point, and we will provide you with a list of suppliers that already meet our specifications. For your information, ourselves and our parent company, Lian Fa, are approved suppliers, but we are not the only approved suppliers for the products and equipment that you will need to operate the Tea Shop. You can expect that the items purchased from approved suppliers in accordance with our specifications represent over 95% of the total purchases for establishing and operating the franchised business. Suppliers are required to share shipping, distribution and all other information with us, and you will be required to cooperate.

Approval of alternative suppliers

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

Our criteria for approving alternative suppliers are not available to you or your proposed suppliers. You and/or the supplier may request approval by submitting the request to us in writing. We may require that samples from the supplier be delivered to us or to a designated independent testing laboratory for testing prior to approval and use. All requests will be reviewed in accordance with our then-current procedures, and we will take into consideration our available resources, which may affect the timing of our response. The supplier must meet our then-current specifications, standards and requirements, which may include signing a non-disclosure agreement and a guarantee of performance. We may change our specifications, standards and requirements at any time. There is no limit on our right to do so. If the supplier that you propose is initially approved or rejected, we will notify you and the supplier within thirty (30) to sixty (60) calendar days depending on the nature of the products or services. We may withdraw our approval at any time if the supplier's performance does not meet our criteria, we change our specifications, standards or requirements or other reasons. There is not administrative supplier testing fees. You or the supplier will be required to reimburse us for all costs that we incur in the testing and approval process whether the supplier is approved or not.

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

Revenue from franchisee purchases

You must purchase Premium Tea Leaves, Tea Powders, Tapioca Pearls, Flavor Syrups, Concentrates, Powders, Sweeteners, Toppings, Branded Cups, Lids, Straws, Packaging, Paper Goods, Equipment, and other Proprietary Ingredients directly from our parent company or other suppliers we designate. During our parent company's most recent fiscal year (ending December 31, 2024), the total revenue was \$15,378,000. Of that amount, \$11,492,000 was derived from franchisees' required purchases and leases of products or services. These required purchases and leases comprised approximately 74.7% of the total revenue.

We may, at our discretion, change or add suppliers or products that you must purchase in the future. We may also earn rebates, commissions, or other consideration from these suppliers based on your purchases, and we are under no obligation to pass any portion of these payments on to you.

Other Requirement

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations as provided in the Franchise Agreement. Premium depends on the insurance carrier's charges, terms of payment, and your history. All insurance policies must name us as an additional insured party.

Before you use advertising materials, you must send us for review samples of all advertising, promotional, and marketing materials that we have not prepared or previously approved. If you do not receive written disapproval within thirty (30) calendar days after we receive the materials, they are deemed to be rejected. You may not use any advertising, promotional, or marketing materials that we have not approved.

We must approve your proposed location. We must receive and review a proposed lease or purchase agreement in form for execution. We will use commercially reasonable effort to inform you of our approval or disapproval within a reasonable time after our receipt of the proposed lease or purchase agreement.

Cooperatives

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

Negotiated prices

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

Material benefits

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

ITEM 9: FRANCHISEE'S OBLIGATIONS**FRANCHISEE'S OBLIGATIONS**

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

FRANCHISEE'S OBLIGATIONS

	Obligation	Article in Franchise Agreement	Article in Area Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	2	1.3	1, 11, 12
b.	Pre-opening purchases/leases	2, 6, 10	2.1, 3.4	1, 6, 7, 11
c.	Site development and other pre-opening requirements	1, 2, 5, 6, 9, 10	1.1, 2.1, Exhibit 1	1, 6, 7, 11
d.	Initial and ongoing training	5	5.1	5, 11
e.	Opening	1, 5, 6	2.1, 11.3	11
f.	Fees	3, 4, 5	3, 12.4	5, 6
g.	Compliance with standards and policies/ operating manual	1, 6	1.4, 2.1, 4.5, 7.1, 10.2	11
h.	Trademarks and proprietary information	1, 7, 8	8	13, 14
i.	Restrictions on products/services offered	1, 6, 8	7.5	16
j.	Warranty and customer service requirements	6	2.1, 11.3	11
k.	Territorial development and sales quotas	1, 2	2.1	1, 12
l.	Ongoing product/service purchases	6, 8	2.1, 4.1	8
m.	Maintenance, appearance and remodeling requirements	1, 6	2.1, 7.6	11
n.	Insurance	10	7.7	7, 8
o.	Advertising	1, 4	7.8	6, 11
p.	Indemnification	11	12.7	6
q.	Owner's participation/management/staffing	1, 6	7.9	11, 15
r.	Records and reports	9	7.1	6
s.	Inspections and audits	6, 9	7.2, 7.3	6, 11
t.	Transfer	14	9.2	17
u.	Renewal	13	1.2	17
v.	Post-termination obligations	3, 7, 15, 16, 17	8.3	17
w.	Non-competition covenants	15	11.3	17
x.	Dispute resolution	18	12	17
y.	Compliance with anti-terrorism and other federal laws	None	None	None

ITEM 10: FINANCING

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

Your ability to obtain financing will depend on your financial strength. If you are a corporation or partnership, or a limited liability company, a lender may need additional information and personal

guarantees from the individual shareholders, partners, or members. We make no guarantees as to the availability of financing or the terms that may be offered.

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

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

Pre-Opening Obligations

1. We do not find location for you. You will need to find your own location(s) and negotiate your own real estate interest. If you are developing a new Tea Shop, we will approve the location if it meets our standards. It is important to know that our written approval of a location is not and should not be a guarantee of success at that location. Many factors, some known and some unknown, may impact the success of a particular location. We will provide you with a copy of our standard plans and specifications for the Tea Shop. If you fail to identify and propose the Site for our review and approval within sixty (60) calendar days from the execution of the Franchise Agreement, we reserve the right to terminate the Franchise Agreement immediately without further notice, and the Fees will be forfeited. You must conform the premises to all codes and ordinances and obtain all required permits. You must construct or remodel the location to our standards and subject to our written approval. (See Articles 1 & 2 of the Franchise Agreement).
2. We will provide you the standards for designing, constructing and equipping your Tea Shop. (See Articles 1, 2, & 6 of the Franchise Agreement).
3. If you are opening a new Tea Shop, we will make an initial training program available to you and/or your designated representative. If you are purchasing an existing Tea Shop or need to have additional individuals attend training, you will pay an additional fee. You (and/or your designated representative) must successfully and timely complete the training program in order to become (or remain) a franchisee. (See Article 5 of the Franchise Agreement).
4. On-site pre-opening assistance at the Tea Shop. (See Articles 1, 5, & 6 of the Franchise Agreement).
5. Advertising and promotional materials for use in the pre-opening promotion of the Tea Shop. (See Articles 1 & 4 of the Franchise Agreement).
6. We will provide you with a copy of our operations manual concerning techniques of managing and operating the Tea Shop. (See Articles 1, 6 & 12 of the Franchise Agreement).
7. We will provide advice regarding authorized suppliers of equipment and materials used, and inventory offered for sale, in connection with the Tea Shop. (See Articles 1, 6, 8 & 12 of the Franchise Agreement).
8. We will make available for purchase by you, directly from us or through authorized suppliers, the equipment, products, materials and inventory required by you to establish and operate the

Tea Shop in accordance with the Franchise Agreement. (See Article 8 of the Franchise Agreement).

9. We may offer special training courses such as service staff training, special promotion training, other pre-opening supports and continuous organizational supports (See Article 5 of the Franchise Agreement).
10. Please note that it usually takes two to three months between (i) the earlier of the (a) signing of the Franchise Agreement or (b) first payment of Fees; and (ii) the opening of the Tea Shop.

Post-Opening Obligations

After your Tea Shop opens, our ongoing obligations and services may include the following:

1. Ongoing Support and Guidance

We'll try to maintain a supportive, ongoing relationship with you and may offer advice, tools, or resources that we think could help you set up and run your Sharetea Shop. This support might include things like recommendations on picking a location, designing and building your store, training, marketing ideas, managing inventory, and other parts of the Sharetea System. However, any help we give is up to us—what kind, how often, and how much support we offer may change depending on our goals, resources, and business needs.

2. System Standards

We will provide and update standards regarding store operations, product quality, authorized suppliers, employee qualifications, and other operational aspects. These standards are conveyed through our operating manual and other written communications.

3. Quality Control

We will continue efforts to ensure high and uniform standards of quality, cleanliness, appearance, and service across all Tea Shops in the Sharetea System. We may conduct inspections or audits at our discretion.

4. Advertising Review

We will review and approve local advertising or promotional materials you propose to use. We do not guarantee that we will approve your advertisements in any

particular timeframe.

5. Manual Updates

We may periodically update the operating manual to include improvements, new products, or revised procedures.

6. On-Site Post-Opening Assistance

We may, at our discretion, provide post-opening visits to offer further guidance or ensure compliance with our standards.

7. Advertising Fund

Should we establish a marketing or advertising fund in the future, we may administer it on a regional or national basis. As of the date of this FDD, no such fund exists, but if we form one, you may be required to contribute.

Advertising Expenditures

A. Local Advertising

1. Minimum Suggested Expenditure: We recommend you spend approximately 3% of your Gross Monthly Revenues on local advertising. This percentage is not paid to us; rather, you directly bear the cost of local advertising.
2. Compliance and Approval: All local advertisements must comply with our brand guidelines, and you must obtain our prior written approval for any materials used.

B. Marketing Fund (If established)

1. Right to Create Fund: We do not currently maintain a marketing fund. However, if established, you will be required to contribute approximately 3% (or another stated percentage) of your Gross Monthly Revenues, payable in the same manner as royalty fees.
2. No Franchise Solicitation: Any marketing fund we create will not be used primarily to solicit the sale of franchises.
3. Cooperatives or Councils: We do not currently have a franchisee advertising council

or any local/regional advertising cooperative, and do not anticipate creating one soon. If we do in the future, your participation requirements will be communicated to you.

C. Franchisor's Independent Advertising

1. No Obligation to Advertise: We are not obligated to advertise on your behalf or in your area. Any advertising we choose to conduct is at our sole discretion and may include web campaigns, TV, radio, social media, or event promotions.
2. Source of Advertising: Any franchise-wide or regional advertising, if we undertake it, will typically be developed by our in-house marketing team or an external agency designated by us.

Computer and Electronic Cash Register Systems

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

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

We require you to process and record all of your sales on a point of sale/back-office system ("POS System") that is approved by us. The approved POS systems are (1) capable of recording sales data; (2) cannot modify or reset and they retain data in the event of power loss, and (3) have the capability to operate minimum one cash register unit. The cost of purchasing a POS System that fits our standard is estimated to be US\$1500, and there should not be any annual cost once the system is purchased. You acknowledge we may require you to upgrade or replace your POS or computer hardware/software, and you must bear any associated costs.

Operations Manual

We will provide to you a copy of the Tea Shop operations management manual(s) for each Sharetea System that you are franchised to operate. Each operations manual contains mandatory and suggested standards, operating procedures and rules that we prescribe for the Sharetea System. The operations manuals are confidential, copyrighted and are not to be reproduced or distributed

to any unauthorized person. We can change the terms of, and add to, the operations manuals whenever we believe it is appropriate.

Site and Lease Approval

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

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

All sites must be approved by us, and must be developed by you in accordance with our requirements. You cannot develop a site until we approve it. We will not reimburse you for any costs you incur with respect to any location that you submit to us for approval. While we try to promptly review nominated sites, there is no specified time period in which we must respond to your approval request. If ultimately the parties have failed to agree upon a site, then we will refund you the Refundable Security Deposit.

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

You must ensure, prior to the opening of the Tea Shop, that the Tea Shop is accessible to and usable by persons with disabilities and meets the Standards for Accessible Design for new

construction, as may be amended from time to time, or any more stringent accessibility standard under federal, state or local law.

Hiring and Training

We do not provide any assistance in hiring your employees. The initial mandatory training is held only once per franchisee and it includes two phases: an initial training at your Tea Shop in the United States and then on-site pre-opening training at the Tea Shop site. We only offer initial training once, and it is scheduled in accordance with both parties' convenience and availability, as long as it is completed prior to the opening of the Tea Shop. We do not, however, have a requirement on how soon after signing or before opening the initial training must be completed.

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Corporate & Training Overview and Introduction	6~8		Store
Counter Operation		20~30	Store
Management and Human Resources		6~8	Store
Kitchen Operation		6~8	Store
Store Opening & Closing Procedures		6~8	Store
POS Training		2~4	Store
Inventory and Controls		6~8	Store
Food Safety		2~4	Store
Customer Service		2~4	Store
Import Operations		4~6	Store
Marketing Plans		4~6	Store
Basic Maintenances		4~6	Store

We have a dedicated team of instructors for the Sharetea training program. The lead trainer, Mr. Po-Yu Lai, has more than eleven (11) years of experience in the hospitality, training, and service industry. He has trained more than one hundred of Taiwan and oversea tea shops in over 18

countries across North America, Southeast Asia, Middle East, Australia, United Kingdom, and China.

