



## 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 \$275,600 to \$606,400. This includes \$170,500 to \$203,300 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 \$699,800 to 1,511,200. This includes \$448,500 to \$531,900 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](http://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: March 5, 2026

## 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.

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## **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 7<sup>th</sup> 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.

Director of U.S. Project Team: Bai-Hung Cheng

Mr. Bai-Hung Cheng joined Lian Fa International Dining Business Corporation, located at 18F.-7, No. 95, Sec. 1, Xintai 5th Road, Xizhi District, New Taipei City 221416, Taiwan R.O.C., in 2023. Since joining, he has served as Project Manager in the Taiwan Brand Development Department and as Special Assistant to the Chairman's Office.

Mr. Cheng currently serves as Director of the U.S. Project Team, where he is responsible for supporting the development and operations of the Sharetea brand in the United States. Mr. Cheng has experience in overseas brand operations and international market coordination.

### **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 claim 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: \$91,000 to \$103,000

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.

In certain cases, we may offer alternative fee structures for area developers. In such cases, the Area Development Fee may be structured to include or offset certain initial fees otherwise payable under the Franchise Agreement, including the initial franchise fee, technology transfer fee, and pre-opening support fee. As a result, some or all of these fees may be reduced or waived for Tea Shops developed under an Area Development Agreement. The specific fee structure will be set forth in the Area Development

Agreement.

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: \$181,000 to \$217,000

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.
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)	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 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.	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 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-stars-or-above hotel accommodations, and other reasonable costs	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 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-	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.

	stars-or-above hotel accommodations, and other reasonable costs		
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.

<b>Type of Expenditure (note 1)</b>	<b>Estimated Amount or Estimated Low-High Range</b>	<b>When Due</b>	<b>Method of Payment</b>	<b>To Whom Payment is to be Made</b>
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	\$91,000 to \$103,000	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)	\$25,000 to \$85,000	As incurred	As arranged	Third Party
Total			\$275,600 to \$606,400	

### 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
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	\$181,000 to \$217,000	When you place the order	As arranges	Us
Utensils	\$7,500 to \$9,900	When you place the order	As arranges	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)	\$25,000 to \$85,000	As incurred	As arranged	Third Party
Total			\$699,800 to 1,511,200	

#### 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, 2025), the total revenue was \$36,648,882.67. Of that amount, \$15,546,866.71 was derived from franchisees' required purchases and leases of products or services. These required purchases and leases comprised approximately 42.42% 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.

We may receive rebates, commissions, or other consideration from Designated Software Providers or technology vendors based on franchisee usage. These amounts may vary and are not separately itemized.

#### 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.

We may require you to install and maintain video surveillance systems at your Tea Shop, including cameras covering designated areas of the premises. You must install such systems at your sole expense and ensure that they meet our specifications and technical requirements.

Subject to applicable laws and regulations (including privacy and data protection laws), you must provide us with remote or online access to such surveillance systems, including real-time or recorded video feeds, for purposes of monitoring

compliance with system standards, quality control, security, and operational oversight.

You are solely responsible for complying with all applicable laws relating to surveillance, privacy, employee notice, and data protection, including obtaining any required consents and providing any required notices to employees and customers. We do not assume responsibility for your compliance with such laws.

### 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.

### Software Updates and System Compliance

The Franchisee is required to install, maintain, and timely update all computer, point-of-sale, and electronic cash register systems, including all software, hardware integrations, and related components, in accordance with the Franchisor’s then-current specifications and requirements. These requirements may include mandatory updates, patches, upgrades, or system modifications that the Franchisor determines are necessary for operational, security, reporting, or brand standard purposes.

Failure by the Franchisee to timely implement any required software updates or system modifications may result in the Franchisee’s system becoming non-compliant with the Franchisor’s standards. Any such failure, if not cured within the time period specified in the Franchise Agreement after written notice from the Franchisor, may constitute a material breach of the Franchise Agreement.

If the Franchisee fails to cure such non-compliance within the applicable cure period, the Franchisor may exercise its rights under the Franchise Agreement, which may include termination of the Franchise Agreement, subject to applicable law.

### Designated Software Provider

We may designate one or more third-party software providers (each, a “Designated Software Provider”) to supply, host, maintain, or support the point-of-sale system, back-office systems, data reporting platforms, or other technology systems used in connection with the operation of the Sharetea System. You must use any Designated Software Provider that we specify from time to time and comply with all applicable software, hardware, subscription, licensing, and system requirements imposed by such provider or by us.

You will be required to enter into one or more agreements directly with the Designated Software Provider and pay all applicable fees, including subscription fees, licensing fees, support fees, upgrade costs, and other related charges. These fees may vary and are not controlled by us unless otherwise disclosed. We may require integration of your systems with centralized reporting, data collection, or monitoring systems, and you must provide us with access to your operational and sales data through such systems. We may change or replace any Designated Software Provider at any time, and you must implement any required transition at your expense.

We may receive fees, commissions, rebates, or other consideration from Designated Software Providers based on your use of their products or services. We are not obligated to pass any portion of such amounts on to you.

### 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 ultimate 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**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
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 “ Sharetea®”, “ 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

	5736817	April 30, 2019
	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,

	<p>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</p>
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		<p>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>
<p>i. Franchisee’s obligations on termination/nonrenewal</p>	<p>17.3</p>	<p>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 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</p>

		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
j. Assignment of contract by franchisor	14.1	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 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. This Section is subject to applicable state law.
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. This Section is subject to applicable state law.
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	11.3	Franchisor may terminate this Agreement upon the occurrence Area Developer's material breach to the

	with cause		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 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.
i.	Franchisee’s obligations on termination or non-renewal	8.3.1	Within 7 days of termination or expiration, Area Developer shall remove or cease using all Franchisor’s 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/	12.13	This Agreement (together with any exhibits, schedules,

	merger clause		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	<p>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.</p> <p>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.</p>
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.
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**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 2023 to 2025**

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
Franchised	2023	146	159	+13
	2024	159	154	-5
	2025	154	146	-8
Company-Owned	2023	0	0	0
	2024	0	0	0

	2025	0	0	0
Total Outlet	2023	146	159	+13
	2024	159	154	-5
	2025	154	146	-8

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

State	Year	Number of Transfer
CA	2023	1
	2024	3
	2025	2
CO	2023	0
	2024	0
	2025	1
KS	2023	0
	2024	1
	2025	0
NC	2023	1
	2024	0
	2025	0
TX	2023	0
	2024	2
	2025	5
WA	2023	1
	2024	3
	2025	1
Total	2023	3
	2024	9
	2025	9

**Table 3**  
**Status of Franchised Outlets for Year 2023 to 2025**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisors	Ceased Operations – Other Reasons	Outlets at End of the Year
AL	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

	2025	1	0	0	0	0	0	1
AZ	2023	2	0	0	0	0	0	2
	2024	2	0	0	1	0	0	1
	2025	1	0	0	0	0	0	1
CA	2023	59	4	3	0	0	0	60
	2024	60	2	5	2	0	0	55
	2025	55	2	1	2	0	0	54
CO	2023	4	2	1	0	0	0	5
	2024	5	0	0	1	0	0	4
	2025	4	0	0	1	0	0	3
D.C	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
FL	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
GA	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
HI	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
ID	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
IL	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	1	0	0	0	0	3
KS	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
KY	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
LA	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
MD	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
MI	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1

MN	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
NC	2023	2	3	0	0	0	0	5
	2024	5	1	0	0	0	0	6
	2025	6	1	0	1	0	0	6
NE	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
NM	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
NV	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	1	0	0	0	0	6
OH	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
OK	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
OR	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6
PA	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
TN	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	1	0	0	0	0
TX	2023	26	0	1	0	0	0	25
	2024	25	2	2	0	0	0	25
	2025	25	1	0	1	0	0	26
UT	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	2	0	0	1
VA	2023	3	0	0	0	0	0	3
	2024	3	1	1	0	0	0	3
	2025	3	0	0	1	0	0	2
WA	2023	18	2	1	0	0	0	19
	2024	19	1	2	1	0	0	17
	2025	17	1	2	0	0	0	16
Total	2023	147	19	6	0	0	0	159

	2024	159	10	10	5	0	0	154
	2025	154	8	4	12	0	0	146

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

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, 2025**

State	Franchise Agreements Signed but Outlets not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-owned Outlets in the Next Fiscal Year
CA	2	0	0
Total	2	0	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 2025, 2024, and 2023. 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, 2025**

**KAIZEN CPA PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**UNITED STATES**  
**[WWW.KAIZENCPA.COM](http://WWW.KAIZENCPA.COM)**

**LILIAN USA LLC**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

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(EXPRESSED IN UNITED STATES DOLLARS)

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of LILIAN USA LLC, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LILIAN USA LLC as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

**Independent Auditor's Report (Cont'd)**  
**To the Member of LILIAN USA LLC**

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**Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

In performing an audit in accordance with GAAS, our responsibilities are to:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LILIAN USA LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LILIAN USA LLC's ability to continue as a going concern for a reasonable period of time.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Kaizen CPA PLLC*

**Kaizen CPA PLLC**  
502 W 7TH ST STE 100  
ERIE, PA 16502-1333  
Date: March 5, 2026

**LILIAN USA LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2025**

	<u>Note</u>	<u>2025</u> US\$	<u>2024</u> US\$
<b>Revenue</b>			
Franchise Revenue		1,082,597	1,179,205
Royalty Income		2,607,920	3,045,489
Sales		-	6,910
		-----	-----
Total Revenue	3	3,690,517	4,231,604
		-----	-----
<b>Cost and Expenses</b>			
Cost of Revenue		470,400	560,350
Operating Expenses		3,374,803	2,739,848
		-----	-----
Total Cost and Expenses		3,845,203	3,300,198
		-----	-----
(Loss) / Income from Operations		(154,686)	931,406
		-----	-----
<b>Non-operating Income / (Expenses)</b>			
Interest Income		175,247	232,953
Interest Expenses	7	(1,224)	(3,800)
Gain on Early Termination of Lease		2,780	-
Other Income, Net		15,898	13,842
		-----	-----
Net Non-operating Income		192,701	242,995
		-----	-----
Income before Taxes		38,015	1,174,401
Income Tax Expenses	4	9,136	275,028
		-----	-----
<b>Net Income</b>		28,879	899,373
		=====	=====

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, 2025**

	<u>Note</u>	<u>2025</u> US\$	<u>2024</u> US\$
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	5	2,099,448	3,907,960
Time Deposits	5	1,860,000	800,000
Accounts Receivable (Including Related Party)	6	801,750	820,736
Prepaid Expenses		26,475	31,679
Interest Receivable		14,492	29,649
Other Receivable		22,077	594
Tax Recoverable		91,659	130,165
		-----	-----
Total Current Assets		4,915,901	5,720,783
Non-current Assets:			
Deferred Tax Assets	4	224,421	173,060
Operating Lease Right-of-use Asset	7	-	34,686
Property and Equipment	8	14,056	21,389
Security Deposits		18,323	15,903
		-----	-----
Total Non-current Assets		256,800	245,038
		-----	-----
Total Assets		5,172,701	5,965,821
		=====	=====
<b>LIABILITIES AND MEMBER'S EQUITY</b>			
Current Liabilities:			
Accrued Expenses	9	137,446	175,777
Other Payables (Including Related Party)		14,828	215,244
Deferred Revenue	10	525,515	987,654
Operating Lease Liability	7	-	23,852
		-----	-----
Total Current Liabilities		677,789	1,402,527
Non-current Liabilities:			
Customer Deposits		1,139,667	1,169,400
Deferred Revenue	10	150,468	206,316
Operating Lease Liability	7	-	11,680
		-----	-----
Total Non-current Liabilities		1,290,135	1,387,396
		-----	-----
Total Liabilities		1,967,924	2,789,923
Member's Equity			
Contributed Capital		200,000	200,000
Retained Earnings		3,004,777	2,975,898
		-----	-----
Total Member's Equity		3,204,777	3,175,898
		-----	-----
Total Liabilities and Member's Equity		5,172,701	5,965,821
		=====	=====

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, 2025**

---

	Contributed <u>Capital</u> US\$	Retained <u>Earnings</u> US\$	<u>Total</u> US\$
<b>At January 1, 2024</b>	200,000	2,076,525	2,276,525
Net Income	-	899,373	899,373
<b>At December 31, 2024 and January 1, 2025</b>	----- 200,000	----- 2,975,898	----- 3,175,898
Net Income	-	28,879	28,879
<b>At December 31, 2025</b>	----- 200,000 =====	----- 3,004,777 =====	----- 3,204,777 =====

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, 2025**

	<u>2025</u>	<u>2024</u>
	US\$	US\$
<b>Cash Flows from Operating Activities</b>		
Net Income	28,879	899,373
Adjustments to Reconcile Net Income to Net Cash Generated from Operating Activities:		
Deferred Income Taxes	(51,361)	19,516
Allowance for Doubtful Debt	423,000	105,000
Bank Interest Income	(175,247)	(232,953)
Doubtful Debt	25,042	21,049
Depreciation (Right-of-use Asset)	12,242	24,485
Depreciation (Property and Equipment)	7,333	611
Gain on Early Termination of Lease	(2,780)	-
Interest Expense on Lease Liabilities	1,224	3,800
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(429,056)	(281,933)
Prepaid Expenses	5,204	5,939
Other Receivable	(21,483)	(594)
Interest Receivable	15,157	(29,649)
Tax Recoverable	38,506	17,820
Accrued Expenses	(38,331)	84,739
Other Payables	(200,416)	180,198
Deferred Revenue	(517,987)	(206,677)
Customer Deposits	(29,733)	55,000
Security Deposits	(2,420)	(14,245)
Operating Lease Liability	(11,532)	(27,104)
<b>Net Cash (Used in) / Generated from Operating Activities</b>	(923,759)	624,375
<b>Investing Activities</b>		
Bank Interest Income Received	175,247	232,953
Acquisition of Property and Equipment	-	(22,000)
Time Deposits	(1,060,000)	1,405,235
<b>Net Cash (Used in) / Generated from Investing Activities</b>	(884,753)	1,616,188
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(1,808,512)	2,240,563
<b>Cash and Cash Equivalents, Beginning of the Year</b>	3,907,960	1,667,397
<b>Cash and Cash Equivalents, End of the Year</b>	2,099,448	3,907,960
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for:		
Income Taxes	21,991	237,692

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, 2025**

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**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 during the year.

**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 March 5, 2026, 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 recognizes revenue to depict the transfer of promised goods or services to franchisees in an amount that reflects the consideration to which the Company expects to be entitled.

- **Initial Franchise Fees:** These fees are generally received upon the signing of a franchise agreement. The Company has elected the practical expedient available under ASU 2021-02 for private companies. Under this election, the Company accounts for certain pre-opening services—including site selection assistance, training of personnel, and facilities preparation—as a single performance obligation that is distinct from the franchise license. Revenue from these pre-opening services is recognized at a point in time when the services are substantially completed, typically when the franchise location opens.
- **Franchise License:** The portion of the initial fee allocated to the franchise license is recognized on a straight-line basis over the term of the franchise agreement, as it represents a right to access the Company's intellectual property over time.
- **Royalties and Advertising Fees:** Sales-based royalties and advertising fund contributions are recognized when the related franchisee sales occur, as they represent variable consideration that relates specifically to the franchisee's use of the license.

### (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) Accounts Receivable

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.

### (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.

## 2. Significant Accounting Policies (Cont'd)

### (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) 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.

### (12) 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, 2025, the total balance of cash in U.S. institutions exceeded the amount insured by the FDIC for the Company by approximately US\$171,350 (2024: US\$ Nil). 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\$95,740) per insured institution. As of December 31, 2025, the total balance of cash in Taiwan financial institution exceeded the amount insured by the CDIC for the Company by approximately US\$3,346,618 (2024: US\$4,365,402).

2. **Significant Accounting Policies (Cont'd)**

**(13) Fair Value of Financial Instruments**

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

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

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

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

As of December 31, 2025, 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, 2025 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, 2025.

**(14) New Standards and Interpretations Not Yet Adopted**

A number of new standards, amendments to standards and interpretations have been issued since December 31, 2025 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, 2025**

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**3. Revenue from Contracts with Customers**

Disaggregation of Revenue

The following table provides a breakdown of revenue by type for years ended December 31, 2025 and 2024:

<u>Revenue Category</u>	<u>2025</u> US\$	<u>2024</u> US\$
Initial Franchise Fee (Pre-opening services)	378,767	387,580
Amortization of Franchise License Fees	703,830	791,625
Sales-based Royalties	2,607,920	3,045,489
Sales	-	6,910
	-----	-----
Total Revenue	3,690,517	4,231,604
	=====	=====

Contract Balances

Contract liabilities consist of deferred initial franchise that are recognized as revenue over the franchise term or upon the completion of pre-opening services.

- Opening Balance (Jan 1, 2025): US\$639,475
- Revenue recognized from prior periods: (US\$508,063.04)
- Ending Balance (Dec 31, 2025): US\$404,734

Significant Judgments

The Company uses judgment to allocate the transaction price to separate performance obligations based on their relative standalone selling prices. For pre-opening services, the Company has elected to treat them as a single performance obligation under the ASU 2021-02 practical expedient, simplifying the allocation process.

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**4. Income Taxes**

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

	<u>2025</u> US\$	<u>2024</u> US\$
<u>Current</u>		
Federal Tax Expense	48,936	220,017
State Tax Expense	11,561	35,495
	-----	-----
	60,497	255,512
	-----	-----
<u>Deferred</u>		
Federal Tax (Benefit) / Expense	(43,966)	18,076
State Tax (Benefit) / Expense	(7,395)	1,440
	-----	-----
	(51,361)	19,516
	-----	-----
Net Income Tax Expense	9,136	275,028
	=====	=====

Deferred tax assets as of December 31, 2025 and 2024 consisted approximately of:

	<u>2025</u> US\$	<u>2024</u> US\$
Deferred Revenue	75,479	124,574
Allowance for Doubtful Accounts	153,622	50,418
State Taxes	2,788	11,114
Others	(7,468)	(13,046)
	-----	-----
Net Deferred Tax Assets	224,421	173,060
	=====	=====

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

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**5. Cash and Cash Equivalents and Time Deposits**

As of December 31, 2025 and 2024, the balance of cash and cash equivalents and time deposits was as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Cash and Cash Equivalents		
- Cash in Bank	469,448	177,960
- Time Deposits (Maturity Within 3 Months)	1,630,000	3,730,000
	2,099,448	3,907,960
Time Deposits (Maturity More than 3 Months)	1,860,000	800,000
	-----	-----
	3,959,448	4,707,960
	=====	=====

The interest rate of time deposits is 3.56% to 3.95% (2024: 4.4% to 5.47%) per annum and the interest income arising from time deposits is US\$175,247 (2024: US\$232,953) during the year.

**6. Accounts Receivable (Including Related Party)**

As of December 31, 2025 and 2024, the balance of accounts receivable was as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Gross Amount	1,429,750	1,025,736
Less: Allowance for Doubtful Accounts	(628,000)	(205,000)
	-----	-----
Net Amount	801,750	820,736
	=====	=====

**7. Lease**

As of December 31, 2025 and 2024, supplemental balance sheet information related to lease was as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Operating Lease Right-of-use Asset	-	34,686
	=====	=====
Operating Lease Liability	-	35,532
	=====	=====

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**7. Lease (Cont'd)**

For the years ended December 31, 2025 and 2024, supplemental statement of income information related to lease was as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Right-of-use Asset Depreciation	12,242	24,485
	=====	=====
Operating Lease Interest Expenses	1,224	3,800
	=====	=====
Short-term Lease Expenses	50,822	26,401
	=====	=====

Supplemental cash flow information related to lease was as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Cash Paid for Amounts Included in the Measurement of Operating Lease Liabilities	11,532	27,104
	=====	=====

The Company had no operating lease as at December 31, 2025 as the lease was terminated in June 2025 (2024: The Company has an operating lease for its office expiring in 2026). As of December 31, 2025 and 2024, maturities of operating lease liabilities were as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Remaining Undiscounted Lease Payments	-	37,712
Less: Imputed Interest	-	(2,180)
	-----	-----
Net Lease Liability	-	35,532
Less: Current Portion	-	(23,852)
	-----	-----
Non-current Portion	-	11,680
	=====	=====

As of December 31, 2025, the remaining lease term and discount rate applied on the operating lease arrangement were 0 months (2024: 17 months) and 7.5% per annum (2024: 7.5% per annum) respectively.

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**7. 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, 2025 and 2024 are as follows:

<u>Years Ending December 31,</u>	<u>2025</u> US\$	<u>2024</u> US\$
Within One Year	18,500	26,195
Later than One Year but Within Five Years	-	145
	-----	-----
	18,500	26,340
	=====	=====

**8. Property and Equipment**

As of December 31, 2025 and 2024, property and equipment are composed of the following:

	<u>2025</u> US\$	<u>2024</u> US\$
Transportation Equipment	22,000	22,000
Less: Accumulated Depreciation	(7,944)	(611)
	-----	-----
Property and Equipment - Net	14,056	21,389
	=====	=====

Total depreciation expense for the years ended December 31, 2025 and 2024, was US\$7,333 and US\$611 respectively.

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

**9. Accrued Expenses**

As of December 31, 2025 and 2024, accrued expenses consisted of the following:

	<u>2025</u> US\$	<u>2024</u> US\$
Accrued Professional Fee	42,504	61,604
Accrued Payroll and Annual Leave	65,723	25,498
Accrued Travelling Expenses	-	65,969
Others	29,219	22,706
	-----	-----
Total Accrued Expenses	137,446	175,777
	=====	=====

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**10. Deferred Revenue**

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

	<u>2025</u> US\$	<u>2024</u> US\$
Unearned Franchise Revenue	673,474	1,187,394
Others	2,509	6,576
	-----	-----
Less: Current Portion	675,983 (525,515)	1,193,970 (987,654)
	-----	-----
Non-current Portion	150,468	206,316
	=====	=====

**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, 2025 and 2024:

	<u>2025</u> US\$	<u>2024</u> US\$
Acquired transportation equipment therefrom	-	22,000
	=====	=====

Name of related parties and relationship:

<u>Name of Related Parties</u>	<u>Relationship</u>
LIAN FA INTERNATIONAL DINING BUSINESS CORPORATION ("LIAN FA")	Sole Member
UNI GREEN INC. ("UG")	Fellow Subsidiary

**LILIAN USA LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2025**

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**11. Related Party Transactions (Cont'd)**

Summary of significant related party transactions is as follows:

(1) As of December 31, 2025 and 2024:

	<u>2025</u> US\$	<u>2024</u> US\$
Other Payable to LIAN FA	-	212,635
Prepayment from LIAN FA	15,248	-
Other Receivables from UG	21,512	-
	=====	=====

(2) For the years ended December 31, 2025 and 2024:

	<u>2025</u> US\$	<u>2024</u> US\$
Franchise Costs Charged by LIAN FA	470,400	555,250
Advertising Expense Charged by LIAN FA	-	28,664
	-----	-----
	470,400	583,914
	=====	=====

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, 2025, 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>2025</u> US\$	<u>2024</u> US\$
Operating Expenses Charged by LIAN FA		
Management Fee	1,140,000	1,298,000
	=====	=====

On January 1, 2025, 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, 2025, 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, 2024**

**KAIZEN CPA PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**UNITED STATES**  
**[WWW.KAIZENCPA.COM](http://WWW.KAIZENCPA.COM)**

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

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(EXPRESSED IN UNITED STATES DOLLARS)

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

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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

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

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	<u>Note</u>	<u>2024</u> US\$	<u>2023</u> US\$
<b>Revenue</b>			
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
		-----	-----
<b>Cost and Expenses</b>			
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
		-----	-----
<b>Non-operating Income / (Expenses)</b>			
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
		-----	-----
<b>Net Income</b>		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\$
<b>ASSETS</b>			
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
		=====	=====
<b>LIABILITIES AND MEMBER'S EQUITY</b>			
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**

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	Note	Contributed <u>Capital</u> US\$	Retained <u>Earnings</u> US\$	<u>Total</u> US\$
<b>At January 1, 2023</b>		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)
<b>At December 31, 2023 and January 1, 2024</b>		----- 200,000	----- 2,076,525	----- 2,276,525
Net Income		-	899,373	899,373
<b>At December 31, 2024</b>		----- 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\$
<b>Cash Flows from Operating Activities</b>		
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)
<b>Net Cash Generated from Operating Activities</b>	<b>624,375</b>	<b>867,561</b>
<b>Investing Activities</b>		
Bank Interest Income Received	232,953	189,886
Acquisition of Property and Equipment	(22,000)	-
Time Deposits	1,405,235	(2,205,235)
<b>Net Cash Generated from / (Used in) Investing Activities</b>	<b>1,616,188</b>	<b>(2,015,349)</b>
<b>Financing Activities</b>		
Payments for Dividends	-	(1,120,000)
Payments for Withholding Tax	-	(480,000)
<b>Net Cash Used in Financing Activities</b>	<b>-</b>	<b>(1,600,000)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>2,240,563</b>	<b>(2,747,788)</b>
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<b>1,667,397</b>	<b>4,415,185</b>
<b>Cash and Cash Equivalents, End of the Year</b>	<b>3,907,960</b>	<b>1,667,397</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
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**

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**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**

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**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>	<u>2023</u>
	US\$	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>	<u>2023</u>
	US\$	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**

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**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**

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**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**

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**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**

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**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**

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**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.