The initial training to you or the person(s) designated by you to assume primary responsibility for the management of the Tea Shop(s) (the “Principal Operators”) and at least seven (7) additional employees of yours at the Tea Shop’s location. If an additional employee is required to attend the training, the costs will increase proportionately. The initial training program involves a minimum of ten to fifteen (10~15) calendar days of instruction for a minimum of eight (8) personnel to be trained together at the same time. You will be responsible for the consultant’s round trip airfares from Taiwan (Republic of China) and local transportation, meals, three stars or above hotel accommodation. We may lengthen, shorten, or restructure the content of this program.

The initial training program will mainly go over the Operating Manual (please see the Operating Manual’s Table of Content as provided below) and the topic as describe in the table above. The initial training program is mandatory for all franchisees. You or the Principal Operators, whichever is applicable, must complete the program to our satisfaction. The program must be completed prior to the opening of the Tea Shop. Scheduling of the program is based on your availability and the projected opening date for your Tea Shop. The initial training program is designed to cover all phases of the operation of a Tea Shop. We reserve the right to waive a portion of the initial training program or alter the training schedule if, in our sole discretion, you or the Principal Operator has sufficient prior experience or training. We will make the initial training program available to replacement or additional Principal Operators during the term of the Franchise Agreement.

If you do not successfully and timely complete all training and certification requirements, including all initial training requirements, you will not be granted a franchise (and we will have the right to terminate the Franchise Agreement if it was signed anticipating that you (or your team) would successfully and timely complete initial training). You are required to complete the initial training within a reasonable amount of time following the signing of the Franchise Agreement.

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

During the period of the Tea Shop opening under the Franchise Agreement, we pay the cost of presenting the initial training program, but do not include the raw materials and packaging used when executing the initial training program. However, you must pay for you and your employees’ salaries, accommodations, travel expenses and other reasonable expenses, if any. If you demand to conduct the initial training program in a location other than your Tea Shop, then you may be charged certain additional costs such as your portion of the costs for the meeting room. You must also pay for later training programs that we may conduct or require.

Post-Opening Consultation

You shall pay for the expenditures accrued by the said personnel. In the event we have advanced the cost of the said expenditures, you shall reimburse the same amount in cash. You will be required to make payments towards the following expenses within seven (7) calendar days upon receiving our written reimbursement request. The said personnel expenditures may include a US\$300 per person per day for each field visit to pay for the technical and orientation personnel (US\$350 per person per day if you request a specific trainer); round trip airfare for the business operation consultant(s); the local traveling expenses, three stars or above lodging, food and beverage, and other reasonable costs incur on behalf of you. Our training programs are regularly reviewed and updated.

Operating Manual's Table of Content

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

History	P 01
Staff Code of Conduct	
Store Rules & Dress Code	P 02 ~ 03
Workstations	
Responsibilities of Each Station	P 04
Menu	
Flyer	P 05
Sweetness and Ice Level	P 06
Drink series	P 06
Toppings	P 07
Drink Features	P 08 ~ 11
Counter Workstation	
Equipment Introduction – Sealer Machine	P 12 ~ 16
Counter Service	
Can't Choose Sweetness or Ice Level Drinks	P 17
Ordering	P 18 ~ 19
Pick up	P 19
Kitchen Workstation	
Equipment Introduction – Induction Cooker	P 20
SOP of Cooking Toppings	P 21 ~ 27
Bar Workstation	
Equipment Introduction – Fructose Machine	P 28 ~ 29
Equipment Introduction – Ice Blender	P 30 ~ 31
Equipment Introduction – Tea Brewer	P 32 ~ 34

The recipe of making drinks	P 35 ~ 40
Standard Procedure for Opening	P 41
Standard Procedure for Closing	P 42 ~ 44

ITEM 12: TERRITORY

A. Single-Unit Franchise

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

We reserve the absolute right to distribute goods or services through the use of the Internet or other electronic communications, telephone, mail or similar methods, regardless of the destination of the products or services. We may not solicit or accept orders from consumers inside your Tea Shop, but we may direct orders to your Tea Shop through Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of the Tea Shop. Other than the Royalty Payment, we will not be compensated by you for soliciting or accepting orders from the Tea Shop.

We also retain the sole right to use our trademarks on the Internet, including in connection with web sites, domain names, directory addresses, metatags, as graphic images on web pages, linking, advertising, co-branding, and other arrangements. You may not maintain a Sharetea web site. If we do ever approve of a web site that you promote and develop, we have the right to condition our approval on the terms that we determine are necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your agreement.

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

Currently, you do not have any rights to acquire additional franchises nor other options, such as rights of first refusal or similar rights to obtain additional franchises. In the event that we grant you the relocation or additional franchised outlet, you must be current with all your obligations to us and must sign our then-current Franchise Agreement, with all then-current on-going fees, for a term equal to the term remaining on your Franchise Agreement for the previous or original location.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Protected Territory. So long as you are in full compliance with this Franchise Agreement, for traditional locations, we will not grant a franchise or establish a company-owned location to be located within your “Protected Territory,” which is the smaller of (i) the area within a 3-miles radius of your Tea Shop or (ii) within in the same zip code, village, city, or county as your Tea Shop (whichever is smaller). A non-traditional location has no Protected Territory; however, we will not grant a franchise or establish a company-owned location within the same building, shopping mall or food court (as applicable) as your location. Furthermore, you may not engage in catering or delivery service.

Exceptions. The Protected Territory provided to traditional locations does not include any non-traditional locations. We may grant a franchise or an establish a company-owned location at a non-traditional location, even if it is located within your Protected Territory. Non-traditional locations include airports; shopping malls (for this Franchise Agreement, a shopping mall means any retail shopping center containing two or more anchor retail department stores. Current examples of anchor retail department stores include Sears, Macy’s, JCPenny, Nordstrom, Neiman Marcus, Bloomingdales, Saks Fifth Avenue, Dillard’s, K-Mart, Kohls, Ross Stores, Best Buy,

Wal-Mart, Home Depot, Office Depot, 99 Cents Only Stores, or other similarly large retail stores. We and you acknowledge that this list of examples is not complete, that some of these stores will go out of business, some will merge, and new stores will be established); college and university campuses; sports stadiums or arenas; concert or performance venues; and food courts (for this Franchise Agreement, a food court is any plaza or common area not otherwise within a shopping mall, that is contiguous, that offers at least five food & beverage vendors, and that provides a common seating area for patrons of the food & beverage vendors), hotel, resort, military installation, train station, subway station, toll roads, theme park, hospitals, and other governmental facilities, office facilities, or other non-traditional venues—even if these lie within your protected territory. All other locations are traditional locations. We may also expand distribution of our products or services through other channels (telephone, mail, Internet, or direct marketing) without compensating you for any resulting sales, even if this competes with your Tea Shop. All other locations are traditional locations. We may also expand distribution of our products or services through other channels (telephone, mail, Internet, or direct marketing) without compensating you for any resulting sales, even if this competes with your Tea Shop.

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

You also do not have any rights of first refusal or other preferential rights to purchase additional franchises or territories under your single-unit Franchise Agreement. If we allow you to open another outlet, you must execute our then-current form of Franchise Agreement, pay all then-current fees, and satisfy any performance-based criteria we require.






B. Area Development Franchise

If you sign an Area Development Agreement, you receive the conditional right and obligation to develop multiple Tea Shops in a specified development area pursuant to a schedule we approve. This arrangement does not necessarily grant you exclusivity in that area, and you may still face competition from other franchisees, company-owned stores, or other channels of distribution and competitive brands we control or license. Unless the Area Development Agreement explicitly states otherwise, the presence of an overall development territory does not prohibit us from

distributing products through direct channels or licensing other parties to do so, even within the same area.









Each Tea Shop you develop under an Area Development Agreement will typically receive the same level of territorial protection—or lack thereof—as is granted for a single-unit franchise of the same type. In other words, if a location is designated as “traditional,” we will not locate or grant another similarly designated franchise within the smaller of a three-mile radius or within the same zip code, village, city, or county, so long as you comply with the Area Development Agreement and remain current with your obligations. However, non-traditional outlets, either ours or another franchisee’s, may still be placed anywhere, including within or near your development area. We are not obligated to provide you with the right to relocate or expand your Tea Shops. Any request to relocate or to open additional units beyond those called for in the development schedule is subject to our approval in our sole discretion. You do not automatically receive authority to engage in e-commerce, telemarketing, or other direct sales channels, and we may use or license such channels ourselves without compensation to you, even where it competes with your Tea Shops.

ITEM 13: TRADEMARKS

The Agreements give you the non-exclusive right to operate a Tea Shop under the “ SHARE TEA ®”, “ Sharetea ®”, “ Sharetea ®”, “Sharetea  ®”, “Sharetea express ®”, and “Sharetea  ®” trademark. By trademark, we mean trade names, trademarks, service marks, emblems, designs, merchandising devices and logos used to identify your Tea Shop (collectively “Sharetea Trademarks”). You may also be authorized to use other current or future trademarks to operate your Tea Shop. You must follow our rules when you use our Sharetea Trademarks. You cannot use any of our company names or Sharetea Trademarks as part of a corporate, limited liability company, other entity name, e-mail address, electronic identifier, or Internet domain name. You cannot use any of our company names or Sharetea Trademarks with modifying words, designs or symbols, except for those we license to you. For example, your business name may not include any of our company names or Sharetea Trademarks or any variation of them (like “*share tea*,” “*tea sharing*,” or “resting tea shop”) and you may not use your name in connection with our Sharetea Trademarks in advertising your Tea Shop (such as “John Smith’s Sharetea”). You may not use any of our company names or Sharetea Trademarks for the sale of any unauthorized product or service or in a manner we have not authorized in writing. These Sharetea Trademarks may only be used by you for the purpose of operating a Tea Shop and cannot be used for any purpose or in any manner not authorized by us. You may only use our Sharetea Trademarks on vehicles if you first obtain our written consent. We have a license from our parent, Lian Fa, to use and to sublicense the use of the Sharetea Trademarks. All rights in and goodwill from the use of the

Sharetea Trademarks accrue to us and our affiliates. No agreement limits our right to use or license the use of the Sharetea Trademarks related to the franchise.

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

Federal Registration	No.	Registration Date
	6391194	June 15, 2021
Sharetea express	5881285	October 8, 2019
	5881073	October 8, 2019
	5881072	October 8, 2019
	5881049	October 8, 2019
	5881048	October 8, 2019
Share tea	5736817	April 30, 2019
Share tea	5736816	April 30, 2019
	6599139	December 21, 2021
	4713883	March 31, 2015
	4725126	April 21, 2015
	85053208	November 1, 2011

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

You must notify us immediately when you learn about an infringement of or challenge to your use of our Sharetea Trademarks. We will take the action we think appropriate. We have the right to control all administrative proceedings or litigation involving our Sharetea Trademarks. In the event

we undertake the defense or prosecution of any such proceeding or litigation, you agree to execute any and all documents and do such acts and things as may be necessary, in the opinion of our counsel, to carry out such defense or prosecution.

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

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or registered copyrights are material to the franchise. We do, however, claim copyright interests in our training manuals, magazines, posters, toys, pamphlets, brochures, television advertisements and all other printed and pictorial materials that we produce, although these materials have not been registered with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are considered our property. They may be used by you only as long as you are a franchisee, and only as provided in your Franchise Agreement.

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

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

There are no agreements currently in effect, which significantly limit our rights to use, or license the use of, such patents or copyrights in any manner material to you. We may use and incorporate into any Sharetea System, changes and improvements that you or your employees or contractors

develop. We do not have an obligation to you or the developer of these changes or improvements in connection with such use.

We have the right to use and incorporate into the Sharetea System for the benefit of other franchisees and us any modifications, ideas or improvements, in whole or in part, developed or discovered by you or your employees or agents, without any liability or obligation to you or the developer thereof.

The franchisor's proprietary recipes for beverages and drinks, as well as the standardized procedures for producing these beverages, constitute confidential information and are considered trade secrets of the franchisor. These recipes and procedures have been developed through extensive research and experience, and they represent a significant competitive advantage in our market. The protection of this information is critical to maintaining the uniqueness and appeal of our brand. Franchisees will be granted access to these trade secrets as part of their franchise agreement, under the strict condition that they maintain the confidentiality and do not disclose or use this information outside the operation of their franchised business. The franchisor takes the security of its intellectual property seriously and expects all franchisees to adhere to the same level of care and discretion.