**Exhibit B**  
**Franchise Agreement**



## FRANCHISE AGREEMENT

### Sharetea

This Non-Exclusive Franchise Agreement (this “Agreement”) is made and entered into as of the date of \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between \_\_\_\_\_, a Delaware corporation with its principal place of business at 131 Continental Drive, Suite 301, Newark, Delaware 19713 (referred to as “we,” “us,” “Sharetea,” or the “Franchisor”), and \_\_\_\_\_, a company organized and existing under the laws of \_\_\_\_\_ with a principal place of business at \_\_\_\_\_ (referred to as “you,” “your,” or the “Franchisee”).

### RECITALS

WHEREAS, we are the licensee (or owner) of certain trademarks, logos, and other intellectual property (the “Sharetea Trademarks”), and are authorized to sub-license the Sharetea Trademarks to third parties.

WHEREAS, we possess advanced technology, management systems, innovative product development, and knowledge relating to a unique system for the development and operation of “Sharetea” tea shop establishments that feature distinctive beverage and food offerings, interior and exterior designs, fixtures, color schemes, and operational standards (the “Sharetea System”).

WHEREAS, we grant certain limited rights to qualified parties for the establishment, operation, and management of tea shops bearing our Sharetea Trademarks and following the Sharetea System (the “Tea Shop” or “Sharetea Shop”).

WHEREAS, you represent that you have the capacity to develop, manage, and operate a Tea Shop under the Sharetea System at a specific site, and we are willing to grant you the right to do so under the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and undertakings contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### ARTICLE 1. GRANT OF FRANCHISE RIGHTS

1. As Franchisor, we have the right to establish standards and specifications (“Standards”) for various aspects of the Sharetea System. These Standards may address site selection, physical layout, supplier qualifications, product offerings, training requirements, marketing windows, and all other elements that affect the consumer experience in any Sharetea Shop. We may update or

change these Standards from time to time in our sole discretion. Complete uniformity may not be possible or practical throughout the Sharetea System, and we may adapt Standards for differing local conditions.

2. You acknowledge that the success of the Sharetea System depends on franchisees' adherence to these Standards and that your day-to-day control of the Tea Shop must be exercised to meet them. Any Standards that we require are for protecting the Sharetea System and the Sharetea Trademarks and do not create a fiduciary duty or a duty of care to you.

3. In reliance on your representations and warranties, we hereby grant to you, and you hereby accept, a non-exclusive right and obligation to establish and operate a single Sharetea Shop at the location described in Article 2 (the "Site"), under our Sharetea Trademarks and Sharetea System, subject to all the terms and conditions of this Agreement.

## **ARTICLE 2. SITE OF THE TEA SHOP**

1. Approved Location. The specific address of the Tea Shop is \_\_\_\_\_ (the "Site"). If, as of the Effective Date, no site has been agreed upon, you must promptly identify and propose a site for our review and approval. You must provide all documentation we request (including any lease or purchase agreement) and may not begin any construction or remodeling until we have approved the site in writing. If you fail to identify and propose an acceptable site within sixty (60) calendar days from the Effective Date, we have the right to terminate this Agreement immediately without further notice.

2. Design and Construction. You shall construct or remodel the Tea Shop at your expense, using our basic design and floor plan, subject to a Design Fee as specified in Article 3. All construction or remodeling must conform to our then-current Standards and specifications. You shall promptly perform all necessary repairs, upkeep, and routine maintenance to preserve the Tea Shop's interior and exterior appearance and functionality. This includes, but is not limited to, maintaining fixtures, furnishings, signage, décor, and equipment in good working order and replacing or upgrading them as Franchisor may reasonably require from time to time. We may request you promptly correct any deviations from our Standards; if you fail to do so, we may require further modifications at your expense.

3. Pre-Opening Inspection. Prior to the grand opening, we may assign an inspector to conduct a pre-opening inspection for up to one (1) week. We will be responsible for the inspector's salary and airfare, while you will pay for the inspector's local transportation, meals, three-stars-or-above hotel accommodations, and other reasonable expenses.

4. No Relocation. You may not relocate the Tea Shop without our express written consent. This Agreement grants you no rights to operate at any other location or to offer Sharetea-branded products or services off-premises unless otherwise approved.

5. Protected Territory. So long as you remain in full compliance with this Agreement, if your location is deemed a “traditional” Tea Shop, we will not grant another franchise or operate a company-owned shop within your “Protected Territory,” which is defined as the smaller of (i) a 3-mile radius from your Site or (ii) the same zip code, village, city, or county as your Site. You may not engage in catering or delivery within the Protected Territory. However, non-traditional outlets (e.g., airports, large malls, stadiums, colleges or universities, schools, concert halls, food courts, hotel, resort, military installation, train station, subway station, toll roads, theme park, hospitals, and other governmental facilities, office facilities, etc.) may still be established in your Protected Territory without your consent.

6. Exceptions. The Protected Territory does not prohibit us from licensing or establishing non-traditional outlets (as defined) within the same area. All other locations that do not qualify as non-traditional are considered traditional locations.

7. Non-Exclusive License. This Agreement grants you only a single-location license. We retain the right to operate or license others to operate additional Sharetea Shops, or other business formats, at such locations and under such terms as we see fit.

7. Permits and Compliance. You are solely responsible for obtaining all zoning clearances, permits, and approvals required for lawful construction and operation of your Tea Shop. We will provide reasonable assistance upon your request and at your reasonable cost.

8. Authorization to Open. You must not open for business until we provide written authorization, which may be withheld if you fail to meet our Standards or other prerequisites.

### **ARTICLE 3. FEES AND PAYMENT TERMS**

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 upon signing this Agreement. It is non-refundable, unless otherwise stated herein.

2. Technology Transfer Fee: \$20,000. This fee covers our mandatory initial training program for your principal operator and designated personnel. It is payable when you sign this Agreement or within a timeframe we specify.

3. Store Pre-Opening Fee: \$17,000. This fee covers on-site support prior to your Sharetea Shop opening, including store setup guidance, initial inventory procedures, and local marketing activities. It is payable upon signing this Agreement or as otherwise specified by us.
4. Design Fee: \$3,000. This fee is for initial design services (including layout, signage, and interior design). It is due at the time of execution of this Agreement or as otherwise required.
5. Security Deposit: \$10,000. You must pay a refundable security deposit of \$10,000 within fourteen (14) days after signing this Agreement. We will hold this deposit in a non-interest-bearing account. If you fully comply with all obligations through the expiration or termination of this Agreement, the deposit (less any amounts owed to us) will be returned. If you breach this Agreement, we may draw on or retain the deposit to offset damages.
6. Royalty Fees. You shall pay a royalty of 6% of your gross monthly revenues, with a minimum royalty of \$1,200 per month. Gross monthly revenues means the total revenue from all products and services offered at the Tea Shop. The royalty fee for the previous month is due before the 10th day of the following month, along with your monthly financial statements.
7. Equipment Fee.

Franchisee shall pay an Equipment Fee of \$\_\_\_\_\_ at the time of placing the order. All payment terms, including the due date and any applicable installment arrangements, shall be agreed upon in writing between Franchisor and Franchisee. This fee is payable directly to Franchisor, and unless otherwise stated in this Agreement or required by applicable law, it is non-refundable.

#### 8. Software Service Fee

Franchisee shall pay a software service fee of Fifty Dollars (US\$50) per month (the “Software Service Fee”). This fee covers the monthly software license, system usage, updates, maintenance, and support for the required operational software and system platforms designated by Franchisor.

The Software Service Fee is non-refundable and shall be payable monthly together with the Royalty Fee, in the same manner and at the same time as provided in this Article.

Franchisor reserves the right to modify, upgrade, replace, or change the required software systems or service providers at any time, and Franchisee shall comply with all related requirements and bear any associated costs.

## 9. Utensils.

Franchisee shall pay \$6,700 for Utensils at the time of placing the order. These utensils are critical for the franchise's initial operations and include any items designated by Franchisor as necessary to meet Sharetea brand standards. Franchisee must arrange all details regarding the delivery, installation, and use of these Utensils with Franchisor or Franchisor's designated suppliers. Payment shall be remitted directly to Franchisor under terms specified herein, and this fee is generally non-refundable unless otherwise stated or required by applicable law.

## 10. Initial Inventory.

Franchisee is obligated to purchase an Initial Inventory of \$\_\_\_\_\_, which is payable upon placing the order. This inventory encompasses all essential goods and ingredients required for launching and sustaining the franchise's initial operations. Payment for the Initial Inventory is made directly to Franchisor and is non-refundable except as otherwise provided in this Agreement or mandated by applicable law.

## 11. Other Payment Terms

11.1 Withholding Taxes. All fees are subject to reduction or withholding if required by law, provided that you give us notice and documentation of any such withholding.

11.2 Late Payments and Interest. If you fail to pay any amount when due, we may charge a late fee and interest at a rate of 5% per month or the highest rate permitted by law, whichever is higher. You must also reimburse us for all collection costs, including attorneys' fees.

# **ARTICLE 4. ADVERTISING**

## 1. Local Advertising

### 1.1 Suggested Expenditure.

Franchisee shall spend three percent (3%) of the Gross Monthly Revenues on local advertising ("Local Advertising Expenditure"). Franchisee shall bear these costs directly for advertising and promotions in the local market.

### 1.2 Compliance with Guidelines.

All local advertising must comply with Franchisor's brand guidelines. Franchisor shall provide marketing and promotional designs for Franchisee's grand opening, whereas Franchisee shall be responsible for producing and paying for any physical or digital materials.

### 1.3 Pre-Approval of Independently Created Materials.

If Franchisee wishes to use advertising or promotional materials that it develops independently, Franchisee must submit such materials to Franchisor for prior written approval. Franchisor may deny or revoke approval at any time if it deems such materials inconsistent with the Sharetea brand, system standards, or any other criteria.

## 2. Marketing Fund

### 2.1 Right to Establish Fund.

Franchisor reserves the right to create one in the future. If a marketing fund is established, Franchisee shall contribute approximately three percent (3%) of the Gross Monthly Revenues (or another stated percentage), payable at the same time and in the same manner as royalty fees.

### 2.2 Use of Contributions.

Any marketing fund Franchisor creates will not be used primarily to solicit the sale of Sharetea franchises. Franchisor is not obliged to spend amounts equivalent or proportionate to Franchisee's marketing contributions within specific local area, nor does Franchisor guarantee Franchisee any direct or proportional benefit from any advertising campaign funded in whole or in part by the marketing fund.

### 2.3 Audit and Reporting.

Upon Franchisee's written request, and in accordance with applicable law, Franchisor shall provide Franchisee with an audited statement of the marketing fund's receipts and disbursements if a marketing fund is formed.

### 2.4 Advertising Cooperatives or Councils.

We do not currently have any advertising cooperatives or franchisee advertising councils, and we do not anticipate creating one in the near future. If we do create or authorize such

cooperatives or councils in the future, your participation requirements and any related fees or procedures will be communicated to you in writing.

### 3. Franchisor's Independent Advertising

#### 3.1 No Obligation to Advertise.

Franchisor is not obligated to advertise on Franchisee's behalf or in Franchisee's local market area. Any advertising Franchisor chooses to conduct is at Franchisor's sole discretion and may include methods such as online advertising, social media campaigns, print, television, or radio.

#### 3.2 Source of Advertising Content.

Franchise-wide or regional advertising (if undertaken) will be developed by Franchisor's in-house marketing team or by an external agency approved or designated by Franchisor. Franchisor reserves the right to determine the timing, content, placement, and overall budget allocation of all such advertising initiatives. Franchisor reserves the right to collect part of the advertising expenditure under this section from Franchisee.

## **ARTICLE 5. INITIAL MANDATORY TRAINING, ON-SITE SUPPORT, AND RELATED EXPENSES**

1. After signing this Agreement, you must assign at least eight (8) staff members to complete 5 to 10 calendar days of initial training at your Sharetea Shop in the United States, on a schedule we jointly determine. You bear all expenses for your trainees (including transportation, lodging, and meals) and for our trainers' local expenses, including local transportation, meals, three-stars-or-above hotel accommodations, and other reasonable costs. We will typically cover our trainers' airfare and salary for this initial program, unless otherwise stated.

2. Upon completing the initial training, we will assign a business operation consultant to assist with your pre-opening for up to 15 calendar days. We will be responsible for the consultant's salary and international airfare, while you are responsible for local costs. If we advance these costs on your behalf, you must reimburse us within seven (7) calendar days upon receiving our request.

3. After your Sharetea Shop opens, we may, at your request, provide additional on-site consultation (e.g., quarterly). You must pay a daily fee of US\$300 per consultant (or US\$350 if you request a specific consultant), plus round-trip airfare, lodging, meals, and local transportation. All such fees and reimbursements are due within seven (7) days after our written invoice.

## **ARTICLE 6. OPERATION OF THE TEA SHOP**

### **1. Opening Date**

Franchisee shall open for business to the general public as a Sharetea Tea Shop within twelve (12) months of the Effective Date of this Agreement, unless otherwise authorized by Franchisor in writing. Franchisee shall provide Franchisor with at least fifteen (15) business days' written notice of Franchisee's intended opening date. Prior to opening, Franchisee shall ensure that all necessary approvals, licenses, and inspections have been obtained, and that all pre-opening requirements specified by Franchisor have been satisfied.

### **2. Compliance with Standards**

Franchisee agrees to operate the Sharetea Shop strictly in accordance with Franchisor's established standards, which shall include but not be limited to:

#### **2.1 Operating Hours**

Franchisee shall maintain and observe the specific days and hours of operation mandated or approved by Franchisor. Except where the Sharetea Shop is rendered unable to operate normally due to power outages, water outages, accidents, or other force majeure events, the Sharetea Shop must not cease operations without cause. In the event of any such force majeure event, Franchisee shall promptly notify the Franchisor following its occurrence and shall make every effort to adopt remedial measures.

#### **2.2. Approved Equipment and Fixtures**

Franchisee shall use only the furniture, equipment, signage, décor, and other fixtures designated or approved by Franchisor. Any non-conforming items must be removed or replaced at Franchisee's expense upon Franchisor's notice.

#### **2.3. Inventory and Supplies**

Franchisee shall maintain a sufficient stock of Franchisor-approved products and ingredients to meet customer demand. Inventory levels shall be replenished promptly to ensure consistent availability of all required offerings.

#### **2.4. Staffing and Training**

Franchisee is responsible for hiring individuals of good character and ensuring that all employees receive adequate training regarding Sharetea service standards, product preparation, and customer service. Franchisee shall employ sufficient staff to provide timely and courteous service during all operating hours.

#### 2.5. Health, Safety, and Sanitation

Franchisee shall comply fully with all health, safety, and sanitation guidelines set forth by Franchisor, as well as with any applicable local, state, or federal regulations. All equipment and customer-facing areas shall be maintained in a clean, orderly, and hazard-free condition.

#### 2.6. Marketing and Promotions

Franchisee shall conduct all marketing campaigns, promotions, and special events as directed or recommended by Franchisor, without material deviation, unless Franchisor provides written consent for any proposed alternative.

### 3. Legal Compliance

Franchisee must operate the Sharetea Shop in strict compliance with all applicable laws, regulations, and ordinances, including but not limited to zoning, building codes, public health mandates, and occupational safety standards. Franchisee shall promptly secure and maintain all required permits and licenses necessary for lawful operation.

### 4. Point of Sale System

Franchisee shall install and maintain a Point of Sale (POS) system that meets Franchisor's technical specifications and operational requirements. Prior to commencing operations, Franchisee shall submit POS configuration details for Franchisor's written approval. Franchisee is responsible for all costs related to hardware, software, upgrades, and ongoing maintenance. Franchisor reserves the right to mandate system enhancements if deemed necessary for uniformity or data accuracy within the Sharetea System.

In the event Franchisee fails to comply with any obligations set forth in this Agreement, Franchisor shall have the right, at its sole discretion and without prior notice, to immediately suspend the Franchisee's access to the POS system and the software system of any equipment. Such suspension shall remain in effect until Franchisor determines, in its sole discretion, that Franchisee has remedied all curable defaults to the Franchisor's satisfaction. Franchisee shall remain responsible for all obligations under this Agreement during any such suspension. Franchisor shall bear no liability for any losses, damages (including consequential or incidental

damages), or interruptions to Franchisee's business resulting from the suspension, and all other rights and remedies of the Franchisor under this Agreement, or at law or in equity, shall remain reserved.

## 5. Inspection Rights

Franchisor and its authorized representatives may enter the Sharetea Shop during normal business hours to assess Franchisee's compliance with this Agreement and the Standards. Without prior notice, to: (i) inspect the condition of Franchisee's Store, its Equipment and inventory, customer service, menu item preparation and other operations and to record and/or photograph the same; (ii) remove samples for testing and analysis; (iii) interview personnel; (iv) interview customers; (v) review operations processes and sample product quality; and (vi) conduct inventories and other activities for the purpose of determining Franchisee's compliance with this Agreement. Such inspections may be scheduled or unscheduled. If any non-compliant items, procedures, or conditions are identified, Franchisee shall rectify them immediately at Franchisee's sole expense. Should Franchisee fail to do so, Franchisor may remove or replace the offending items or practices at Franchisee's cost, payable within ten (10) days of invoice.

## 6. Surveillance Systems and Monitoring

Franchisee shall, upon Franchisor's request, install, maintain, and operate video surveillance systems at the Tea Shop, including cameras covering areas designated by Franchisor. Franchisee shall bear all costs associated with the purchase, installation, operation, maintenance, and replacement of such systems.

Subject to applicable laws, Franchisee shall provide Franchisor with remote or online access to such surveillance systems, including access to real-time and recorded video feeds, for purposes of monitoring compliance with this Agreement, protecting brand standards, ensuring operational consistency, and maintaining system security.

Franchisee shall ensure that all surveillance activities comply with applicable federal, state, and local laws, including privacy, employment, and data protection laws, and shall obtain all required consents and provide all required notices. Franchisee shall indemnify and hold Franchisor harmless from any claims arising from Franchisee's failure to comply with such laws.

Failure to install, maintain, or provide access to required surveillance systems shall constitute a material breach of this Agreement.

## 7. Pricing

Where legally permissible, Franchisor may recommend or require specific price points (including maximum, minimum, or promotional prices) for certain products or services offered by the Sharetea Shop. Franchisee acknowledges that adherence to such pricing guidelines is essential for brand consistency and system-wide marketing initiatives. Franchisee further recognizes that such guidelines do not guarantee profitability in every local market scenario.

#### 8. Employment Matters

Franchisee is solely responsible for all aspects of employment, including hiring, compensation, benefits, insurance, payroll taxes, employment eligibility verification, training, discipline, and termination. Franchisee shall at all times comply with applicable federal, state, and local labor and employment laws and regulations.

#### 9. Uniforms

All front-of-house personnel, and such other personnel as Franchisor may designate, shall wear Sharetea-approved uniforms. Franchisor may impose a penalty of one hundred U.S. dollars (US\$100) per employee, per day, for uniform violations. Uniform specifications may change from time to time, and Franchisee shall adopt any such changes within a reasonable timeframe at Franchisee's expense.

#### 10. Approved Suppliers

Franchisor retains the exclusive right to approve or disapprove any supplier from whom Franchisee may procure products, supplies, equipment, or services for the Sharetea Shop. Franchisee must purchase all items exclusively from suppliers that Franchisor has approved or designated. Any deviation from this requirement constitutes a material breach, subjecting Franchisee to liquidated damages of twenty thousand dollars (\$20,000) per violation, in addition to any other remedies permitted by this Agreement or law.

#### 11. Customer Complaints and Regulatory Notices

Franchisee shall promptly inform Franchisor of any significant customer complaints, threatened or filed lawsuits, regulatory notices, or other governmental inquiries related to the Sharetea Shop. Franchisee shall cooperate fully with Franchisor in investigating and addressing such complaints or notices and shall implement any corrective or remedial actions Franchisor deems necessary. If Franchisee becomes aware of any negative information regarding Franchisor or the franchised store's reputation or quality, Franchisee shall investigate the cause and report it to Franchisor. If there is any proposed solution, Franchisee must also report it to Franchisor and

obtain Franchisor's approval before proceeding. Without Franchisor's consent, Franchisee shall not publicly issue any comments in the name of the franchise system.

## 12. Maintenance

Franchisee shall keep the Sharetea Shop in a clean, orderly, and attractive condition, and shall timely repair or replace any items that fail to meet Franchisor's Standards. This maintenance obligation extends to both interior and exterior areas of the premises, including but not limited to furniture, fixtures, equipment, signage, and décor.

## 13. Remodeling Requirement

Franchisee acknowledges the importance of maintaining the Sharetea System's uniform brand image and agrees that Franchisor shall have the sole and absolute discretion to require the remodeling, refurbishing, or upgrading of each Tea Shop to align with the then-current image, brand standards, and marketing strategies of the Sharetea System. Franchisee shall complete any such remodeling at its own cost and expense, in accordance with Franchisor's design specifications and within the deadlines set forth by Franchisor.

Franchisor shall provide Franchisee with reasonable notice of required remodeling, specifying the scope of work and the timeline for completion. Franchisee shall diligently commence the remodeling work upon receipt of such notice and shall ensure that all work is completed to Franchisor's satisfaction by the prescribed deadline. Failure to complete the remodeling as required shall constitute a material breach of this Agreement. In addition to any other rights or remedies provided under this Agreement or applicable law, Franchisor may (i) suspend the Franchisee's rights under this Agreement, (ii) undertake or contract to perform the remodeling on Franchisee's behalf at Franchisee's expense (including the right to charge an administrative or project management fee), and/or (iii) exercise all other remedies available at law or in equity.

Franchisee further agrees that Franchisor shall not be liable for any loss of business, interruption of operations, or additional expenses incurred by Franchisee during or resulting from the remodeling process. Franchisee shall not make or permit any changes to the design specifications without obtaining Franchisor's prior written approval. Any such unauthorized modifications shall likewise be deemed a material breach of this Agreement, entitling Franchisor to pursue all available remedies.

## 14. Feedback and Improvements

If Franchisee or any of Franchisee's employees conceive or develop any ideas, methods, recipes, processes, or other innovations that relate to the Sharetea System ("Improvements"), Franchisee

hereby grants Franchisor a perpetual, worldwide, royalty-free license to use, implement, sublicense, and exploit such Improvements for the benefit of the Sharetea System. Franchisee acknowledges that no compensation shall be due or owing for any Improvements adopted by Franchisor, and all goodwill generated thereby shall inure to Franchisor's benefit.

## **ARTICLE 7. SHARETEA TRADEMARKS AND INTELLECTUAL PROPERTY**

1. Franchisee agrees to use only those Sharetea Trademarks (including names, logos, service marks, and associated branding) that Franchisor specifies, and strictly in the form, manner, and context that Franchisor has approved in writing. Franchisee may not modify, distort, or misuse the Sharetea Trademarks, nor may Franchisee combine or co-brand them with any other trademark, logo, name, or identifier without Franchisor's express prior written consent. Franchisee may not offer or sell any Sharetea-branded products or services via catalogs, the Internet, social media, or other remote channels without Franchisor's prior written authorization. Franchisor retains exclusive control over all online usage of the Sharetea Trademarks, including domain names, social media handles, and any digital or electronic presence.
2. Franchisee acknowledges that the Sharetea Trademarks are owned solely by Franchisor or its affiliates, and that all goodwill arising from Franchisee's use of them inures exclusively to Franchisor's benefit. Franchisee will not register, attempt to register, or otherwise claim rights in any mark, trade name, domain name, or entity name that is identical or confusingly similar to the Sharetea Trademarks. Franchisee also agrees not to use the name "Sharetea" (or Franchisor's company name, any variation thereof, or any similar terms) in Franchisee's corporate, partnership, limited liability company, fictitious, or assumed business names, or in any manner that may create the false impression that Franchisee is anything other than an independently owned and operated franchisee.
3. Franchisee must immediately comply with any direction from Franchisor regarding the use, display, discontinuance, or modification of the Sharetea Trademarks, including removing or destroying any materials Franchisor deems unacceptable, at Franchisee's expense. Any unauthorized or improper use of the Sharetea Trademarks constitutes a material breach of this Agreement, entitling Franchisor, at its sole discretion and without limiting other available remedies, to seek immediate injunctive relief, terminate this Agreement, and/or require Franchisee to pay damages for harm to Franchisor's brand and goodwill.
4. Franchisee must immediately notify Franchisor of any potential infringement or litigation involving the Sharetea Trademarks. Franchisor shall have the sole and absolute right to direct, control, and settle any litigation, dispute, or other proceeding relating to its intellectual property. Franchisee agrees to cooperate fully, at its own expense, in any action taken by Franchisor to protect or defend its rights in the Sharetea Trademarks.