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

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

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

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

Because this is primarily a cash business, you must have effective, vigilant cash management procedures to avoid employee theft. You can minimize these demands on you personally by attracting, motivating and retaining capable development, supervisory, production, transportation and sales personnel. We may provide you with certain suggested basic procedures and guidelines to use in recruiting, training and motivating your personnel. However, recruiting, training and motivating employees are your responsibility.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

THE FRANCHISE RELATIONSHIP

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

Table for Franchise Agreement

Provision	Articles in the Franchise Agreement	Summary
a. Length of the franchise term	13.1	For the Franchise Agreement, the term is five (5) years.
b. Renewal or extension of the term	13.2	Franchisee may seek to renew this Agreement once for an additional five (5) years, provided Franchisee delivers a written renewal request to Franchisor at least twelve (12) months prior to the expiration of the initial term and satisfies all then-current renewal criteria.
c. Requirements for franchisee to renew or extend	13	The Franchise Agreement may be renewed for five (5) years. The renewal may require you to sign agreement with materially different terms.
d. Termination by franchisee	17.1	Franchisee may terminate the Agreement in the event that Franchisor fails to provide the training mandated under the Agreement.
e. Termination by franchisor without cause	17.2.3	Subject to applicable law, Franchisor may terminate this Agreement without cause by providing Franchisee with at least ninety (90) days' advance written notice, or any longer period required by law. In such event, Franchisor may, at its discretion, offer Franchisee compensation for tangible assets or improvements as separately agreed, but is not obligated to do so.
f. Termination by franchisor with "cause"	17.2.1	Franchisor may terminate this Agreement upon thirty (30) days' prior written notice (or a longer period, if required by applicable law) if Franchisee fails to cure any of the following defaults within the specified cure period: Failure to timely pay any fees, royalties, or other monetary obligations due under this Agreement;

		Breach of any other material provision of this Agreement, including failure to meet the operational, quality, or branding standards of the Sharetea System; Failure to maintain and submit accurate financial or operational records, including any underreporting of sales.
g. "Cause" defined – curable defaults	17.2.1	Failure to timely pay any fees, royalties, or other monetary obligations due under this Agreement; Breach of any other material provision of this Agreement, including failure to meet the operational, quality, or branding standards of the Sharetea System; Failure to maintain and submit accurate financial or operational records, including any underreporting of sales.
h. "Cause" defined – non-curable defaults	17.2.2	Franchisor may terminate this Agreement immediately, without providing any opportunity to cure or additional notice, if Franchisee: Undergoes a prohibited change of control, including any unauthorized transfer or assignment of the franchise rights or ownership interests; Commits fraud, theft, embezzlement, or any act that Franchisor reasonably deems to harm or endanger the reputation of the Sharetea brand or system; Is convicted of (or pleads no contest to) a felony, a crime of moral turpitude, or any criminal offense that Franchisor believes may adversely impact the Sharetea System; Challenges or assists others in challenging Franchisor's ownership or validity of any Sharetea Trademarks, trade secrets, or other intellectual property; Abandons the franchised business (including failure to operate during normal business hours for more than five consecutive days without Franchisor's written consent); Violates non-competition or confidentiality obligations in this Agreement or otherwise misappropriates Franchisor's intellectual property; Repeatedly breaches this Agreement in a manner that, in Franchisor's discretion, demonstrates a disregard for

		contractual obligations or the Sharetea System standards, regardless of whether Franchisee cures individual breaches; Procures, sells, or otherwise uses any raw materials, supplies, ingredients, or equipment from sources not approved or designated by Franchisor (or if previously approved, after Franchisor has rescinded such approval). Because consistent product quality is essential to safeguarding the Sharetea brand's reputation and consumer trust, any such unauthorized procurement constitutes a material breach of this Agreement, entitling Franchisor to all remedies available at law or in equity, including immediate termination. Insolvency, Damage to Franchisor's Brand or Reputation, Failure to Maintain Operational Standards, Unapproved Assignments or Transfers, Repeated Breaches, Failure to Meet Development Schedule, Legal Violations, Failure to Adhere to Marketing and Advertising Guidelines, Failure to Attend or Implement Training, Engage on Political Activities, Abandonment of Business, Failure to Maintain Insurance or Licenses, Material Misrepresentations or Fraud, Unauthorized Disclosure of Confidential Information, Breach of Non-Competition Obligations, Persistent Negative Performance or Quality Issues.
i. Franchisee's obligations on termination/nonrenewal	17.3	Cease Use of Trademarks and Proprietary Materials; Discontinue all use of the Sharetea Trademarks, trade names, service marks, logos, designs, and any other proprietary marks or materials associated with the Sharetea System; Remove or obliterate all signage, advertising, stationery, websites, social media pages, or other materials bearing the Sharetea Trademarks or any confusingly similar marks; Permanently discontinue displaying or using any uniform, packaging, or décor that identifies or is associated with the Sharetea brand; Return

		<p>Confidential and Proprietary Information; Return to Franchisor (or destroy, if instructed) all originals and copies of the Operating Manual, recipes, specifications, training materials, marketing materials, technical data, or any other confidential or proprietary information provided by Franchisor; Provide a sworn affidavit or certification, if requested, attesting that Franchisee no longer possesses or uses any materials embodying Franchisor's proprietary information; De-Identification and De-Branded Location; Promptly remove or cover all trade dress, interior and exterior signage, menus, or design elements unique to the Sharetea brand, rendering the former Sharetea Shop clearly distinguishable from any current or former Sharetea Shop; Refrain from operating any business under a name or manner that might lead the public to believe it is in any way associated with the Sharetea brand, Franchisor, or the Sharetea System; Payment of All Outstanding Amounts; Pay in full any and all outstanding fees, royalties, advertising contributions, or other amounts due to Franchisor or its affiliates under this Agreement within the timeframe specified by Franchisor; If requested, submit an accounting of all sales and transactions through the effective date of termination or expiration, accompanied by any applicable royalty payments or other sums due; Disposition of Remaining Inventory; Compliance with Post-Term Covenants (Including Non-Competition); Transfer of Telephone Listings, Domain Names, and Social Media Accounts</p>
j. Assignment of contract by franchisor	14.1	<p>Franchisor may assign, sell, or otherwise transfer any or all of its rights or delegate any or all of its obligations under this Agreement to a third party who agrees in writing to assume those obligations. Such assignment or transfer shall not release or discharge Franchisor from any</p>

		contractual obligations that arose before the effective date of the assignment or transfer.
k. “Transfer” by franchisee – definition	14.2	Franchisee may not transfer or assign any direct or indirect interest in this Agreement without first obtaining Franchisor’s prior written consent. Franchisor shall not unreasonably withhold such consent, provided that Franchisee and any proposed transferee satisfy all then-current conditions and requirements that Franchisor may establish, which may include, among other things, a transfer fee of ten thousand U.S. dollars (US\$10,000), execution of Franchisor’s then-current franchise agreement (or other applicable documents), and compliance with a right of first refusal if set forth in this Agreement. If Franchisee attempts to transfer or assign its interest without obtaining Franchisor’s prior written approval, Franchisor may declare such transfer void, treat it as a material breach of the Agreement, or exercise any other remedies it deems appropriate.
l. Franchisor approval of transfer by franchisee	14.2	Franchisee may not transfer or assign any direct or indirect interest in this Agreement without first obtaining Franchisor’s prior written consent.
m. Conditions for franchisor approval of transfer	14.2	Franchisor shall not unreasonably withhold such consent, provided that Franchisee and any proposed transferee satisfy all then-current conditions and requirements that Franchisor may establish.
n. Franchisor’s right of first refusal to acquire franchisee’s business	20.11	Franchisee shall not sell, transfer, assign, or otherwise dispose of any ownership interest in the Franchised Business, or all or substantially all of its assets, without first offering to sell such interest or assets to Franchisor under the same terms and conditions as any bona fide third-party offer.
o. Franchisor’s option to purchase franchisee’s business	20.11	If Franchisor elects not to exercise its right of first refusal or fails to do so within the thirty (30) day period, Franchisee may complete the

		Proposed Transaction strictly in accordance with the terms set forth in the notice.
p. Death or disability of franchisee	20.9	In the event of the death or permanent disability of the Franchisee (or if the Franchisee is an entity, the death or permanent disability of its Principal Equity Owner), all rights and obligations under this Agreement shall continue in full force. The Franchisee's legal representative or estate must immediately notify Franchisor and ensure that a competent, qualified manager—approved by Franchisor—assumes active management of the Franchised Business. If, in Franchisor's sole judgment, the successor manager or the legal representative does not timely assume active management or is otherwise not qualified, Franchisor may, at its option, terminate this Agreement and require the Franchisee's estate or legal representative to comply with all post-termination obligations. Failure to promptly secure a competent manager or to otherwise comply with the terms of this Agreement following death or disability is deemed a material breach, entitling Franchisor to exercise any and all remedies herein.
q. Non-competition covenants during the term of the franchise	15.1	Throughout the entire term of this Agreement, Franchisee (including its owners, officers, directors, and managers) shall not directly or indirectly own, operate, manage, consult with, or otherwise participate in any business offering products or services substantially similar to those of UG, including tea-based beverages or related items, within the Protected Territory defined under this Agreement or within any other geographical radius that Franchisor periodically designates around existing or prospective Sharetea Shops.
r. Non-competition covenants after the franchise is terminated or expires	15	For a period of two (2) years following the termination or expiration of this Agreement (for any reason), Franchisee shall not directly or indirectly own, operate, manage, consult with,

		or otherwise participate in any tea-based beverage business that competes with the Sharetea System and is located within a three (3) mile radius of Franchisee's former Sharetea Shop. These restrictive covenants are intended to protect Franchisor's trade secrets, confidential information, and the goodwill associated with the Sharetea System. Any breach or threatened breach of these provisions shall entitle Franchisor to all available remedies under law or equity, including but not limited to immediate injunctive relief and/or an award of liquidated damages where specified in this Agreement.
s. Modification of the franchise agreement	19.3	No amendment, modification, or change to this Agreement shall be valid or binding unless made in writing and signed by both parties. Any oral or implied agreement or alleged promise related to this Agreement shall be of no force or effect unless it is memorialized in a written instrument executed by both parties.
t. Integration/merger clause	20.10	This Agreement (together with any exhibits, schedules, or addenda expressly incorporated herein) constitutes the entire, final, and complete agreement between the parties with respect to its subject matter, and supersedes all prior or contemporaneous discussions, representations, negotiations, understandings, or agreements, whether oral or written. Each party acknowledges and agrees that in entering into this Agreement, it has not relied on any representations, warranties, statements, or promises that are not expressly set forth herein. No amendment, modification, or waiver of this Agreement will be binding unless in writing and signed by both parties.
u. Dispute resolution by arbitration or mediation	18.2	If any dispute, claim, or controversy arises out of or in connection with this Agreement (including any question regarding its existence, validity, or termination), the parties shall first

		attempt to resolve the dispute through direct, good-faith negotiations. If they fail to reach a mutually acceptable resolution within sixty (60) days after the dispute first arises or after either party requests negotiations, the parties shall proceed to non-binding mediation in California. The mediation shall be administered by a neutral third party agreed upon by the parties, or, if they cannot agree, by a reputable mediation service selected by either party and acceptable to the other. Each party shall bear its own attorneys' fees and costs associated with the mediation, and the parties shall share equally the mediator's fees and other administrative expenses, unless otherwise agreed in writing. Mediation discussions and materials shall be treated as confidential settlement negotiations and may not be used or disclosed in any subsequent arbitration, litigation, or other proceeding except as required by law.
v. Choice of forum	18.3	Litigation must be in California. This Section is subject to state laws.
w. Choice of law	18.1	California law applies. This Section is subject to state laws.

Table for Area Development Agreement

	Provision	Section in Area Development Agreement	Summary
a.	Length of the franchise term	1.2	The term of this Agreement shall commence on the Effective Date and, unless sooner terminated due to Area Developer's material breach, will continue for a period of five (5) years, or until terminated as provided in Article XI of this Agreement
b.	Renewal or extension of the term	1.2	There shall be no extensions or renewals of the Development Schedule unless agreed to in writing by the parties.

c.	Requirements for franchisee to renew or extend	3.7	Area Developer may renew this Agreement for one additional term of five (5) years by providing written notice at least 180 days before the Agreement's expiration.
d.	Termination by franchisee	11.1.2	If Franchisor fails to provide the mandatory training specified in this Agreement within the timeframes set forth herein (or as otherwise agreed in writing), and such failure continues for a period of thirty (30) days after written notice from Area Developer specifying the nature of the default, then Area Developer may terminate this Agreement by delivering a second written notice of termination to Franchisor, effective immediately upon receipt.
e.	Termination by franchisor without cause	None	None
f.	Termination by franchisor with cause	11.3	Franchisor may terminate this Agreement upon the occurrence Area Developer's material breach to the terms. Unless otherwise stated, Franchisor may exercise its right to terminate immediately upon giving written notice to Area Developer.
g.	"Cause" defined – curable defaults	11.3.1, 11.3.2	Area Developer violates or fails to perform any of the obligations, representations, warranties, or covenants stipulated in this Agreement and fails to cure such violations within thirty (30) days after receiving written notice from Franchisor. Failure to Make Timely Payments.
h.	"Cause" defined – non- curable defaults	11.3.3-11.3.18	Franchisor may terminate this Agreement immediately, without providing any opportunity to cure or additional notice, if Area Developer: Undergoes a prohibited change of control, including any unauthorized transfer or assignment of the franchise rights or ownership interests; Commits fraud, theft, embezzlement, or any act that Franchisor reasonably deems to harm or endanger the reputation of the Sharetea brand or system; Is convicted of (or pleads no contest to) a felony, a crime of moral