5. Except as otherwise expressly provided in this Agreement, Franchisee shall not at any time represent or claim any right, title, or interest in or to the licensed trademarks and shall not engage in any act that could impair the rights associated with such trademarks. Franchisee shall also refrain from infringing Franchisor's copyrights, trademark rights, patent rights, and any other intellectual property rights or other legal rights and shall not cause or allow any third party to do so.
6. Without the prior written consent of Franchisor, Franchisee shall neither relicense nor otherwise authorize any third party to use Franchisor's trademarks. In the event Franchisee infringes upon the rights of the Franchisor or any third party, thereby causing damage to Franchisor or its employees, agents, or affiliates, Franchisee agrees to indemnify and hold the Franchisor harmless from any and all such damage, loss, or liability.

#### **ARTICLE 8. SOURCES OF RAW MATERIALS AND SUPPLIES**

1. The high reputation of Sharetea depends on consistent product quality. Franchisee must purchase all equipment, food, supplies, and materials solely from suppliers that Franchisor approves or designates. Franchisor reserves the right, in its sole discretion, to modify or rescind any supplier's approval at any time, and Franchisee or the proposed supplier must reimburse Franchisor for any testing or evaluation costs incurred in determining whether a supplier meets Franchisor's standards.
2. Franchisor may, at its option, sell certain proprietary or specialized items (including, but not limited to, tea blends or syrups) directly to Franchisee, or require Franchisee to obtain them from designated or approved vendors. Any violation of this requirement is a material breach of the Agreement, and Franchisee must pay liquidated damages of twenty thousand dollars (\$20,000) for each violation.

#### **ARTICLE 9. BOOKS, RECORDS, AND REPORTS**

1. Franchisee must maintain complete and accurate business, financial, and operational records in accordance with generally accepted accounting principles (GAAP) and any additional recordkeeping standards or procedures required by Franchisor. At a minimum, Franchisee shall retain these records (including electronic records) for no less than two (2) years or for any longer period that may be mandated by applicable law or Franchisor's written policies. These records include, but are not limited to, sales journals, financial statements, invoices, purchase orders, cash register receipts, bank statements, sales tax returns, and any other documents reflecting the revenue and expenses of the Franchised Business.

2. Franchisee must promptly provide copies of any records requested by Franchisor or, at Franchisor's option, make them available for on-site inspection and audit at a location and in a format acceptable to Franchisor. Franchisor or its designated representatives (including accountants or auditors) may conduct unannounced audits of Franchisee's records during reasonable business hours, without undue disruption to Franchisee's operations, to verify compliance with this Agreement.

### 3. Reporting, Audit, and Underreporting

#### (a) Daily Sales Reporting

Franchisee shall accurately record and report its daily gross revenues and any other relevant financial data to the Franchisor in the manner and format required by the Franchisor. Such reports shall be submitted every day, or as otherwise directed by the Franchisor in writing.

#### (b) Right to Audit and Inspect

The Franchisor (or its authorized representatives) shall have the right, at any reasonable time and upon reasonable notice, to inspect, audit, and review all books, records, and accounts of the Franchisee that are necessary to verify the Franchisee's gross revenues, calculation of royalty fees, and compliance with this Agreement.

#### (c) Underreporting of Gross Revenues or Other Financial Data

If any audit, inspection, or review reveals an understatement of gross revenues or any other financial data relevant to determining fees owed, the Franchisee shall pay Franchisor all additional royalties or other amounts due within five (5) days of receiving written notice of the underreporting. Any such amounts shall accrue interest at the rate set forth in this Agreement (or, if not specified, the maximum rate allowed by applicable law) from the date they were originally due until paid in full.

#### (d) Costs of Audit for Significant Underreporting

If the underreporting exceeds three percent (3%) of the actual gross revenues for any given period, the Franchisee shall also reimburse Franchisor for all reasonable costs and expenses of the audit or review, including, but not limited to, accountants' fees, attorneys' fees, and any other related expenses.

#### (e) Sanctions and Remedies

In addition to any other remedies available under this Agreement or at law, Franchisor may impose any sanctions or seek any remedies permitted by this Agreement. This includes the right to immediately terminate the Agreement if Franchisor determines that a pattern of underreporting, fraud, or other willful misconduct by the Franchisee exists.

(f) Cumulative Rights

All rights and remedies provided to Franchisor in this Section are cumulative and in addition to any other rights or remedies that may be available under this Agreement, at law, or in equity.

4. Franchisor will use commercially reasonable efforts to maintain the confidentiality of Franchisee's business and financial records. Notwithstanding the foregoing, Franchisor may disclose or use such records as necessary to enforce this Agreement, comply with applicable law or legal process, or for anonymized or aggregated reporting within the Sharetea System.

## **ARTICLE 10. INSURANCE**

Before opening, you must obtain and maintain insurance coverage meeting our minimum requirements, including commercial general liability insurance of at least US\$2,000,000 per occurrence (or any higher limit we or your landlord require). Failure to maintain valid insurance is a material breach and may lead to immediate termination.

We have the right to change coverage requirements from time to time. All insurance policies must list us as an additional insured. You must provide proof of coverage upon our request.

## **ARTICLE 11. FRANCHISEE REPRESENTATIONS AND WARRANTIES**

You agree to defend, indemnify, and hold us (including our successors and assigns) harmless from any claims, liabilities, costs, or damages (including attorneys' fees) related to your breach of this Agreement or your operation of the Sharetea Shop, including employment disputes, personal injuries, regulatory fines, or other liabilities arising from your acts or omissions.

## **ARTICLE 12. FRANCHISOR'S OBLIGATIONS**

### **1. Continuing Advisory Relationship**

Franchisor will endeavor to maintain a continuing advisory relationship with Franchisee and, at its discretion, may offer support, guidance, or resources that it considers beneficial to the establishment and operation of the Sharetea Shop. Such assistance may include, without

limitation, general suggestions or recommendations related to site selection, store design, build-out, initial or ongoing training, marketing approaches, inventory management, and other aspects of the Sharetea System. The nature, scope, and frequency of any advisory support are subject to Franchisor's discretion and may vary based on overall system goals, available resources, and evolving business priorities.

## 2. Operations Manual and Standards

Franchisor may periodically update, supplement, or modify written materials, including its operations manual and any related guidelines or standards for operating Sharetea Shops. Franchisee agrees to review and abide by all current and future versions of these materials. While Franchisor may provide suggestions or guidance on operational matters, Franchisee remains solely responsible for making all final business decisions, incurring any associated expenses, and ensuring compliance with this Agreement, applicable law, and the Sharetea System's requirements.

## **ARTICLE 13. TERM AND RENEWAL**

### 1. Term

This Agreement becomes effective on the date indicated below ("Effective Date") and remains in force for a period of five (5) years, unless terminated earlier as provided herein. At the conclusion of this five-year term, the Agreement shall automatically expire without further notice if not renewed in accordance with the procedures and conditions set forth below.

### 2. Renewal

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. These criteria may include, among other things, executing Franchisor's most recent form of franchise agreement and associated documents, paying the renewal fee of \$ \_\_\_\_\_, being free of any uncured defaults under this Agreement, having maintained compliance with all Sharetea System Standards, and completing additional training or upgrades that Franchisor deems necessary. If Franchisee fails to meet any of the required conditions, or if Franchisor elects not to permit renewal for any reason permitted by law or this Agreement, the Agreement shall expire as scheduled, and Franchisee shall have no further rights or claims hereunder.

## **ARTICLE 14. ASSUMPTION AND TRANSFER OF RIGHTS**

## 1. Transfers by Franchisor

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 contractual obligations that arose before the effective date of the assignment or transfer.

## 2. Transfers by Franchisee

(a) Because this Agreement is entered into in reliance on Franchisee's individual qualifications, ownership structure, and capacity to operate the franchised business, 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.

### (b) Right of First Refusal to Acquire Franchisee's Business

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.

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. If the Proposed Transaction is not

consummated on those same terms (or within ninety (90) days from the date Franchisor declines or fails to respond), or if the material terms of the Proposed Transaction change, Franchisee must again comply with this Right of First Refusal before proceeding with any sale, transfer, or other disposition of the Franchised Business.

## **ARTICLE 15. NON-COMPETITION**

### **1. During the Term.**

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 Sharetea, 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.

### **2. Post-Term.**

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.

## **ARTICLE 16. CONFIDENTIALITY**

### **1. Definition and Use of Confidential Information**

All proprietary methods, formulas, recipes, manuals, marketing strategies, and other trade secrets developed or used by Franchisor in relation to the Sharetea System (collectively, "Confidential Information") are the sole property of Franchisor. Franchisee may access and use this Confidential Information strictly for the operation of the Sharetea Shop during the term of this Agreement, subject to the restrictions herein.

### **2. Post-Term Restrictions and Liquidated Damages**

During the term of this Agreement and for a period of two (2) years following its expiration or termination (for any reason), neither Franchisee nor any of its owners, officers, employees, or associates may disclose, copy, transmit, or otherwise misuse any portion of the Confidential Information. Any unauthorized disclosure or use of Confidential Information constitutes a material breach of this Agreement and may subject Franchisee to liquidated damages in the amount of ten thousand dollars (\$10,000) per violation, plus any profits or other benefits derived from such misuse, and without limiting Franchisor's right to seek other remedies (including injunctive relief) as permitted by law or equity.

## **ARTICLE 17. TERMINATION**

### **1. Mutual or Automatic Termination**

This Agreement may end by mutual written consent of both parties at any time. It will also terminate automatically upon the expiration of its then-current term if a valid renewal has not been executed in accordance with the terms stated in this Agreement. Additionally, Franchisee may terminate the Agreement in the event that Franchisor fails to provide the training mandated under the Agreement.

### **2. Termination by Franchisor**

#### **2.1. Termination for Cause (With Notice and Opportunity to Cure).**

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:

- 2.1.1. Failure to timely pay any fees, royalties, or other monetary obligations due under this Agreement.
- 2.1.2. Breach of any other material provision of this Agreement, including failure to meet the operational, quality, or branding standards of the Sharetea System.
- 2.1.3. Failure to maintain and submit accurate financial or operational records, including any underreporting of sales.
- 2.1.4. Failure to inform Franchisor regarding the location of the shop within 30 days after executing the Agreement.

#### **2.1-1 Required System Updates; Compliance with POS and Software Requirements**

You must install, maintain, and timely implement all required updates, upgrades, patches, modifications, or replacements to your computer systems, point-of-sale (“POS”) system, and related software or hardware, as we may specify from time to time to maintain system-wide operational, security, reporting, and brand standards.

Failure to timely implement any required update or modification will constitute a failure to comply with the Sharetea System standards. Except as provided below, if you fail to cure such non-compliance within thirty (30) days after written notice from us, such failure will constitute a material breach of the Franchise Agreement, and we may exercise our rights under the Franchise Agreement, including termination pursuant to Section 17.2.1 (Termination by Franchisor with Cause), subject to applicable law.

Notwithstanding the foregoing, if we determine that a required update or modification is necessary to address data security, system integrity, legal compliance, or risks that may materially affect the operation of the Sharetea System or other franchisees, we may require implementation within a shorter period specified in our notice. Failure to comply within such specified period may constitute a material breach that is not reasonably curable within the standard thirty (30) day period, and we may exercise any remedies available under the Franchise Agreement and applicable law.

## 2.2 Immediate Termination for Cause (No Opportunity to Cure).

Franchisor may terminate this Agreement immediately, without providing any opportunity to cure or additional notice, if Franchisee:

- 2.2.1. Undergoes a prohibited change of control, including any unauthorized transfer or assignment of the franchise rights or ownership interests.
- 2.2.2. Commits fraud, theft, embezzlement, or any act that Franchisor reasonably deems to harm or endanger the reputation of the Sharetea brand or system.
- 2.2.3. 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.
- 2.2.4. Challenges or assists others in challenging Franchisor’s ownership or validity of any Sharetea Trademarks, trade secrets, or other intellectual property.

2.2.5. Abandons the franchised business (including failure to operate during normal business hours for more than five consecutive days without Franchisor's written consent).

2.2.6. Violates non-competition or confidentiality obligations in this Agreement or otherwise misappropriates Franchisor's intellectual property.

2.2.7. 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.

2.2.8. 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.

2.2.9. Insolvency or Legal Proceedings.

Franchisee becomes insolvent or enters into dissolution, liquidation, bankruptcy, or company reorganization. Likewise, the Agreement may be terminated if a court or government order substantially impedes Franchisee's business operations.

2.2.10. Damage to Franchisor's Brand or Reputation.

Franchisee engages in any act or omission (including illegal or unethical conduct) that harms or has the potential to harm Franchisor's public image, brand, trademarks, or goodwill. Negative publicity or legal issues resulting from Franchisee's actions may justify immediate termination.

2.2.11. Failure to Maintain Operational Standards.

Franchisee fails to conform to Franchisor's operational, product quality, customer service, or branding standards. If not corrected within thirty (30) days of notice, Franchisor may terminate.

2.2.12. Unapproved Assignments or Transfers.

Franchisee transfers, assigns, or encumbers its rights under this Agreement without Franchisor's prior written consent, constituting grounds for immediate termination.

#### 2.2.13. Repeated Breaches.

Even if Franchisee cures individual breaches, Franchisor may terminate if multiple breaches occur (or reoccur) within any twelve (12) month period, reflecting a pattern of non-compliance.

#### 2.2.14. Legal Violations.

Franchisee is found to be in breach of local, national, or international laws or regulations that adversely affect Franchisor's interests or the Franchisee's ability to operate the franchise.

#### 2.2.16. Failure to Adhere to Marketing and Advertising Guidelines.

Franchisee does not comply with Franchisor's marketing, advertising, or social media guidelines, including failing to obtain prior written approval for promotional materials. Repeated non-compliance after notice may lead to termination.

#### 2.2.17. Failure to Attend or Implement Training.

Franchisee neglects to send required personnel for training or fails to implement Franchisor's required protocols. If not cured within thirty (30) days, Franchisor may terminate.

#### 2.2.18. Prohibition on Political Activities.

Franchisee engages in or endorses political activities in violation of the Agreement, including making political commentary under the brand name. Such actions constitute a material breach warranting immediate termination.

#### 2.2.19. Abandonment of Business.

Franchisee ceases to operate any franchised store for more than five (5) consecutive days (except in force majeure circumstances) or otherwise abandons its obligations without Franchisor's written consent.

#### 2.2.20. Failure to Maintain Insurance or Licenses.

Franchisee does not obtain or maintain in full force any insurance coverage or business licenses required by this Agreement or local laws. If Franchisee does not rectify the lapse within fifteen (15) days of receiving notice, Franchisor may terminate immediately.

#### 2.2.21. Material Misrepresentations or Fraud.

Franchisee or its Principal Equity Owners make any false statements, conceal material facts in dealing with Franchisor, or otherwise commit fraud, whether in financial reporting, operations, or other areas related to the franchise business.

#### 2.2.22. Unauthorized Disclosure of Confidential Information.

Franchisee or its Principal Equity Owners disclose or misuse any of Franchisor's confidential information (including trade secrets, recipes, manuals, or business strategies) in violation of the Agreement or any separate confidentiality obligations.

#### 2.2.23. Breach of Non-Competition Obligations.

Franchisee or its Principal Equity Owners engage in competitive business activities contrary to the Agreement's non-compete provisions (e.g., investing in or operating a directly competing concept), which may result in immediate termination.

#### 2.2.24. Persistent Negative Performance or Quality Issues.

Franchisee repeatedly fails to meet minimal quality, customer service, or financial benchmarks established by Franchisor (in writing), despite receiving notice and an opportunity to improve. Continuing substandard performance indicates a material breach, justifying termination.

#### 2.2.25. Termination Without Cause.

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.

### 3. Franchisee's Obligations Upon Termination or Non-Renewal

Upon the termination or expiration (without renewal) of this Agreement, Franchisee shall immediately comply with all post-termination obligations. These obligations exist regardless of the reason for termination or non-renewal and are essential to protect Franchisor's intellectual property, goodwill, and the integrity of the Sharetea System. Franchisee agrees to:

#### 3.1. Cease Use of Trademarks and Proprietary Materials.

- 3.1.1. 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.
- 3.1.2. Remove or obliterate all signage, advertising, stationery, websites, social media pages, or other materials bearing the Sharetea Trademarks or any confusingly similar marks.
- 3.1.3. Permanently discontinue displaying or using any uniform, packaging, or décor that identifies or is associated with the Sharetea brand.

#### 3.2. Return Confidential and Proprietary Information.

- 3.2.1. Return to Franchisor (or destroy, if instructed) all originals and copies of the Operations Manual, recipes, specifications, training materials, marketing materials, technical data, or any other confidential or proprietary information provided by Franchisor.
- 3.2.2 Provide a sworn affidavit or certification, if requested, attesting that Franchisee no longer possesses or uses any materials embodying Franchisor's proprietary information.

#### 3.3. De-Identification and De-Branded Location.

3.3.1. 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.

3.3.2. 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.

#### 3.4. Payment of All Outstanding Amounts.

3.4.1 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.

3.4.2. 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.

#### 3.5. Disposition of Remaining Inventory.

3.5.1. At Franchisor's option, either (a) cease using all proprietary or branded inventory and supplies bearing Sharetea marks or trade dress, or (b) sell them to Franchisor at a fair market or depreciated value if Franchisor so elects in writing.

3.5.2. Destroy, at Franchisee's sole expense, any branded inventory that cannot be returned to or repurchased by Franchisor.

#### 3.6. Compliance with Post-Term Covenants (Including Non-Competition).

Honor all post-term non-competition and non-solicitation obligations as set forth in this Agreement, including refraining from operating or having any interest in a substantially similar tea or beverage business within the restricted territory and/or time period identified in the Agreement.

#### 3.7. Transfer of Telephone Listings, Domain Names, and Social Media Accounts.

3.7.1. Immediately cancel, abandon, or transfer (at Franchisor's election) any telephone number, domain name, social media handle, or similar listing associated with the Sharetea brand or Franchisor.

3.7.2. Provide any and all necessary authorizations or consents to ensure that all future inquiries about the Sharetea brand are directed to Franchisor or its designee.

### 3.8. Inspection and Verification.

3.8.1. Allow Franchisor or its representatives the right to inspect the former Sharetea Shop premises or Franchisee's records to ensure full compliance with post-termination obligations.

3.8.2 Provide reasonable access and cooperation for Franchisor to verify that de-identification and de-branding is complete and that no unauthorized use of the Sharetea brand remains.

### 3.9. Indemnification and Survival.

3.9.1. Indemnify Franchisor for any claims, liabilities, costs, or damages arising from or relating to Franchisee's unauthorized use of the Sharetea Trademarks or System after termination or non-renewal.

3.9.2 Acknowledge that certain provisions, including but not limited to indemnification, non-competition, and confidentiality obligations, survive termination or expiration of this Agreement according to their terms.

Franchisor's acceptance of any payments from Franchisee after termination or non-renewal does not constitute a waiver of any rights or remedies available under this Agreement or applicable law. Franchisee's strict and timely compliance with these obligations is a condition precedent to any further dealings between the parties and is necessary to protect Franchisor's rights and the Sharetea System's integrity.

## **ARTICLE 18. DISPUTE RESOLUTION**

### 1. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California (or as otherwise mandated by applicable state law), without regard to its conflict-of-laws principles. The parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Each party acknowledges that certain provisions of this Agreement may be subject to the California Franchise Investment Law

or other applicable franchise or business laws, and both parties agree to comply with all such laws and regulations to the extent they apply to this contractual relationship.

## 2. Mediation

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.

## 3. 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 Sharetea Trademark generic or invalid. Judgment on the award may be entered in any court of competent jurisdiction.

## **ARTICLE 19. WAIVER / INTEGRATION**

1. No waiver by either party of any breach or default by the other, whether deliberate or inadvertent, shall be deemed a waiver of any subsequent breach or default of the same or different nature, nor shall any delay or omission by a party in exercising or enforcing any of its rights or remedies operate as a waiver thereof. Any waiver granted by a party shall be effective only if in writing and signed by its duly authorized representative.
2. This Agreement, including any attached exhibits, addenda, or schedules, constitutes the entire agreement between the parties concerning the matters addressed herein. It supersedes and replaces all prior and contemporaneous discussions, understandings, negotiations, representations, or agreements—whether written or oral—relating to the same subject matter. Notwithstanding anything to the contrary, Franchisor does not disclaim any representations

made in the Franchise Disclosure Document (“FDD”) that was provided to Franchisee in accordance with applicable law.

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.

## **ARTICLE 20. MISCELLANEOUS**

### **1. Force Majeure**

Neither party will be liable for any inability or delay in performing its obligations under this Agreement if the failure or delay results from circumstances beyond its reasonable control, including but not limited to acts of God, natural disasters, governmental actions, labor disputes, or other events of a similar nature (“Force Majeure”). However, Force Majeure does not excuse Franchisee’s obligation to make timely payments of any fees or amounts due under this Agreement.

### **2. Independent Contractors**

Franchisee and Franchisor are and shall remain independent contractors. Nothing in this Agreement shall be deemed to create a partnership, joint venture, fiduciary relationship, or principal-agent relationship. Each party is solely responsible for its own employees, contracts, and liabilities; neither party will be liable for any acts, omissions, or debts of the other.

### **3. Severability**

If any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it valid and enforceable. All remaining provisions shall remain in full force and effect, consistent with the parties’ intent.

### **4. Cumulative Remedies**

All rights and remedies conferred upon Franchisor or Franchisee under this Agreement are cumulative and in addition to any other right or remedy available at law or in equity. The exercise of any one remedy will not preclude the concurrent or subsequent exercise of any other remedy.

## 5. Notices

All notices, demands, consents, or approvals required or permitted under this Agreement must be given in writing by certified mail (return receipt requested), prepaid courier, or a nationally recognized overnight delivery service, addressed as follows (or to any other address designated in writing by the receiving party):

Franchisor: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Franchisee: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

All notices shall be deemed effective on the date of receipt, as indicated by the signed return receipt or delivery confirmation.

## 6. Acknowledgment of Risk

Franchisee acknowledges and agrees that the success of the franchised business depends on factors such as Franchisee's personal managerial skills, dedication, and local market conditions. Franchisor makes no representations, warranties, or guarantees regarding potential revenue, profitability, or the success of any specific location. Any demographic or site information provided by Franchisor is strictly for informational purposes and is not warranted as accurate or complete.

## 7. Translations / Language

This Agreement may be translated into languages other than English for convenience only. In the event of any conflict or inconsistency between versions, the English-language version shall control and govern.

## 8. Non-Waiver of State Protections

No questionnaire or acknowledgment that Franchisee signs in connection with this Agreement shall be construed to waive or disclaim any protections provided under any applicable state franchise or business laws. Any such attempts to disclaim or waive statutory protections are void to the extent prohibited by law.

9. Death or Disability of Franchisee.

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.

10. Integration / Merger Clause.

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.

FRANCHISOR

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT C**

**AREA DEVELOPMENT AGREEMENT**

## **AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (“Agreement”) is made on \_\_\_\_\_ (the “Effective Date”) by and between Lilian USA LLC (“Franchisor”), a Delaware entity doing business as “Sharetea,” \_\_\_\_\_ [Name of Area Developer] (“Area Developer”), and \_\_\_\_\_ (if Area Developer is not a sole proprietorship) each person owning 20% or more of the Area Developer entity, who will sign and be a party to this Agreement (in such context, “Principal Equity Owner”).

WHEREAS, Franchisor is the licensee (or owner) of certain trademarks, logos, and other intellectual property (the “Trademarks”), and are authorized to sub-license the Sharetea Trademarks to third parties.

WHEREAS, Franchisor possesses advanced technology, management systems, innovative product development, and knowledge relating to a unique system for the development and operation of “Sharetea” tea shop establishments that feature distinctive beverage and food offerings, interior and exterior designs, fixtures, color schemes, and operational standards (the “Sharetea System”).

WHEREAS, Area Developer or its affiliated company is concurrently entering into an Area Development Agreement with Franchisor, under the terms of which the Area Developer is being granted a right to open and operate a Sharetea franchised business at a tea shop (“Tea Shop”) that Franchisor has consented to, under Sharetea Trademarks and in accordance with Franchisor’s business format.

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

### **I. GRANT OF RIGHTS TO OPEN ADDITIONAL TEA SHOPS**

#### **1.1. Rights and Territory**

1.1.1 Grant of Rights. Subject to the terms and conditions contained herein, Franchisor hereby grants to Area Developer the right to, and Area Developer hereby agrees to, establish and operate (itself or through affiliated entities) additional Tea Shops in accordance with the schedule of openings attached hereto as Exhibit 1 (the “Development Schedule”).