			<p>turpitude, or any criminal offense that Franchisor believes may adversely impact the Sharetea System; Challenges or assists others in challenging Franchisor's ownership or validity of any Sharetea Trademarks, trade secrets, or other intellectual property; Abandons the franchised business (including failure to operate during normal business hours for more than five consecutive days without Franchisor's written consent); Violates non-competition or confidentiality obligations in this Agreement or otherwise misappropriates Franchisor's intellectual property; Repeatedly breaches this Agreement in a manner that, in Franchisor's discretion, demonstrates a disregard for contractual obligations or the Sharetea System standards, regardless of whether Area Developer cures individual breaches; Procures, sells, or otherwise uses any raw materials, supplies, ingredients, or equipment from sources not approved or designated by Franchisor (or if previously approved, after Franchisor has rescinded such approval). Because consistent product quality is essential to safeguarding the Sharetea brand's reputation and consumer trust, any such unauthorized procurement constitutes a material breach of this Agreement, entitling Franchisor to all remedies available at law or in equity, including immediate termination. Insolvency, Damage to Franchisor's Brand or Reputation, Failure to Maintain Operational Standards, Unapproved Assignments or Transfers, Repeated Breaches, Failure to Meet Development Schedule, Legal Violations, Failure to Adhere to Marketing and Advertising Guidelines, Failure to Attend or Implement Training, Engage on Political Activities, Abandonment of Business, Failure to Maintain Insurance or Licenses, Material Misrepresentations or Fraud, Unauthorized Disclosure of Confidential Information, Breach of Non-Competition Obligations, Persistent Negative Performance or Quality Issues.</p>
i.	Franchisee's obligations on	8.3.1	<p>Within 7 days of termination or expiration, Area Developer shall remove or cease using all Franchisor's</p>

	termination or non- renewal		trademarks and related materials at its own expense.
j.	Assignment of contract by franchisor	9.1.1	Franchisor may assign this Agreement at its sole discretion without Area Developer's consent; Area Developer waives any claims arising from such assignment.
k.	"Transfer" by franchisee – defined	9.2	Area Developer may not assign this Agreement to any entity, including an entity fully owned by Area Developer, without first obtaining Franchisor's prior written approval.
l.	Franchisor's approval of transfer by franchisee	9.2	Area Developer may not assign this Agreement to any entity, including an entity fully owned by Area Developer, without first obtaining Franchisor's prior written approval.
m.	Conditions for franchisor approval of transfer	9.2	Franchisor shall not unreasonably withhold such consent, provided that Franchisee and any proposed transferee satisfy all then-current conditions and requirements that Franchisor may establish. If Franchisor grants approval, the assignee must execute a written instrument, in a form satisfactory to Franchisor, agreeing to assume and be bound by all obligations under this Agreement. The Area Developer must provide at least thirty (30) days' prior written notice to Franchisor of the proposed transfer, along with any information Franchisor reasonably requests to evaluate the proposed assignment.
n.	Franchisor's right of first refusal to acquire franchisee's business	12.14	Franchisee shall not sell, transfer, assign, or otherwise dispose of any ownership interest in the Franchised Business, or all or substantially all of its assets, without first offering to sell such interest or assets to Franchisor under the same terms and conditions as any bona fide third-party offer. Franchisee must promptly notify Franchisor in writing of any proposed sale, transfer, or assignment (the "Proposed Transaction"), including the price, terms, and identity of the prospective purchaser. Upon receipt of such notice, Franchisor shall have the right, exercisable by written notice to Franchisee within thirty (30) days, to purchase the ownership interest or assets on the same or better terms.

			If Franchisor exercises its right of first refusal, the closing of the acquisition shall occur on a date mutually agreed upon by the parties, but in no event later than sixty (60) days after Franchisor's notice of exercise, unless otherwise agreed in writing.
o.	Franchisor's option to purchase franchisee's business	12.14	If Franchisor elects not to exercise its right of first refusal or fails to do so within the thirty (30) day period, Franchisee may complete the Proposed Transaction strictly in accordance with the terms set forth in the notice.
p.	Death or disability of franchisee	12.11	In the event of the death or permanent disability of the Franchisee (or if the Franchisee is an entity, the death or permanent disability of its Principal Equity Owner), all rights and obligations under this Agreement shall continue in full force. The Franchisee's legal representative or estate must immediately notify Franchisor and ensure that a competent, qualified manager—approved by Franchisor—assumes active management of the Franchised Business. If, in Franchisor's sole judgment, the successor manager or the legal representative does not timely assume active management or is otherwise not qualified, Franchisor may, at its option, terminate this Agreement and require the Franchisee's estate or legal representative to comply with all post-termination obligations. Failure to promptly secure a competent manager or to otherwise comply with the terms of this Agreement following death or disability is deemed a material breach, entitling Franchisor to exercise any and all remedies herein.
q.	Non-competition covenants during the term of the franchise	12.12.1	Throughout the term of this Agreement, neither Area Developer nor any of its Principal Equity Owners, officers, directors, or managers may, directly or indirectly, own, operate, manage, be employed by, consult for, advise, or otherwise engage in or assist any business that offers products, services, or concepts substantially similar to those offered by the Franchised Business. This prohibition applies within (a) the Protected Territory (if applicable), (b) any area within a 3-mile radius of any franchised or company-owned

			outlet operating under our Marks, and (c) any area in which we (or our affiliates) have publicly announced an intention to establish another outlet.
r.	Non-competition covenants after the franchise is terminated or expires	12.12.2	For a period of 2 years following the expiration or termination of this Agreement (or following the transfer of your interest in the Franchised Business, whichever is earlier), neither you nor any of your Principal Equity Owners, officers, directors, or managers may, directly or indirectly, own, operate, manage, be employed by, consult for, advise, or otherwise engage in or assist any business that offers products, services, or concepts substantially similar to those offered by the Franchised Business. This restriction shall apply within a 3-mile radius of the location of your former Franchised Business and any other franchised or company-owned outlet operating under our Marks at the time of expiration, termination, or transfer.
s.	Modification of the agreement	12.2	No change or amendment is valid unless in writing and signed by all parties
t.	Integration/merger clause	12.13	This Agreement (together with any exhibits, schedules, or addenda expressly incorporated herein) constitutes the entire, final, and complete agreement between the parties with respect to its subject matter, and supersedes all prior or contemporaneous discussions, representations, negotiations, understandings, or agreements, whether oral or written. Each party acknowledges and agrees that in entering into this Agreement, it has not relied on any representations, warranties, statements, or promises that are not expressly set forth herein. No amendment, modification, or waiver of this Agreement will be binding unless in writing and signed by both parties.
u.	Dispute resolution by arbitration or mediation	12.1, 12.2	Mediation. Before initiating arbitration, the parties shall first attempt to resolve any dispute through good-faith settlement discussions between Franchisor's executive officers and Area Developer's Principal Equity Owners. If unresolved, they may submit the dispute to non-binding mediation in California or another mutually agreeable venue. The parties share mediator fees equally.

			Arbitration. If mediation fails, the dispute shall be resolved through binding arbitration administered by a single arbitrator of the American Arbitration Association, unless both parties agree otherwise. Hearings shall be held in California or via online system. The arbitrator may not award punitive damages or declare any Franchisor Mark generic or invalid. Judgment on the award may be entered in any court of competent jurisdiction.
v.	Choice of forum		The parties hereby irrevocably consent and submit to the exclusive jurisdiction of the state and federal courts located within the State of California for any action or proceeding arising out of or relating to this Agreement. The parties expressly waive any objection based upon forum non conveniens or improper venue and further consent to service of process in accordance with the rules of such courts.
w.	Choice of law	12.1	This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the 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 circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our

employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Kai-Lung Cheng at 1201 Orange Street #600, Wilmington, DE 19899, 800-246-2677, the Federal Trade Commission, and the appropriate state regulatory agencies.”

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary for Year 2022 to 2024

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
Franchised	2022	124	146	+22
	2023	146	159	+13
	2024	159	153	-6
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlet	2022	124	146	+22
	2023	146	159	+13
	2024	159	153	-6

Table 2
Transfer of Outlets from Franchisees to New Owners
(Other than the Franchisor) for Year 2022 to 2024

State	Year	Number of Transfer
CA	2022	0
	2023	1
	2024	3
MI	2022	1
	2023	0
	2024	0
TX	2022	1
	2023	0
	2024	2
WA	2022	2
	2023	1
	2024	3

NC	2022	0
	2023	1
	2024	0
KS	2022	0
	2023	0
	2024	1
Total	2022	4
	2023	3
	2024	9

Table 3
Status of Franchised Outlets for Year 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisors	Ceased Operations – Other Reasons	Outlets at End of the Year
AL	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
AZ	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	1	0	0	1
CA	2022	55	6	2	0	0	0	59
	2023	59	4	3	0	0	0	60
	2024	60	2	5	2	0	0	55
CO	2022	4	0	0	0	0	0	4
	2023	4	2	1	0	0	0	5
	2024	5	2	0	1	0	0	4
D.C	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
GA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
HI	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
ID	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
IL	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
KS	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
KY	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
LA	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
MD	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MN	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NC	2022	1	1	0	0	0	0	2
	2023	2	3	0	0	0	0	5
	2024	5	1	0	0	0	0	6
NE	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NM	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NV	2022	3	1	0	0	0	0	4
	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
OH	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OK	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
OR	2022	5	1	0	0	0	0	6
	2023	6	0	0	0	0	0	6

	2024	6	0	0	0	0	0	6
PA	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
TN	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
TX	2022	19	7	0	0	0	0	26
	2023	26	0	1	0	0	0	25
	2024	25	2	2	0	0	0	25
UT	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
VA	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	1	0	0	0	3
WA	2022	17	1	0	0	0	0	18
	2023	18	2	1	0	0	0	19
	2024	19	1	2	1	0	0	17
Total	2022	124	24	2	1	0	0	146
	2023	146	19	6	0	0	0	159
	2024	159	10	10	5	0	0	154

Table 4
Status of Company-owned for Year 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table 5
Projected New Franchised Outlets as of December 31, 2024

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
AZ	0	1	0
CA	4	10	0

KS	0	1	0
LA	0	0	0
MA	0	1	0
NC	1	1	0
NE	0	1	0
NV	1	0	0
OH	1	0	0
PA	1	0	0
TN	0	1	0
TX	2	5	0
UT	0	0	0
VA	0	1	0
WA	1	4	0
Total	11	26	0

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

Please find contact information of the former and current franchisees in Exhibit E.

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

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

ITEM 21: FINANCIAL STATEMENT

Attached as Exhibit A is the audited financial statements for the fiscal year of 2024, 2023, and 2022. Our fiscal year end date is December 31.

ITEM 22: CONTRACT

The Following Agreements are exhibits to this Disclosure Document:

Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Directory of Administrative Agencies
Exhibit E	Additional Disclosure Required by the State
Exhibit F	Contact Information of Former and Current Franchisees
Exhibit G	Receipt

ITEM 23: RECEIPT

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

Exhibit A

Financial Statements

LILIAN USA LLC

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

KAIZEN CPA PLLC
CERTIFIED PUBLIC ACCOUNTANTS
UNITED STATES
WWW.KAIZENCPA.COM

LILIAN USA LLC
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1
Statement of Income	2
Balance Sheet	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 15

(EXPRESSED IN UNITED STATES DOLLARS)

**Independent Auditor's Report
To the Member of LILIAN USA LLC**

We have audited the accompanying financial statements of LILIAN USA LLC, which comprise the balance sheet as of December 31, 2024, and the related statement of income, changes in member's equity, and cash flows for the year 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 LILIAN USA LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaizen CPA PLLC

Kaizen CPA PLLC
202 Canal Street, Suite 303, 3/F.,
New York, NY 10013, USA
Date: February 19, 2025

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LILIAN USA LLC
Statement of Income
For the Year Ended December 31, 2024

	<u>Note</u>	<u>2024</u> US\$	<u>2023</u> US\$
Revenue			
Franchise Revenue		1,179,205	1,421,816
Royalty Income		3,045,489	3,328,006
Sales		6,910	-
		-----	-----
Total Revenue		4,231,604	4,749,822
		-----	-----
Cost and Expenses			
Cost of Revenue		560,350	706,000
Operating Expenses		2,739,848	2,372,597
		-----	-----
Total Cost and Expenses		3,300,198	3,078,597
		-----	-----
Income from Operations		931,406	1,671,225
		-----	-----
Non-operating Income / (Expenses)			
Interest Income		232,953	189,886
Interest Expenses	6	(3,800)	(3,045)
Other Income / (Expenses), Net		13,842	(1,679)
		-----	-----
Net Non-operating Income		242,995	185,162
		-----	-----
Income before Taxes		1,174,401	1,856,387
Income Tax Expenses	3	275,028	454,685
		-----	-----
Net Income		899,373	1,401,702
		=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Balance Sheet
As of December 31, 2024

	<u>Note</u>	<u>2024</u> US\$	<u>2023</u> US\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents	4	3,907,960	1,667,397
Time Deposits	4	800,000	2,205,235
Accounts Receivable (Including Related Party)	5	820,736	664,852
Prepaid Expenses		31,679	37,618
Interest Receivable		29,649	-
Other Receivable		594	-
Tax Recoverable		130,165	147,985
		-----	-----
Total Current Assets		5,720,783	4,723,087
Non-current Assets:			
Deferred Tax Assets	3	173,060	192,576
Operating Lease Right-of-use Asset	6	34,686	59,171
Property and Equipment	7	21,389	-
Security Deposits		15,903	1,658
		-----	-----
Total Non-current Assets		245,038	253,405
		-----	-----
Total Assets		5,965,821	4,976,492
		=====	=====
LIABILITIES AND MEMBER'S EQUITY			
Current Liabilities:			
Accrued Expenses	8	175,777	91,038
Other Payables (Including Related Party)		215,244	35,046
Deferred Revenue	9	987,654	1,131,715
Operating Lease Liability	6	23,852	21,016
		-----	-----
Total Current Liabilities		1,402,527	1,278,815
Non-current Liabilities:			
Customer Deposits		1,169,400	1,114,400
Deferred Revenue	9	206,316	268,932
Operating Lease Liability	6	11,680	37,820
		-----	-----
Total Non-current Liabilities		1,387,396	1,421,152
		-----	-----
Total Liabilities		2,789,923	2,699,967
Member's Equity			
Contributed Capital		200,000	200,000
Retained Earnings		2,975,898	3,676,525
Dividend Paid	10	-	(1,600,000)
		-----	-----
Total Member's Equity		3,175,898	2,276,525
		-----	-----
Total Liabilities and Member's Equity		5,965,821	4,976,492
		=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Statement of Changes in Member's Equity
For the Year Ended December 31, 2024