1.1.2 Territorial Exclusivity. Except as described in this Agreement, if Area Developer: (i) is in full compliance with the conditions contained in this Agreement, including the satisfaction of all development obligations as stated in the Development Schedule and

(ii) is in full compliance with all obligations under each Franchise Agreement entered into between Franchisor and Area Developer for each individual Tea Shop, then, during the Term of this Agreement, Franchisor will: (a) grant franchises to Area Developer to own and operate Tea Shops located within the geographical area (the “Development Area”) (under a separate Franchise Agreement for each Tea Shop) and (b) not grant a franchise to a third party to operate within the Development Schedule, except franchises granted to Area Developer. If Area Developer fails to comply with the Development Schedule, Franchisor may terminate this Agreement.

1.1.3 Non-Traditional Venues Excluded. Area Developer’s rights to open and operate Tea Shops under this Agreement do not extend to a “Non-Traditional Venue” (defined as a business operated under the Sharetea Trademarks located within another primary business or in conjunction with other businesses or at institutional settings, including shopping malls, concert halls, food courts, hotel, resort, military installation, train station, subway station, theme park, toll roads, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site where the owner or operator has indicated its intent to prefer or limit operation to a master concessionaire or contract service provider).

1.1.4. Affiliated Entities. With Franchisor’s prior written approval, Area Developer may establish affiliated entities to sign each Franchise Agreement and operate each Tea Shop under this Agreement. If Area Developer establishes one or more affiliated entities pursuant to this Article 1.1.4, Area Developer shall remain liable for all obligations and actions of such affiliated entities under a Franchise Agreement as though Area Developer executed such Franchise Agreement and agree to execute a guaranty agreement or other documents as Franchisor deems necessary to carry out the intentions of this Article 1.1.4. The parties acknowledge and agree that any provisions in this Agreement that refer to franchise agreements entered into between Area Developer and Franchisor, including the Franchise Agreements, shall also apply to any franchise agreements entered into between Area Developer’s affiliated entities and Franchisor.

## 1.2. Term

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. There shall be no extensions or renewals of the Development Schedule unless agreed to in writing by the parties. Upon termination of this Agreement, the Area Developer and its affiliated entities shall no longer retain the right to open additional Tea Shops under the Development Schedule.

### 1.3 Continuing Advisory Relationship

Franchisor will endeavor to maintain a continuing advisory relationship with Area Developer and, at its discretion, may offer support, guidance, or resources that it considers beneficial to the establishment and operation of the Sharetea Shop. Such assistance may include, without limitation, general suggestions or recommendations related to site selection, store design, build-out, initial or ongoing training, marketing approaches, inventory management, and other aspects of the Sharetea System. The nature, scope, and frequency of any advisory support are subject to Franchisor's discretion and may vary based on overall system goals, available resources, and evolving business priorities.

### 1.4 Operations Manual and Standards

Franchisor may periodically update, supplement, or modify written materials, including its operations manual and any related guidelines or standards for operating Sharetea Shops. Area Developer agrees to review and abide by all current and future versions of these materials. While Franchisor may provide suggestions or guidance on operational matters, Area Developer remains solely responsible for making all final business decisions, incurring any associated expenses, and ensuring compliance with this Agreement, applicable law, and the Sharetea System's requirements.

## **II. DEVELOPMENT OBLIGATIONS**

### 2.1 Development Obligations

2.1.1 Construction and Opening of Tea Shops. Area Developer (or its affiliated entity) shall be responsible for constructing, equipping, and opening each additional Tea Shop in accordance with the timelines specified in Exhibit 1. Tea Shop must be fully operational no later than the applicable date outlined in Exhibit 1 and must continue operations thereafter in compliance with this Agreement's standards.

2.1.2 Assignment of Opened Tea Shops. Any Tea Shop developed under this Agreement, which is open and operating and subsequently assigned to an affiliate of Area Developer or to a third party (with prior written consent of Franchisor), shall continue to count toward the Area Developer's obligations under the Development Schedule, as long as the assignee remains in full compliance and good standing under the applicable agreements.

2.1.3 Territory—As Specified in Exhibit 1. The Area Developer's rights under this Agreement are limited to the territory set forth in Exhibit 1 ("Territory"). The Area

Developer shall develop and open at least three (3) Tea Shops within the first two (2) years, with a total of \_\_\_\_\_ ( ) Tea Shops to be established and operating during the full term of this Agreement. Failure to meet these development milestones may constitute a material breach under this Agreement. Among other possible remedies, such a breach may result in the termination of the Area Developer's rights to continue area development. However, in that event, the Area Developer will retain the right to operate and manage any Tea Shop that were already opened and operating before the termination, subject to continued compliance with the applicable Franchise Agreements and this Agreement's surviving provisions.

2.1.4 Best Efforts. Area Developer shall invest in, open, and operate each Sharetea Tea Shop with its utmost effort, ensuring that all aspects (including quality control, customer service, and operational standards) are maintained at the highest level. Failure to do so may be considered a material breach of this Agreement.

#### 2.1.5 Operating Hours

Area Developer shall maintain and observe the specific days and hours of operation mandated or approved by Franchisor. Except where the Sharetea Shop is rendered unable to operate normally due to power outages, water outages, accidents, or other force majeure events, the Sharetea Shop must not cease operations without cause. In the event of any such force majeure event, Area Developer shall promptly notify the Franchisor following its occurrence and shall make every effort to adopt remedial measures

#### 2.1.6 Approved Equipment and Fixtures.

Area Developer shall use only the furniture, equipment, signage, décor, and other fixtures designated or approved by Franchisor. Any non-conforming items must be removed or replaced at Area Developer's expense upon Franchisor's notice.

#### 2.1.7 Inventory and Supplies

Area Developer shall maintain a sufficient stock of Franchisor-approved products and ingredients to meet customer demand. Inventory levels shall be replenished promptly to ensure consistent availability of all required offerings.

#### 2.1.8 Staffing and Training

Area Developer is responsible for hiring individuals of good character and ensuring that all employees receive adequate training regarding Sharetea service standards, product preparation, and customer service. Area Developer shall employ sufficient staff to provide timely and courteous service during all operating hours.

#### 2.1.9 Health, Safety, and Sanitation

Area Developer shall comply fully with all health, safety, and sanitation guidelines set forth by Franchisor, as well as with any applicable local, state, or federal regulations. All equipment and customer-facing areas shall be maintained in a clean, orderly, and hazard-free condition.

#### 2.1.10 Marketing and Promotions

Area Developer shall conduct all marketing campaigns, promotions, and special events as directed or recommended by Franchisor, without material deviation, unless Franchisor provides written consent for any proposed alternative.

#### 2.1.11 Pricing

Where legally permissible, Franchisor may recommend or require specific price points (including maximum, minimum, or promotional prices) for certain products or services offered by the Sharetea Shop. Area Developer acknowledges that adherence to such pricing guidelines is essential for brand consistency and system-wide marketing initiatives. Area Developer further recognizes that such guidelines do not guarantee profitability in every local market scenario.

#### 2.1.12 Employment Matters

Area Developer is solely responsible for all aspects of employment, including hiring, compensation, benefits, insurance, payroll taxes, employment eligibility verification, training, discipline, and termination. Area Developer shall at all times comply with applicable federal, state, and local labor and employment laws and regulations.

#### 2.1.13. Uniforms

All front-of-house personnel, and such other personnel as Franchisor may designate, shall wear Sharetea-approved uniforms. Franchisor may impose a penalty of one hundred U.S. dollars (US\$100) per employee, per day, for uniform violations. Uniform specifications may change from time to time, and Area Developer shall adopt any such changes within a reasonable timeframe at Area Developer's expense.

#### 2.1.14. Approved Suppliers

Franchisor retains the exclusive right to approve or disapprove any supplier from whom Area Developer may procure products, supplies, equipment, or services for the Sharetea Shop. Area Developer must purchase all items exclusively from suppliers that Franchisor has approved or designated. Any deviation from this requirement constitutes a material breach, subjecting Area Developer to liquidated damages of twenty thousand dollars (\$20,000) per violation, in addition to any other remedies permitted by this Agreement or law.

#### 2.1.15. Customer Complaints and Regulatory Notices

Area Developer shall promptly inform Franchisor of any significant customer complaints, threatened or filed lawsuits, regulatory notices, or other governmental inquiries related to the Sharetea Shop. Area Developer shall cooperate fully with Franchisor in investigating and addressing such complaints or notices and shall implement any corrective or remedial actions Franchisor deems necessary. If Area Developer becomes aware of any negative information regarding Franchisor or the franchised store's reputation or quality, Area Developer shall investigate the cause and report it to Franchisor. If there is any proposed solution, Area Developer must also report it to Franchisor and obtain Franchisor's approval before proceeding. Without Franchisor's consent, Area Developer shall not publicly issue any comments in the name of the franchise system.

#### 2.1.16. Maintenance

Area Developer shall keep the Sharetea Shop in a clean, orderly, and attractive condition, and shall timely repair or replace any items that fail to meet Franchisor's Standards. This maintenance obligation extends to both interior and exterior areas of the premises, including but not limited to furniture, fixtures, equipment, signage, and décor.

#### 2.1.17. Remodeling Requirement

Area Developer acknowledges the importance of maintaining the Sharetea System's uniform brand image and agrees that Franchisor shall have the sole and absolute discretion to require the remodeling, refurbishing, or upgrading of each Tea Shop to align with the then-current image, brand standards, and marketing strategies of the Sharetea System. Area Developer shall complete any such remodeling at its own cost

and expense, in accordance with Franchisor's design specifications and within the deadlines set forth by Franchisor.

2.1.18. Franchisor shall provide Area Developer with reasonable notice of required remodeling, specifying the scope of work and the timeline for completion. Area Developer shall diligently commence the remodeling work upon receipt of such notice and shall ensure that all work is completed to Franchisor's satisfaction by the prescribed deadline. Failure to complete the remodeling as required shall constitute a material breach of this Agreement. In addition to any other rights or remedies provided under this Agreement or applicable law, Franchisor may (i) suspend the Area Developer's rights under this Agreement, (ii) undertake or contract to perform the remodeling on Area Developer's behalf at Area Developer's expense (including the right to charge an administrative or project management fee), and/or (iii) exercise all other remedies available at law or in equity. Area Developer further agrees that Franchisor shall not be liable for any loss of business, interruption of operations, or additional expenses incurred by Area Developer during or resulting from the remodeling process. Area Developer shall not make or permit any changes to the design specifications without obtaining Franchisor's prior written approval. Any such unauthorized modifications shall likewise be deemed a material breach of this Agreement, entitling Franchisor to pursue all available remedies.

#### 2.1.19. Feedback and Improvements

If Area Developer or any of Area Developer's employees conceive or develop any ideas, methods, recipes, processes, or other innovations that relate to the Sharetea System ("Improvements"), Area Developer hereby grants Franchisor a perpetual, worldwide, royalty-free license to use, implement, sublicense, and exploit such Improvements for the benefit of the Sharetea System. Area Developer acknowledges that no compensation shall be due or owing for any Improvements adopted by Franchisor, and all goodwill generated thereby shall inure to Franchisor's benefit.

## 2.2 Force Majeure

2.2.1. Definition. "Force Majeure" means natural disasters (tornadoes, earthquakes, hurricanes, floods, fires, or similar catastrophes); strikes, lockouts, or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar events that Area Developer could not reasonably avoid. Neither governmental

actions nor Area Developer's financial inability to perform shall be considered Force Majeure hereunder.

2.2.2. Effect on Development Schedule. If Area Developer is unable to meet a development obligation solely due to a Force Majeure event that impedes construction or operation, Franchisor may at its discretion to modify the Development Schedule.

2.2.3. Notification Requirements. Area Developer must notify Franchisor in writing within 10 business days following the start of the Force Majeure event, detailing its nature and how it impacts performance. Area Developer must provide timely updates and demonstrate diligence in attempting to overcome the Force Majeure.

2.2.4. No Liability to Franchisor. Franchisor is not liable for any consequential damages (e.g., lost profits, increased costs) resulting from Force Majeure events, absent Franchisor's gross negligence or intentional misconduct.

### 2.3 Franchisor's Reservation of Rights

The Development Area granted to the Area Developer does not restrict the Franchisor (whether acting directly or through its affiliates) from soliciting or accepting orders from consumers located within or outside the Development Area. Notwithstanding Section 2.2, the Franchisor, without obligation to compensate the Area Developer or obtain its approval, expressly reserves and retains the following rights:

2.3.1 To own, acquire, establish, and/or operate, and to license others to establish and operate, Sharetea Tea Shops under the Sharetea System at any location outside the Development Area, regardless of any actual or potential impact on the sales of any Tea Shop(s) within the Development Area.