	Note	Contributed <u>Capital</u> US\$	Retained <u>Earnings</u> US\$	<u>Total</u> US\$
At January 1, 2023		200,000	2,274,823	2,474,823
Net Income		-	1,401,702	1,401,702
Dividend Paid	10	-	(1,600,000)	(1,600,000)
At December 31, 2023 and January 1, 2024		----- 200,000	----- 2,076,525	----- 2,276,525
Net Income		-	899,373	899,373
At December 31, 2024		----- 200,000 =====	----- 2,975,898 =====	----- 3,175,898 =====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Statement of Cash Flows
For the Year Ended December 31, 2024

	<u>2024</u> US\$	<u>2023</u> US\$
Cash Flows from Operating Activities		
Net Income	899,373	1,401,702
Adjustments to Reconcile Net Income to Net Cash Generated from Operating Activities:		
Deferred Income Taxes	19,516	(15,865)
Allowance for Doubtful Debt	105,000	34,000
Bank Interest Income	(232,953)	(189,886)
Doubtful Debt	21,049	-
Depreciation (Right-of-use Asset)	24,485	23,954
Depreciation (Property and Equipment)	611	-
Interest Expense on Lease Liabilities	3,800	3,045
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(281,933)	14,078
Prepaid Expenses	5,939	61,464
Other Receivable	(594)	-
Interest Receivable	(29,649)	-
Tax Recoverable	17,820	(73,137)
Accrued Expenses	84,739	8,453
Other Payables	180,198	21,746
Deferred Revenue	(206,677)	(486,009)
Customer Deposits	55,000	-
Security Deposits	(14,245)	90,000
Operating Lease Liability	(27,104)	(25,984)
Net Cash Generated from Operating Activities	624,375	867,561
Investing Activities		
Bank Interest Income Received	232,953	189,886
Acquisition of Property and Equipment	(22,000)	-
Time Deposits	1,405,235	(2,205,235)
Net Cash Generated from / (Used in) Investing Activities	1,616,188	(2,015,349)
Financing Activities		
Payments for Dividends	-	(1,120,000)
Payments for Withholding Tax	-	(480,000)
Net Cash Used in Financing Activities	-	(1,600,000)
Net Increase / (Decrease) in Cash and Cash Equivalents	2,240,563	(2,747,788)
Cash and Cash Equivalents, Beginning of the Year	1,667,397	4,415,185
Cash and Cash Equivalents, End of the Year	3,907,960	1,667,397
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Income Taxes	237,692	542,581

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

1. Reporting Entity

LILIAN USA LLC (the "Company") was formed as a limited liability company under the Delaware Limited Liability Company Act on March 20, 2015. It is wholly owned by LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, a Taiwanese company. The Company is franchising its restaurant brands that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts, and trading goods in the United States of America.

2. Significant Accounting Policies

(1) Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The financial statements are presented in United States Dollars.

(2) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. The most significant estimates relate to the selection of useful lives of property and equipment. Management evaluated its estimates and assumptions on an ongoing basis using historical experience and other factors. These estimates are based on information available as of the date of the financial statements, therefore, actual results may differ from these estimates.

(3) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 19, 2025, the date that these financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure in the accompanying financial statements.

(4) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates fair value.

(5) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation are calculated using the straight-line method over the estimated useful lives of the assets. The Company uses an estimated useful life of three years for transportation equipment. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation are removed, and a gain or loss is recorded.

2. Significant Accounting Policies (Cont'd)

(6) Revenue Recognition

The Company adopted the provisions of ASU 2021-02: Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the revenue standard.

The Company recognized revenue from fees from franchised restaurants operated by conventional franchisees. Franchise revenue included initial licensing franchise fees and amortized franchise fee.

Revenue from franchise agreement is generally recognized, net of an allowance for uncollectible amounts.

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

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

After the franchised restaurants started operation, royalty income is paid by franchisees to the Company for brand maintenance, new product development and consulting services. Continuing royalties, which are either fixed amount per month or as a percentage of net sales of the franchisee, are recognized as revenue when earned and become receivable from the franchisee.

Sales are recognized at the point that the goods are delivered and the risks and rewards of ownership have passed to the franchisee.

(7) Cost of Revenue

The cost of revenue includes all costs of service which includes technology transfer, opening support, store design service and trademark license fees, and cost of sales.

(8) Account Receivables

Accounts receivable primarily represents receivables from franchisee who received the services. An allowance of the expected credit losses for account receivable is calculated using an aging schedule that calculated based on how long a receivable has been outstanding. While management used the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

2. Significant Accounting Policies (Cont'd)

(9) Right-of-use Asset and Lease Liabilities

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments.

For the lease within a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

(10) Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows authoritative guidance under ASC No. 740, "Income Taxes" on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

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

(11) Dividend Distribution

Dividend distribution to the Company's sole member is recognised as a liability in the year in which the dividends are approved by the Company's sole member.

2. Significant Accounting Policies (Cont'd)

(12) Fair Value of Financial Instruments

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

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

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

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

As of December 31, 2024, the carrying value of cash and cash equivalents, time deposits, accounts receivable, interest receivable, other receivable, accrued expenses, other payables and lease liability approximated their fair values due to the short-term nature of these financial instruments. The Company's lease liability approximated the carrying amount at December 31, 2024 as their interest rates are considered as approximate to the current rate for comparable leases. There were no outstanding derivative financial instruments as of December 31, 2024.

(13) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, time deposits, accounts receivable, interest receivable and other receivable. The Company maintains cash and cash equivalents at financial institutions. Bank accounts at U.S. institutions are insured up to US\$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2024, the total balance of cash in U.S. institutions exceeded the amount insured by the FDIC for the Company by approximately US\$ Nil (2023: US\$145,880). For deposits at Taiwan financial intuitions, all deposits are insured by the Central Deposit Insurance Corporation (CDIC) up to maximum of NT\$3,000,000 (US\$91,470) per insured institution. As of December 31, 2024, the total balance of cash in Taiwan financial institution exceeded the amount insured by the CDIC for the Company by approximately US\$4,365,402 (2023: US\$3,281,969).

(14) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

2. Significant Accounting Policies (Cont'd)

(15) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2024 up to the date of authorization of the financial statements which are not yet effective and, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective is expected to have a material effect on the financial statements of the Company.

3. Income Taxes

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

	<u>2024</u> US\$	<u>2023</u> US\$
<u>Current</u>		
Federal Tax Expense	220,017	382,465
State Tax Expense	35,495	88,084
	----- 255,512	----- 470,549
<u>Deferred</u>		
Federal Tax Expense / (Benefit)	18,076	(12,051)
State Tax Expense / (Benefit)	1,440	(3,813)
	----- 19,516	----- (15,864)
Net Income Tax Expense	===== 275,028	===== 454,685

Deferred tax assets / (liabilities) as of December 31, 2024 and 2023 consisted approximately of:

	<u>2024</u> US\$	<u>2023</u> US\$
Deferred Revenue	124,574	158,760
Allowance for Doubtful Accounts	50,418	24,475
State Taxes	11,114	20,313
Others	(13,046)	(10,972)
Net Deferred Tax Assets	----- 173,060 =====	----- 192,576 =====

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

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

4. Cash and Cash Equivalents and Time Deposits

As of December 31, 2024 and 2023, the balance of cash and cash equivalents and time deposits was as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Cash and Cash Equivalents		
- Cash in Bank	177,960	202,397
- Time Deposits (Maturity Within 3 Months)	3,730,000	1,465,000
	3,907,960	1,667,397
Time Deposits (Maturity More than 3 Months)	800,000	2,205,235
	-----	-----
	4,707,960	3,872,632
	=====	=====

The interest rate of time deposits is 4.4% to 5.47% per annum and the interest income arising from time deposits is US\$232,953 during the year.

5. Accounts Receivable (Including Related Party)

As of December 31, 2024 and 2023, the balance of accounts receivable was as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Gross Amount	1,025,736	764,852
Less: Allowance for Doubtful Accounts	(205,000)	(100,000)
	-----	-----
Net Amount	820,736	664,852
	=====	=====

6. Lease

As of December 31, 2024 and 2023, supplemental balance sheet information related to lease was as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Operating Lease Right-of-use Asset	34,686	59,171
	=====	=====
Operating Lease Liability	35,532	58,836
	=====	=====

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

6. Lease (Cont'd)

For the years ended December 31, 2024 and 2023, supplemental statement of income information related to lease was as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Right-of-use Asset Depreciation	24,485	23,954
	=====	=====
Operating Lease Interest Expenses	3,800	3,045
	=====	=====
Short-term Lease Expenses	26,401	1,801
	=====	=====

Supplemental cash flow information related to lease was as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities	27,104	25,880
	=====	=====
Right-of-use Assets Obtained in Exchange for New Operating Lease Obligations	-	73,453
	=====	=====

The Company has an operating lease for its office expiring in 2026. As of December 31, 2024 and 2023, maturities of operating lease liabilities were as follows:

	<u>2024</u> US\$	<u>2023</u> US\$
Remaining Undiscounted Lease Payments	37,712	64,816
Less: Imputed Interest	(2,180)	(5,980)
	-----	-----
Net Lease Liability	35,532	58,836
Less: Current Portion	(23,852)	(21,016)
	-----	-----
Non-current Portion	11,680	37,820
	=====	=====

As of December 31, 2024, the remaining lease term and discount rate applied on the operating lease arrangement were 17 months (2023: 29 months) and 7.5% per annum (2023: 7.5% per annum) respectively.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

6. Lease (Cont'd)

Short-term lease has a lease term of 12 months or less. The future minimum fixed base rentals under these non-cancellable leases at December 31, 2024 and 2023 are as follows:

<u>Years Ending December 31,</u>	<u>2024</u> US\$	<u>2023</u> US\$
Within One Year	26,195	145
Later than One Year but Within Five Years	145	-
	-----	-----
	26,340	145
	=====	=====

7. Property and Equipment

As of December 31, 2024 and 2023, property and equipment are composed of the following:

	<u>2024</u> US\$	<u>2023</u> US\$
Transportation Equipment	22,000	-
Less: Accumulated Depreciation	(611)	-
	-----	-----
Property and Equipment - Net	21,389	-
	=====	=====

Total depreciation expense for the years ended December 31, 2024 and 2023, was US\$611 and Nil respectively.

The Company has not acquired any property and equipment under capital leases.

8. Accrued Expenses

As of December 31, 2024 and 2023, accrued expenses consisted of the following:

	<u>2024</u> US\$	<u>2023</u> US\$
Accrued Professional Fee	61,604	61,527
Accrued Payroll and Annual Leave	25,498	8,716
Accrued Travelling Expenses	65,969	15,700
Accrued Advertisement Expense	-	365
Others	22,706	4,730
	-----	-----
Total Accrued Expenses	175,777	91,038
	=====	=====

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

9. Deferred Revenue

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

	<u>2024</u> US\$	<u>2023</u> US\$
Unearned Franchise Revenue	1,187,394	1,396,966
Others	6,576	3,681
	-----	-----
	1,193,970	1,400,647
Less: Current Portion	(987,654)	(1,131,715)
	-----	-----
Non-current Portion	206,316	268,932
	=====	=====

10. Dividends

	<u>2024</u> US\$	<u>2023</u> US\$
Interim Dividend Declared and Paid by the Company for the Year Consisted of the Following: US\$Nil (2023: US\$ 800,000) Per Share	-	1,600,000
	=====	=====

11. Related Party Transactions

Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship</u>
Cheng Bai Hung	Close Relative of a Manager

Summary of significant related party transactions is as follows:

For the years ended December 31, 2024 and 2023:

	<u>2024</u> US\$	<u>2023</u> US\$
Acquired transportation equipment therefrom	22,000	-
	=====	=====

Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship</u>
LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION ("LIAN FA")	Sole Member

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2024

11. Related Party Transactions (Cont'd)

Summary of significant related party transactions is as follows:

(1) As of December 31, 2024 and 2023:

	<u>2024</u> US\$	<u>2023</u> US\$
Other Payable to LIAN FA	21,635	31,551
	=====	=====

(2) For the year ended December 31, 2024 and 2023:

	<u>2024</u> US\$	<u>2023</u> US\$
Franchise Costs Charged by LIAN FA	555,250	706,000
Advertising Expense Charged by LIAN FA	28,664	-
	-----	-----
	583,914	706,000
	=====	=====

On January 1, 2023, the Company entered into the trademark license agreement with LIAN FA (licensor), which grants the Company to use the trademark for the purpose of operation, marketing and so forth in all kind of franchise business. The term of the agreement is five years and shall be automatically renewed for successive five years.

On January 1, 2024, the Company entered into the consulting agreement with LIAN FA. The term of the agreement is one year and shall be automatically renewed for successive one year. Under the service agreement, the Company is required to pay service fee for each franchise store of the Company. The service fee includes technology transfer, opening support and store design service to the franchisees.

	<u>2024</u> US\$	<u>2023</u> US\$
Operating Expenses Charged by LIAN FA		
Management Fee	1,298,000	1,163,000
	=====	=====

On December 27, 2023, the Company entered into a one-year management service agreement with LIAN FA. Under the agreement, the Company agreed to pay LIAN FA management service fee and information service fee.

12. Immediate Parent and Ultimate Controlling Party

At December 31, 2024, management considers the Company's immediate parent and ultimate controlling party is LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, which is incorporated in Taiwan and listed in Taipei Exchange.

LILIAN USA LLC

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

KAIZEN CPA PLLC
CERTIFIED PUBLIC ACCOUNTANTS
UNITED STATES
WWW.KAIZENCPA.COM

LILIAN USA LLC
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1
Statement of Income	2
Balance Sheet	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 15

(EXPRESSED IN UNITED STATES DOLLARS)

**Independent Auditor's Report
To the Member of LILIAN USA LLC**

We have audited the accompanying financial statements of LILIAN USA LLC, which comprise the balance sheet as of December 31, 2023, and the related statement of income, changes in member's equity, and cash flows for the year 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 LILIAN USA LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaizen CPA PLLC

Kaizen CPA PLLC
202 Canal Street, Suite 303, 3/F,
New York, NY 10013, USA
Date: 22 February 2024

LILIAN USA LLC
Statement of Income
For the Year Ended December 31, 2023

	<u>Note</u>	<u>2023</u> US\$	<u>2022</u> US\$
Revenue			
Franchise Revenue		1,421,816	1,468,387
Royalty Income		3,328,006	3,254,371
		-----	-----
Total Revenue		4,749,822	4,722,758
		-----	-----
Cost and Expenses			
Cost of Revenue		706,000	914,000
Operating Expenses		2,372,597	1,651,107
		-----	-----
Total Cost and Expenses		3,078,597	2,565,107
		-----	-----
Income from Operations		1,671,225	2,157,651
		-----	-----
Non-operating Income / (Expenses)			
Interest Income		189,886	72,331
Interest Expenses	6	(3,045)	(569)
Other (Expense)/Income, Net		(1,679)	49,839
		-----	-----
Net Non-operating Income		185,162	121,601
		-----	-----
Income before Taxes		1,856,387	2,279,252
Income Tax Expenses	3	454,685	575,466
		-----	-----
Net Income		1,401,702	1,703,786
		=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Balance Sheet
As of December 31, 2023

	<u>Note</u>	<u>2023</u> US\$	<u>2022</u> US\$
ASSETS			
Current Assets:			
Cash and Cash Equivalents	4	3,872,632	4,415,185
Accounts Receivable (Including Related Party)	5	664,852	712,930
Prepaid Expenses		37,618	99,082
Tax Recoverable		147,985	74,848
		-----	-----
Total Current Assets		4,723,087	5,302,045
Non-current Assets:			
Deferred Tax Assets	3	192,576	176,711
Operating Lease Right-of-use Asset	6	59,171	9,672
Security Deposits		1,658	1,658
		-----	-----
Total Non-current Assets		253,405	188,041
		-----	-----
Total Assets		4,976,492	5,490,086
		=====	=====
LIABILITIES AND MEMBER'S EQUITY			
Current Liabilities:			
Accrued Expenses	7	91,038	82,585
Other Payables (Including Related Party)		35,046	13,300
Deferred Revenue	8	1,131,715	1,541,297
Operating Lease Liability	6	21,016	8,322
		-----	-----
Total Current Liabilities		1,278,815	1,645,504
Non-current Liabilities:			
Customer Deposits		1,114,400	1,024,400
Deferred Revenue	8	268,932	345,359
Operating Lease Liability	6	37,820	-
		-----	-----
Total Non-current Liabilities		1,421,152	1,369,759
		-----	-----
Total Liabilities		2,699,967	3,015,263
Member's Equity			
Contributed Capital		200,000	200,000
Retained Earnings		3,676,525	4,274,823
Dividend Paid	9	(1,600,000)	(2,000,000)
		-----	-----
Total Member's Equity		2,276,525	2,474,823
		-----	-----
Total Liabilities and Member's Equity		4,976,492	5,490,086
		=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Statement of Changes in Member's Equity
For the Year Ended December 31, 2023

	Note	Contributed <u>Capital</u> US\$	Retained <u>Earnings</u> US\$	<u>Total</u> US\$
At January 1, 2022		200,000	2,571,037	2,771,037
Net Income		-	1,703,786	1,703,786
Dividend Paid	9	-	(2,000,000)	(2,000,000)
		-----	-----	-----
At December 31, 2022 and January 1, 2023		200,000	2,274,823	2,474,823
Net Income		-	1,401,702	1,401,702
Dividend Paid	9	-	(1,600,000)	(1,600,000)
		-----	-----	-----
At December 31, 2023		200,000	2,076,525	2,276,525
		=====	=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Statement of Cash Flows
For the Year Ended December 31, 2023

	<u>2023</u> US\$	<u>2022</u> US\$
Cash Flows from Operating Activities		
Net Income	1,401,702	1,703,786
Adjustments to Reconcile Net Income to Net Cash Generated from Operating Activities:		
Deferred Income Taxes	(15,865)	(101,596)
Allowance for Doubtful Debt	34,000	38,000
Depreciation (ROU)	23,954	23,211
Interest Expense on Lease Liabilities	3,045	569
Changes in Operating Assets and Liabilities:		
Accounts Receivable	14,078	(219,415)
Prepaid Expenses	61,464	(82,888)
Tax Recoverable	(73,137)	118,200
Accrued Expenses	8,453	12,890
Other Payables	21,746	(34,270)
Deferred Revenue	(486,009)	(52,555)
Customer Deposits	90,000	200,000
Operating Lease Liability	(25,984)	(24,908)
	-----	-----
Net Cash Generated from Operating Activities and Net Increase in Cash and Cash Equivalents	1,057,447	1,581,024
	-----	-----
Financing Activities		
Payments for Dividends	(1,120,000)	(1,400,000)
Payments for Withholding Tax	(480,000)	(600,000)
	-----	-----
Net Cash Generated from Financing Activities	(1,600,000)	(2,000,000)
	-----	-----
	(542,553)	(418,976)
Cash and Cash Equivalents, Beginning of the Year	4,415,185	4,834,161
	-----	-----
Cash and Cash Equivalents, End of the Year	3,872,632	4,415,185
	=====	=====
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Income Taxes	542,581	558,863
	=====	=====

The accompanying Notes to the Financial Statements form an integral part of, and should be read in conjunction with, these financial statements.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

1. Reporting Entity

LILIAN USA LLC (the "Company") was formed as a limited liability company under the Delaware Limited Liability Company Act on March 20, 2015. It is wholly owned by LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, a Taiwanese company. The Company is franchising its restaurant brands that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts in the United States of America.

2. Significant Accounting Policies

(1) Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The financial statements are presented in United States Dollars.

(2) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

(3) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 22, 2024, the date that these financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure in the accompanying financial statements.

(4) Revenue Recognition

The Company adopted the provisions of ASU 2021-02: Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the revenue standard.

The Company recognized revenue from fees from franchised restaurants operated by conventional franchisees. Franchise revenue included initial licensing franchise fees and amortized franchise fee.

Revenue from franchise agreement is generally recognized, net of an allowance for uncollectible amounts.

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

2. Significant Accounting Policies (Cont'd)

(4) Revenue recognition (Cont'd)

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

After the franchised restaurants started operation, royalty income is paid by franchisees to the Company for brand maintenance, new product development and consulting services. Continuing royalties, which are either fixed amount per month or as a percentage of net sales of the franchisee, are recognized as revenue when earned and become receivable from the franchisee.

(5) Cost of Revenue

The cost of revenue includes all costs of service which includes technology transfer, opening support, store design service and trademark license fees.

(6) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying account of cash equivalents approximates fair value.

(7) Account Receivables

Accounts receivable primarily represents receivables from franchisee who received the services. An allowance of the expected credit losses for account receivable is calculated using an aging schedule that calculated based on how long a receivable has been outstanding. While management used the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

(8) Right-of-use Asset and Lease Liabilities

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments. Depreciation of right-of-use asset is recognized on a straight-line basis over the lease term.

For the lease within a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

2. Significant Accounting Policies (Cont'd)

(9) Income Taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows authoritative guidance under ASC No. 740, "Income Taxes" on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

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

(10) Fair Value of Financial Instruments

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

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

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

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

2. Significant Accounting Policies (Cont'd)

(10) Fair Value of Financial Instruments (Cont'd)

As of December 31, 2023, the carrying value of cash and cash equivalents, accounts receivable, accrued expenses, other payables and lease liability approximated their fair values due to the short-term nature of these financial instruments. The Company's lease liability approximated the carrying amount at December 31, 2023 as their interest rates are considered as approximate to the current rate for comparable leases. There were no outstanding derivative financial instruments as of December 31, 2023.

(11) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents at financial institutions. Bank accounts at U.S. institutions are insured up to US\$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023, the total balance of cash in U.S. institutions exceeded the amount insured by the FDIC for the Company by approximately US\$145,880 (2022: US\$128,563). For deposits at Taiwan financial institutions, all deposits are insured by the Central Deposit Insurance Corporation (CDIC) up to maximum of NT\$3,000,000 (US\$97,391) per insured institution. As of December 31, 2023, the total balance of cash in Taiwan financial institution exceeded the amount insured by the CDIC for the Company by approximately US\$3,281,969 (2022: US\$3,841,335).

(12) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

(13) Dividend Distribution

Dividend distribution to the Company's sole shareholder is recognised as a liability in the year in which the dividends are approved by the Company's sole shareholder.

(14) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2023 up to the date of authorization of the financial statements which are not yet effective and, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective is expected to have a material effect on the financial statements of the Company.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

3. Income Taxes

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

	<u>2023</u> US\$	<u>2022</u> US\$
<u>Current</u>		
Federal Tax Expense	382,465	541,014
State Tax Expense	88,084	136,049
	-----	-----
	470,549	677,063
	-----	-----
<u>Deferred</u>		
Federal Tax Benefit	(12,051)	(89,559)
State Tax Benefit	(3,813)	(12,038)
	-----	-----
	(15,864)	(101,597)
	-----	-----
Net Income Tax Expense	454,685	575,466
	=====	=====

Deferred tax assets / (liabilities) as of December 31, 2023 and 2022 consisted approximately of:

	<u>2023</u> US\$	<u>2022</u> US\$
Deferred Revenue	158,760	158,720
Allowance for Doubtful Accounts	24,475	16,038
State Taxes	20,313	27,515
Others	(10,972)	(25,562)
	-----	-----
Net Deferred Tax Assets	192,576	176,711
	=====	=====

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

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

4. Cash and Cash Equivalents

As of December 31, 2023 and 2022, the balance of cash and cash equivalents was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Cash in bank	1,667,397	4,415,185
Time deposits	2,205,235	-
	-----	-----
	3,872,632	4,415,185
	=====	=====

The interest rate of time deposits is 4.398% to 5.6% per annum and the interest income arising from time deposits is US\$189,886 during the year.

5. Accounts Receivable (Including Related Party)

As of December 31, 2023 and 2022, the balance of accounts receivable was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Gross Amount	764,852	778,930
Less: Allowance for Doubtful Accounts	(100,000)	(66,000)
	-----	-----
Net Amount	664,852	712,930
	=====	=====

6. Lease

As of December 31, 2023 and 2022, supplemental balance sheet information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Operating Lease Right-of-use Asset	59,171	9,672
	=====	=====
Operating Lease Liability	58,836	8,322
	=====	=====

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

6. Lease (Cont'd)

For the year ended December 31, 2023 and 2022, supplemental statement of income information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Right-of-use Asset Depreciation	23,954	23,211
	=====	=====
Operating Lease Interest Expenses	3,045	569
	=====	=====
Short-term Lease Expenses	1,801	1,720
	=====	=====

Supplemental cash flow information related to lease was as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities	25,880	24,828
	=====	=====
Right-of-use assets obtained in exchange for new operating lease obligations	73,453	-
	=====	=====

The Company has an operating lease for its office expiring in 2026. As of December 31, 2023 and 2022, maturities of operating lease liabilities were as follows:

	<u>2023</u> US\$	<u>2022</u> US\$
Remaining Undiscounted Lease Payments	64,816	8,385
Less: Imputed Interest	(5,980)	(63)
	-----	-----
Net Lease Liability	58,836	8,322
Less: Current Portion	(21,016)	(8,322)
	-----	-----
Non-current Portion	37,820	-
	=====	=====

As of December 31, 2023, the remaining lease term and discount rate applied on the operating lease arrangement were 29 months (2022: 5 months) and 7.5% per annum (2022: 2.4% per annum) respectively.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

6. Lease (Cont'd)

Short-term lease has a lease term of 12 months or less. The future minimum fixed base rentals under these non-cancellable leases at December 31, 2023 and 2022 are as follows:

<u>Years Ending December 31,</u>	<u>2023</u> US\$	<u>2022</u> US\$
2024	145	-
	=====	=====

7. Accrued Expenses

As of December 31, 2023 and 2022, accrued expenses consisted of the following:

	<u>2023</u> US\$	<u>2022</u> US\$
Accrued Professional Fee	61,527	69,750
Accrued Payroll	8,716	-
Accrued Travelling Expenses	15,700	-
Accrued Advertisement Expense	365	10,582
Others	4,730	2,253
	-----	-----
Total Accrued Expenses	91,038	82,585
	=====	=====

8. Deferred Revenue

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

	<u>2023</u> US\$	<u>2022</u> US\$
Unearned Franchise Revenue	1,396,966	1,878,672
Others	3,681	7,984
	-----	-----
	1,400,647	1,886,656
Less: Current Portion	(1,131,715)	(1,541,297)
	-----	-----
Non-current Portion	268,932	345,359
	=====	=====

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

9. Dividends

	<u>2023</u> US\$	<u>2022</u> US\$
Interim Dividend Declared and Paid by the Company for the Year Consisted of the Following: US\$800,000 Per Share (2022: 1,000,000)	1,600,000 =====	2,000,000 =====

10. Related Party Transactions

Name of related party and relationship:

<u>Name of Related Party</u>	<u>Relationship</u>
LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION ("LIAN FA")	Sole Member

Summary of significant related party transactions is as follows:

(1) As of December 31, 2023 and 2022:

	<u>2023</u> US\$	<u>2022</u> US\$
Accounts Receivable from LIAN FA	-	26,309
	=====	=====
Other Payable to LIAN FA	31,551	13,000
	=====	=====

(2) For the year ended December 31, 2023 and 2022:

	<u>2023</u> US\$	<u>2022</u> US\$
Franchise Costs Charged by LIAN FA	706,000	914,000
	=====	=====

On January 1, 2023, the Company entered into the trademark license agreement with LIAN FA (licensor), which grants the Company to use the trademark for the purpose of operation, marketing and so forth in all kind of franchise business. The term of the agreement is five years and shall be automatically renewed for successive five years.

LILIAN USA LLC
Notes to the Financial Statements
For the Year Ended December 31, 2023

10. Related Party Transactions (Cont'd)

On January 1, 2023, the Company entered into the consulting agreement with LIAN FA. The term of the agreement is one year and shall be automatically renewed for successive one year. Under the service agreement, the Company is required to pay service fee for each franchise store of the Company. The service fee includes technology transfer, opening support and store design service to the franchisees.

	<u>2023</u>	<u>2022</u>
	US\$	US\$
Operating Expenses Charged by LIAN FA		
Management Fee	1,163,000	1,003,000
	=====	=====

On December 27, 2022, the Company entered into a one-year management service agreement with LIAN FA. Under the agreement, the Company agreed to pay LIAN FA management service fee and information service fee.

11. Immediate parent and ultimate controlling party

At December 31, 2023, management considers the Company's immediate parent and ultimate controlling party is LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, which is incorporated in Taiwan and listed in Taipei Exchange.

LILIAN USA LLC

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CONTENTS

	<u>Pages</u>
Independent auditor's report	1
Statement of income	2
Balance sheet	3
Statement of changes in member's equity	4
Statement of cash flows	5
Notes to the financial statements	6 - 15

(EXPRESSED IN UNITED STATES DOLLARS)

Independent auditor's report
To the Member of LILIAN USA LLC

We have audited the accompanying financial statements of LILIAN USA LLC, which comprise the balance sheet as of December 31, 2022, and the related statement of income, changes in member's equity, and cash flows for the year 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 LILIAN USA LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaizen CPA PLLC

Kaizen CPA PLLC
202 Canal Street, Suite 303, 3/F.,
New York, NY 10013, USA
Date: March 1, 2023

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LILIAN USA LLC
Statement of income
For the year ended December 31, 2022

	<u>Note</u>	<u>2022</u> US\$	<u>2021</u> US\$
Revenue			
Franchise revenue		1,468,387	1,457,487
Royalty income		3,254,371	2,461,191
Total revenue		4,722,758	3,918,678
Cost and expenses			
Cost of revenue		914,000	983,000
Operating expenses		1,651,107	1,435,073
Total cost and expenses		2,565,107	2,418,073
Income from operations		2,157,651	1,500,605
Non-operating income / (expenses)			
Interest income		72,331	7,096
Interest expenses	5	(569)	(1,131)
Other income, net		49,839	31,520
Net non-operating income		121,601	37,485
Income before taxes		2,279,252	1,538,090
Income tax expenses	3	575,466	384,551
Net income		1,703,786	1,153,539

The accompanying notes are an integral part of these financial statements

LILIAN USA LLC
Balance sheet
As of December 31, 2022

	<u>Note</u>	<u>2022</u> US\$	<u>2021</u> US\$
ASSETS			
Current assets:			
Cash and cash equivalents		4,415,185	4,834,161
Accounts receivable (including related parties)	4	712,930	531,515
Prepaid expenses		173,930	209,242
		-----	-----
Total current assets		5,302,045	5,574,918
Non-current assets:			
Deferred tax assets	3	176,711	75,115
Operating lease right-of-use asset	5	9,672	32,883
Security deposits		1,658	1,658
		-----	-----
Total non-current assets		188,041	109,656
		-----	-----
Total assets		5,490,086	5,684,574
		=====	=====
LIABILITIES AND MEMBER'S EQUITY			
Current liabilities:			
Accrued expenses	6	82,585	69,695
Other payables (including related parties)		13,300	47,570
Deferred revenue	7	1,541,297	1,566,715
Operating lease liability	5	8,322	22,244
		-----	-----
Total current liabilities		1,645,504	1,706,224
Non-current liabilities:			
Customer deposits		1,024,400	824,400
Deferred revenue	7	345,359	372,496
Operating lease liability	5	-	10,417
		-----	-----
Total non-current liabilities		1,369,759	1,207,313
		-----	-----
Total liabilities		3,015,263	2,913,537
Member's equity			
Contributed capital		200,000	200,000
Retained earnings		2,274,823	2,571,037
		-----	-----
Total member's equity		2,474,823	2,771,037
		-----	-----
Total liabilities and member's equity		5,490,086	5,684,574
		=====	=====

The accompanying notes are an integral part of these financial statements

LILIAN USA LLC
Statement of changes in member's equity
For the year ended December 31, 2022

	Note	Contributed <u>capital</u> US\$	Retained <u>earnings</u> US\$	<u>Total</u> US\$
At January 1, 2021		200,000	1,417,498	1,617,498
Net income		-	1,153,539	1,153,539
		-----	-----	-----
At December 31, 2021 and January 1, 2022		200,000	2,571,037	2,771,037
Net income		-	1,703,786	1,703,786
Dividend paid	9	-	(2,000,000)	(2,000,000)
		-----	-----	-----
At December 31, 2022		200,000	2,274,823	2,474,823
		=====	=====	=====

The accompanying notes are an integral part of these financial statements

LILIAN USA LLC
Statement of cash flows
For the year ended December 31, 2022

	<u>2022</u> US\$	<u>2021</u> US\$
Cash flows from operating activities		
Net income	1,703,786	1,153,539
Adjustments to reconcile net income to net cash generated from operating activities:		
Deferred income taxes	(101,596)	61,110
Allowance for doubtful debt	38,000	(5,500)
Depreciation	23,211	23,211
Bad debt	-	23,080
Changes in operating assets and liabilities:		
Accounts receivable	(219,415)	(274,610)
Prepaid expenses	35,312	(67,383)
Accrued expenses	12,890	15,379
Other payables	(34,270)	47,570
Deferred revenue	(52,555)	421,902
Customer deposits	200,000	171,200
Operating lease liability	(24,339)	(22,741)
Net cash generated from operating activities and net increase in cash and cash equivalents	1,581,024	1,546,757
Financing activities		
Payments for dividends	(1,400,000)	-
Payments for withholding tax	(600,000)	-
Net cash generated from financing activities	(2,000,000)	-
	(418,976)	1,546,757
Cash and cash equivalents, beginning of the year	4,834,161	3,287,404
Cash and cash equivalents, end of the year	4,415,185	4,834,161
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Income taxes	558,863	377,429

The accompanying notes are an integral part of these financial statements

1. Organization

LILIAN USA LLC (the "Company") was formed as a limited liability company under the Delaware Limited Liability Company Act on March 20, 2015. It is wholly owned by LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, a Taiwanese company. The Company is franchising its restaurant brands that offer gourmet coffees, teas, coffee or tea based beverages, compatible food products and desserts in the United States of America.

2. Significant accounting policies

(a) Basis of presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

The financial statements are presented in United States Dollars.

(b) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

(c) Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through March 1, 2023, the date that these financial statements were available to be issued. There were no subsequent events that required adjustment or disclosure in the accompanying financial statements.

(d) Revenue recognition

The Company adopted the provisions of ASU 2011-02: Revenue from Contracts with Customers (Topic 606) and the principal versus agent guidance within the revenue standard.

The Company recognized revenue from fees from franchised restaurants operated by conventional franchisees. Franchise revenue included initial licensing franchise fees and amortized franchise fee.

Revenue from franchise agreement is generally recognized, net of an allowance for uncollectible amounts.

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

2. Significant accounting policies (cont'd)

(d) Revenue recognition (cont'd)

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

After the franchised restaurants started operation, royalty income is paid by franchisees to the Company for brand maintenance, new product development and consulting services. Continuing royalties, which are either fixed amount per month or as a percentage of net sales of the franchisee, are recognized as revenue when earned and become receivable from the franchisee.

(e) Cost of revenue

The cost of revenue includes all costs of service which includes technology transfer, opening support, store design service and trademark license fees.

(f) Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying account of cash equivalents approximates fair value.

(g) Account receivables

Accounts receivable primarily represents receivables from franchisee who received the services. An allowance of the expected credit losses for account receivable is calculated using an aging schedule that calculated based on how long a receivable has been outstanding. While management used the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

(h) Right-of-use asset and lease liabilities

A lessee should recognize the lease liability to make lease payments and the right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, a right-of-use asset and a lease liability are initially measured at the present value of the lease payments. Depreciation of right-of-use asset is recognized on a straight-line basis over the lease term.

For the lease within a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd)

(i) Income taxes

The Company has elected to be taxed as a corporation for federal and state income tax purposes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Adjustments to prior year's income tax liabilities are added to or deducted from the current year's tax provision.

The Company follows authoritative guidance under ASC No. 740, "Income Taxes" on uncertain tax positions and has analyzed its filing positions in all the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in those jurisdictions. The Company files income tax returns in the US federal and state jurisdictions where it conducts business. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material adverse effect on its financial position, results of operations, or cash flows. Therefore, no reserves for uncertain tax positions have been recorded. The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months.

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

(j) Fair value of financial instruments

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

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

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

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

2. Significant accounting policies (cont'd)

(j) Fair value of financial instruments (cont'd)

As of December 31, 2022, the carrying value of cash and cash equivalents, accounts receivable, accrued expenses, other payables and lease liability approximated their fair values due to the short-term nature of these financial instruments. The Company's lease liability approximated the carrying amount at December 31, 2022 as their interest rates are considered as approximate to the current rate for comparable leases. There were no outstanding derivative financial instruments as of December 31, 2022.

(k) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents at financial institutions. Bank accounts at U.S. institutions are insured up to US\$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022, the total balance of cash in U.S. institutions exceeded the amount insured by the FDIC for the Company by approximately US\$128,563 (2021: US\$340,110). For deposits at Taiwan financial institutions, all deposits are insured by the Central Deposit Insurance Corporation (CDIC) up to maximum of NT\$3,000,000 (US\$97,643) per insured institution. As of December 31, 2022, the total balance of cash in Taiwan financial institution exceeded the amount insured by the CDIC for the Company by approximately US\$3,841,335 (2021: US\$4,025,140).

(l) Loss contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

(m) Dividend distribution

Dividend distribution to the Company's sole shareholder is recognised as a liability in the year in which the dividends are approved by the Company's sole shareholder.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2022 up to the date of authorization of the financial statements which are not yet effective and, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective is expected to have a material effect on the financial statements of the Company.

LILIAN USA LLC
Notes to the financial statements
For the year ended December 31, 2022

3. Income taxes

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

	<u>2022</u> US\$	<u>2021</u> US\$
<u>Current</u>		
Federal tax expense	541,014	258,453
State tax expense	136,049	64,988
	----- 677,063	----- 323,441
<u>Deferred</u>		
Federal tax (benefit) / expenses	(89,559)	50,965
State tax (benefit) / expenses	(12,038)	10,145
	----- (101,597)	----- 61,110
Net income tax expense	=====	=====

Deferred tax assets / (liabilities) as of December 31, 2022 and 2021 consisted approximately of:

	<u>2022</u> US\$	<u>2021</u> US\$
Deferred revenue	158,720	59,880
Allowance for doubtful accounts	16,038	6,787
State taxes	27,515	13,269
Others	(25,562)	(4,821)
Net deferred tax assets	----- 176,711	----- 75,115

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

LILIAN USA LLC
Notes to the financial statements
For the year ended December 31, 2022

4. Accounts receivable (including related parties)

As of December 31, 2022 and 2021, the balance of accounts receivable was as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Gross amount	778,930	559,515
Less: Allowance for doubtful accounts	(66,000)	(28,000)
Net amount	<u>712,930</u>	<u>531,515</u>

5. Lease

As of December 31, 2022 and 2021, supplemental balance sheet information related to lease was as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Operating lease right-of-use asset	<u>9,672</u>	<u>32,883</u>
Operating lease liability	<u>8,322</u>	<u>32,661</u>

For the year ended December 31, 2022 and 2021, supplemental statement of income information related to lease was as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Right-of-use asset depreciation	<u>23,211</u>	<u>23,211</u>
Operating lease interest expenses	<u>569</u>	<u>1,131</u>
Short-term lease expenses	<u>1,720</u>	<u>1,801</u>

LILIAN USA LLC
Notes to the financial statements
For the year ended December 31, 2022

5. Lease (cont'd)

Supplemental cash flow information related to lease was as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Cash paid for amounts included in the measurement of operating lease liabilities	24,828	23,872

The Company has an operating lease for its office expiring in 2023. As of December 31, 2022 and 2021, maturities of operating lease liabilities were as follows:

	<u>2022</u> US\$	<u>2021</u> US\$
Remaining undiscounted lease payments	8,385	33,293
Less: Imputed interest	(63)	(632)
Net lease liability	8,322	32,661
Less: current portion	(8,322)	(22,244)
Non-current portion	-	10,417

As of December 31, 2022, the remaining lease term and discount rate applied on the operating lease arrangement were 5 months (2021: 17 months) and 2.4% per annum (2021: 2.4% per annum) respectively.

Short-term lease has a lease term of 12 months or less. The future minimum fixed base rentals under these non-cancellable leases at December 31, 2022 and 2021 are as follows:

<u>Years ending December 31,</u>	<u>2022</u> US\$	<u>2021</u> US\$
2022	-	145

LILIAN USA LLC
Notes to the financial statements
For the year ended December 31, 2022

6. Accrued expenses

As of December 31, 2022 and 2021, accrued expenses consisted of the following:

	<u>2022</u> US\$	<u>2021</u> US\$
Accrued professional fee	69,750	52,624
Accrued advertisement expense	10,582	15,370
Others	2,253	1,701
	-----	-----
Total accrued expenses	<u>82,585</u>	<u>69,695</u>

7. Deferred revenue

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

	<u>2022</u> US\$	<u>2021</u> US\$
Unearned franchise revenue	1,878,672	1,937,651
Others	7,984	1,560
	-----	-----
	1,886,656	1,939,211
Less: current portion	(1,541,297)	(1,566,715)
	-----	-----
Non-current portion	<u>345,359</u>	<u>372,496</u>

8. Dividends

	<u>2022</u> US\$	<u>2021</u> US\$
Interim dividend declared and paid by the Company for the year consisted of the following:		
US\$1,000,000 per share (2021: Nil)	2,000,000	-
	-----	-----

9. Related party transactions

Name of related party and relationship:

<u>Name of related party</u>	<u>Relationship</u>
LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION ("LIAN FA")	Sole member

LILIAN USA LLC
Notes to the financial statements
For the year ended December 31, 2022

9. Related party transactions (cont'd)

Summary of significant related party transactions is as follows:

(a) As of December 31, 2022 and 2021:

	<u>2022</u> US\$	<u>2021</u> US\$
Accounts receivable from LIAN FA	26,309	-
Other payable to LIAN FA	13,000	47,270

(b) For the year ended December 31, 2022 and 2021:

	<u>2022</u> US\$	<u>2021</u> US\$
Franchise costs charged by LIAN FA	914,000	983,000

On January 1, 2021, the Company entered into the trademark license agreement with LIAN FA (licensor), which grants the Company to use the trademark for the purpose of operation, marketing and so forth in all kind of franchise business. The term of the agreement is five years and shall be automatically renewed for successive five years.

On January 1, 2020, the Company entered into the consulting agreement with LIAN FA. The term of the agreement is one year and shall be automatically renewed for successive one year. Under the service agreement, the Company is required to pay service fee for each franchise store of the Company. The service fee includes technology transfer, opening support and store design service to the franchisees.

	<u>2022</u> US\$	<u>2021</u> US\$
Operating expenses charged by LIAN FA		
Management fee	1,003,000	986,000

On December 21, 2021, the Company entered into a one-year management service agreement with LIAN FA. Under the agreement, the Company agreed to pay LIAN FA management service fee and information service fee.

10. Contingencies

In 2022, management does not believe there are such matters that will have a material effect on the financial statements.

In the year 2022, the Company has suspected to violate franchise law in New York and Hawaii, which such suspects are still being under investigating by the local authorities. As at 6 February 2023, the management and the Company's legal representative is in the idea of a fine of not more than US\$12,000 will be imposed, if any conviction found guilty.

In March 2021, the Securities Enforcement Branch of the Department of Commerce and Consumer Affairs, State of Hawaii began an investigation into the Company's prior franchise activity in the State of Hawaii. The Company are cooperating fully with the investigation and await the State of Hawaii's finding. Currently, the legal advsier cannot estimate the amount of the fine, but it should not have any material impact on the overall operation in Hawaii.

In September 2022, a franchisee was sued by a customer alleging that the website "www.1992sharetea.com" is not in compliance with California's Unruh Civil Rights Act because it is not accessible to people with disabilities. The Company are currently in the process of meeting and conferring as to a possible settlement of the matter. In the event a claim is filed, the Company intends to vigorously defend against the claim. Currently, the legal advisor unable to form a judgment whether the likelihood of an unfavorable outcome and form no opinion on the likely outcome of this matter.

11. Immediate parent and ultimate controlling party

At December 31, 2022, management considers the Company's immediate parent and ultimate controlling party is LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION, which is incorporated in Taiwan and listed in Taipei Exchange.

Exhibit B

Franchise Agreement



EXHIBIT C
AREA DEVELOPMENT AGREEMENT

Exhibit D

Directory of Administrative Agencies

California

Department of Financial Protection &
Innovation
2101 Arena Boulevard Sacramento, CA
95834
Toll Free Number 1-866-275-2677

Los Angeles

320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7514

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8559

Hawaii

(for service of process)
The Commissioner of Securities
Department of Commerce and Consumer
Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(state agency)

The Commissioner of Securities
Department of Commerce and Consumer
Affairs
Business Regulation Division

335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 382-4465

Indiana

(for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division, Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

(for service of process)
Maryland Securities Commissioner at the
Office of Attorney General
Securities Division
20th Floor, 200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General – Securities
Division
20th Floor, 200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

Michigan

(for service of process)
Michigan Department of Commerce
Corporations and Securities Bureau
PO Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

(state agency)
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G Mennen Williams Building
525 West Ottawa, 1st Floor
Lansing, Michigan 48933-1105
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Commissioner of Commerce
85 7th Place East, Suite 280
St Paul, Minnesota 55101
(651) 539-1500

New York

(for service of process)
Secretary of the State of New York
99 Washington Avenue
Albany, New York 12231
(518) 474-4750

(state agency)
New York State Department of Law
Investment Protection Bureau
28 Liberty St. Floor New York, NY 10005
(212) 416-8222

North Dakota

North Dakota Securities Department
Fifth Floor 600 East Boulevard
Bismarck, North Dakota 58505
(701) 328-2910

Oregon

Department of Consumer and Business
Services
Division of Finance and Corporate
Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 338-4140

Rhode Island

Division of Securities
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9582

South Dakota

South Dakota Department of Labor and
Regulation
Division of Securities
445 E Capitol
Pierre, South Dakota 57501
(605) 773-4823

Virginia

(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)
State Corporation Commission
Division of Securities and Retail
Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

(for service of process)

Director Department of Financial
Institutions

Washington Department of Financial
Institutions

Securities Division

150 Israel Road SW

Tumwater, Washington 98501

(for other matters)

Department of Financial Institutions

Securities Division

PO Box 9033

Olympia, Washington 98507-9033

(360) 902-8760

Wisconsin

Commissioner of Securities

Wisconsin Department of Financial
Institutions

345 West Washington Avenue, 4th Floor

Madison, Wisconsin 53703

(608) 266-1064

Exhibit E

Additional Disclosure Required By the State

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)

- that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
- that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

Lilian USA LLC

Signature: _____

Name: Cheng, Kai-Lung

Title: President

Signature: _____

Name: _____

Title: _____

Date: _____

Date: _____

Exhibit F

Contact Information of Former and Current Franchisees

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

Arizona		
Michael Do 140 N Arizona Ave, Chandler, AZ 85225 michdo1@yahoo.com	Julie Vo 113 E. Southern Ave, Suite 117 Tempe, AZ 85281 Tang.mai232@gmailcom	

California		
Michael Do 2974 Chino Ave. Chino Hills, CA 91709 michdo1@yahoo.com	Ya-Lun Lin 8460 Elk Grove Blvd Suite 300, Elk Grove, CA 95758 yalun.lin@yahoo.com	Terry Peng 2495 first street, Livermore, CA 94550 circle-net@sbcglobal.net
Hur Min Seok 401 South Vermont Avenue, Space 6, Los Angeles CA 90020 minseok.hur@gmail.com	David Johnson 35 West Main Street, Los Gatos, California 95030 dj@djco.com , Jeff@sharecorp.co , jeffrey.m.johnson@gmail.com	Jea Wong 506 S Myrtle Ave Monrovia, CA 91016 aumontagne@gmail.com
Jeremiah Hayden 1046 Mission Ave Suite 1016, Oceanside CA 92054 hventuresllc@gmail.com	Anita 540 Bryant St., Palo Alto, CA 94301 anitabin@yahoo.com	Nicole Nguyen 22342C El Paseo, Rancho Santa Margarita, CA 92688 sharetealakeforest@gmail.com
Minh Nguyen 3740 Iowa Ave Suite 103, Riverside, CA 92507 minh1968@gmail.com	Minh Nguyen 10920 Magnolia Ave., Unit B., Rivderside, CA juliehnguyen@tngrealestate.com ; annie.lam14@gmail.com	Jea Wong 9038 Garvey Ave., Unit 101, Rosemead, CA 91770 aumontagne@gmail.com
Jen Ta Su 1722 Desire Ave, Rowland Heights, CA 91748 ameriwayusa@gmail.com	Micheal 4917 Convoy St. San Diego, CA 92111 shareteasandiego@gmail.com	Tina Sakasegawa 6353 El Cajon Blvd, San Diego, CA 92115 shareteadsu@gmail.com
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Virginia		
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Exhibit G
State Effective Dates

The following states have franchise laws that require that this Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	[Pending]
Hawaii	[Pending]
Illinois	[Pending]
Indiana	[Pending]
Maryland	[Pending]
Michigan	[Pending]
Minnesota	[Pending]
New York	[Pending]
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	[Pending]
Washington	[Pending]
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit H
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 Lilian USA LLC offers you a franchise, it must provide this disclosure document to you: (a) seven (7) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or at your reasonable request.

If Lilian USA 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 Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit C of the disclosure document.

The principal business address and telephone number of each franchise seller offering the franchise is contacting Kai-Lung Cheng at 1201 Orange Street #600, Wilmington, DE 19899, 800-246-2677.

This Disclosure Document was issued: Feb19, 2025

Our own agent for service of process in Minnesota is Minnesota Department of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101, (651) 539-1600.

I received a Disclosure Document issued Feb19, 2025. Included are the following exhibits:

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit C	Area Development Agreement
Exhibit D	Directory of Administrative Agencies
Exhibit E	Additional Disclosure Required by the state
Exhibit F	Contact Information of Former and Current Franchisees
Exhibit G	State Effective Dates
Exhibit H	Receipt

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

Tea Shop Address: _____

Signed: _____

Name: _____ (Please print)

Last 4 digits of Social Security Number: _____

_____ Street Address (domicile)

_____ City or Town/State/Zip Code

Receipt (2)

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

If Lilian USA LLC offers you a franchise, it must provide this disclosure document to you: (a) seven (7) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or at your reasonable request.

If Lilian USA 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 Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed in Exhibit C of the disclosure document.

The principal business address and telephone number of each franchise seller offering the franchise is contacting Kai-Lung Cheng at 1201 Orange Street #600, Wilmington, DE 19899, 800-246-2677.

This Disclosure Document was issued: Feb19, 2025

Our own agent for service of process in Minnesota is Minnesota Department of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101, (651) 539-1600.

I received a Disclosure Document issued Feb19, 2025. Included are the following exhibits:

Exhibit A	Financial Statement
Exhibit B	Franchise Agreement
Exhibit C	Directory of Administrative Agencies
Exhibit D	Additional Disclosure Required by the State
Exhibit E	Contact Information of Former and Current Franchisees
Exhibit F	State Effective Dates
Exhibit G	Receipt

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

Tea Shop Address: _____

Signed: _____

Name: _____ (Please print)

Last 4 digits of Social Security Number: _____

Street Address (domicile)

City or Town/State/Zip Code