2.3.2 To own, acquire, establish, and/or operate, and to license others to establish and operate, businesses under proprietary marks other than the Sharetea Trademarks, whether such businesses are similar to or different from the Tea Shops, at any location within or outside the Development Area, regardless of any actual or potential impact on the sales of any Tea Shop(s).

2.3.3 To own, acquire, establish, and/or operate, and to license others to establish and operate, Tea Shops under the Sharetea Trademarks at any Non-Traditional Venue within or outside the Territory, regardless of any actual or potential impact on the sales of any Tea Shop(s).

- 2.3.4 To sell and distribute, directly or indirectly (or to license others to sell and distribute, directly or indirectly), any products (including the Products) through grocery or convenience stores, other primarily retail outlets, mail order, toll-free numbers, the internet, or other channels of distribution, including products bearing the Sharetea Trademarks; provided, however, that any such distribution within the Development Area shall not originate from a Sharetea Tea Shop established and operating within the Development Area.
- 2.3.5 To sell and distribute, directly or indirectly (or to license others to sell and distribute, directly or indirectly), any products (including the Products) to any customer, business, or enterprise located within or outside the Development Area by means of any delivery or catering process determined in the Franchisor's sole discretion, including products bearing the Sharetea Trademarks, notwithstanding any actual or potential impact on the sales of any Tea Shop(s).
- 2.3.6 The Area Developer acknowledges and agrees that the exercise of the above rights may adversely affect sales within the Development Area. The Area Developer waives any claim against the Franchisor (and its affiliates) arising from or relating to the Franchisor's exercise of these reserved rights and agrees that the Franchisor shall have no liability for any such impact.
- 2.3.7 All rights reserved to the Franchisor in this Section are in addition to, and shall not limit, any other rights or remedies the Franchisor may have under this Agreement or applicable law. The Area Developer's rights under this Agreement are expressly subject to the Franchisor's reserved rights herein, and no exercise of such reserved rights shall be deemed a breach of this Agreement or any obligation owed to the Area Developer.

### **III. DEVELOPMENT FEES AND FINANCIAL OBLIGATIONS**

#### **3.1. Area Development Fee: \$100,000**

- 3.1.1. Payment of Area Development Fee. In consideration of the rights granted herein to develop multiple Sharetea Tea Shops with-in a specified territory over a set development schedule, Area Developer shall remit to Franchisor a non-recurring, non-refundable Area Development Fee of \$100,000 (the "Development Fee") in a lump sum upon execution of this Agreement.

3.1.2. No Refund. The Area Development Fee is considered fully earned by Franchisor upon execution of this Agreement. Area Developer shall not be entitled to any refund of the Development Fee, unless otherwise explicitly provided in this Agreement.

3.1.3. Failure to Complete Training. Should Area Developer fail to complete the initial franchise training required under this Agreement, no portion of the Development Fee will be refunded.

3.1.4. Additional Tea Shop Fee From the Fourth Tea Shop Onward. Beginning with the fourth (4th) Tea Shop that Area Developer develops and opens under this Agreement (and for each subsequent Tea Shop thereafter), Area Developer shall pay Franchisor an additional fee of Forty Thousand Dollars (\$40,000) per Tea Shop. This fee is in addition to any other fees or payments required under this Agreement or any related franchise agreement(s). The payment is due at a time and in a manner prescribed by Franchisor, typically no later than the execution of the individual franchise agreement for each new Tea Shop. Failure to timely remit this fee constitutes a material breach of this Agreement, and Franchisor may pursue all remedies available under this Agreement or at law.

3.1.5. Fee Structure Adjustment

Notwithstanding anything to the contrary in this Agreement or in any Franchise Agreement, in consideration for payment of the Area Development Fee, Franchisor may, as specified in the applicable Area Development Agreement or related schedules, reduce or waive certain initial fees otherwise payable under the Franchise Agreement for each Tea Shop developed under this Agreement, including the initial franchise fee, technology transfer fee, and store pre-opening fee. The specific fee structure applicable to Area Developer shall be determined based on the agreed Development Schedule and reflected in this Agreement or related exhibits.

3.2. Technology Transfer Fee: \$20,000

3.2.1. Scope. This fee covers the mandatory initial training program for the Area Developer's operating principal and designated personnel.

3.2.2. Payment. Payable at the time Area Developer signs this Agreement or as otherwise agreed upon in writing.

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

3.3.1. Scope. This fee covers on-site support for each Sharetea Shop that the Area Developer opens under the Development Schedule.

3.3.2. Payment Terms. The fee is typically due for each new unit developed, as specified in the Development Schedule or upon separate written notice by Franchisor.

#### 3.4 Design Fee: \$3,000

3.4.1 Scope. This fee covers each Tea Shop's design services, ensuring consistency with the Sharetea brand across the entire development area.

3.4.2. Payment Terms. Payable according to this Agreement or under each separate Franchise Agreement.

3.4.3. Material Breach. Implementing unapproved designs constitutes a material breach of this Agreement.

#### 3.5. Security Deposit: \$30,000

3.5.1. Purpose. Area Developer shall remit to Franchisor a \$30,000 security deposit to guarantee performance of its obligations under this Agreement, including compliance with the Development Schedule and payment of all required fees.

3.5.2. Refund. The deposit will be returned (without interest) following expiration or termination of this Agreement, subject to any deductions for damages resulting from Area Developer's breach. In the event of termination due to Area Developer's default, Franchisor may retain or draw on the deposit to cover amounts owed or damages incurred.

#### 3.6. Continuing Royalty

3.6.1. Royalty Rate. Area Developer agrees to pay Franchisor a royalty fee of six percent (6%) of Gross Revenues for each Tea Shop developed under this Agreement. . In addition, Area Developer must pay a minimum monthly Royalty Fee of \$1,200 for each Tea Shop.

3.6.2. Approval of Collaborations. Area Developer must obtain Franchisor's prior written consent before engaging in or finalizing any collaboration projects or producing private-label products for sale under the Sharetea marks.

3.6.3. Definition of Gross Revenues. “Gross Revenues” means the total revenue generated from the sale of all products and services and all other income of every kind and nature related to franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include sales tax or any other taxes you collect from customers for payment to an appropriate tax authority.

3.6.4. Payment Frequency. Royalty Fees for the previous month are due and payable on or before the 10th day of the following month, unless Franchisor approves an alternate payment schedule in writing. Failure to timely remit the Royalty Fee is a material breach of this Agreement and may subject Area Developer to additional fees or remedies as provided herein.

3.6.5. The waiver or reduction of initial fees does not affect Franchisee’s obligation to pay ongoing fees, including royalties and other recurring fees.

### 3.7 Software Service Fee

Area Developer shall pay a software service fee of Fifty Dollars (US\$50) per month for each Tea Shop operating under this Agreement (the “Software Service Fee”). This fee covers the monthly software license, system usage, updates, maintenance, and support for the required operational software and system platforms designated by Franchisor.

The Software Service Fee is non-refundable and shall be payable monthly together with the Royalty Fee for each Tea Shop, in the same manner and at the same time as the Royalty Fee.

Area Developer shall ensure that each Tea Shop developed under this Agreement complies with all software system requirements and associated payment obligations.

### 3.8 Renewal Fee

3.8.1 Renewal Right. 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.

3.8.2. Negotiation of Renewal Terms. The parties shall negotiate renewal terms in good faith. If Area Developer breaches any material provision or fails to execute the renewal agreement, Franchisor may decline renewal.

3.8.3 As a condition to renewal, the Area Developer shall pay to the Franchisor a non-refundable Renewal Fee of \$ \_\_\_\_\_, which must be received by the Franchisor

no later than thirty (30) days prior to the execution of the renewal agreement. Timely payment of the Renewal Fee is a prerequisite to the Franchisor's consideration of any renewal, and failure to do so shall constitute grounds for denial of renewal. The Renewal Fee is in addition to any other fees or obligations required under the Agreement or any renewal thereof.

### 3.9 Equipment Fee.

Area Developer shall pay an Equipment Fee of \$\_\_\_\_\_ at the time of placing the order. All payment terms, including the due date and any applicable installment arrangements, shall be agreed upon in writing between Franchisor and Area Developer. This fee is payable directly to Franchisor, and unless otherwise stated in this Agreement or required by applicable law, it is non-refundable.

### 3.10 Utensils.

Area Developer shall pay \$20,100 for Utensils at the time of placing the order. These utensils are critical for the franchise's initial operations and include any items designated by Franchisor as necessary to meet Sharetea brand standards. Area Developer must arrange all details regarding the delivery, installation, and use of these Utensils with Franchisor or Franchisor's designated suppliers. Payment shall be remitted directly to Franchisor under terms specified herein, and this fee is generally non-refundable unless otherwise stated or required by applicable law.

### 3.11 Initial Inventory.

Area Developer is obligated to purchase an Initial Inventory of \$\_\_\_\_\_, which is payable upon placing the order. This inventory encompasses all essential goods and ingredients required for launching and sustaining the franchise's initial operations. The final invoice provided to Area Developer by Franchisor will outline the exact sum and any applicable shipping or handling charges. Payment for the Initial Inventory is made directly to Franchisor and is generally non-refundable except as otherwise provided in this Agreement or mandated by applicable law.

### 3.12 Other Payment Terms

3.12.1 Withholding Taxes. All fees are subject to reduction or withholding if required by law, provided that Area Developer gives Franchisor notice and documentation of any such withholding.

3.12.2 Late Payments and Interest. If Area Developer fails to pay any amount when due, Franchisor may charge a late fee and interest at a rate of 5% per month or the highest

rate permitted by law, whichever is higher. Area Developer must also reimburse Franchisor for all collection costs, including attorneys' fees.

#### **IV. SUPPLY**

##### **4.1. Ingredients, Materials, and Management Procedures**

4.1.1. Required Suppliers. To maintain consistency and quality, Area Developer shall purchase certain raw ingredients and materials exclusively from Franchisor or its designated suppliers.

4.1.2. Local Suppliers. For non-specified items (e.g., milk, vegetables, fruits), Franchisor will assist in selecting qualified suppliers. If Area Developer wishes to use a non-designated local supplier, it must obtain Franchisor's prior written approval.

4.1.3. Inventory Procedures. Area Developer shall develop and implement procurement and inventory management procedures for each Tea Shop, subject to Franchisor's prior written approval.

##### **4.2 Safety of Ingredients and Materials**

If any raw ingredients or materials provided by Franchisor are deemed unsafe by local authorities, Area Developer may return or exchange them at Franchisor's expense.

##### **4.3 Payment Conditions**

Payment Installments and Lump-Sum Option. Unless otherwise required by Franchisor in its sole discretion, Franchisor will begin preparing the shipment after receiving the entire purchase order amount in one lump sum, in which event Area Developer shall pay the full balance by the deadline specified in Franchisor's written notice. Failure to comply with this payment requirement constitutes a material breach of this Agreement.

##### **4.4 Prohibition on Alterations**

Area Developer may not alter product names, pricing, or bundle services with third-party goods without Franchisor's prior written consent.

##### **4.5 POS System**

Area Developer shall install and maintain a Point of Sale (POS) system that meets Franchisor's technical specifications and operational requirements. Prior to commencing operations, Area Developer shall submit POS configuration details for Franchisor's written approval. Area Developer is responsible for all costs related to hardware, software, upgrades, and ongoing maintenance. Franchisor reserves the right to mandate system enhancements if deemed necessary for uniformity or data accuracy within the Sharetea System.

In the event Area Developer fails to comply with any obligations set forth in this Agreement, Franchisor shall have the right, at its sole discretion and without prior notice, to immediately suspend the Area Developer's access to the POS system and the software system of any equipment. Such suspension shall remain in effect until Franchisor determines, in its sole discretion, that Area Developer has remedied all curable defaults to the Franchisor's satisfaction. Area Developer shall remain responsible for all obligations under this Agreement during any such suspension. Franchisor shall bear no liability for any losses, damages (including consequential or incidental damages), or interruptions to Area Developer's business resulting from the suspension, and all other rights and remedies of the Franchisor under this Agreement, or at law or in equity, shall remain reserved.

Area Developer shall install, maintain, and timely implement all updates, upgrades, patches, modifications, or replacements to the POS system, software, and any related computer or operational systems required by Franchisor from time to time. Failure to timely implement any such required update or modification shall constitute a failure to comply with Franchisor's system standards.

Except as otherwise provided herein, if Area Developer fails to cure such non-compliance within thirty (30) days after written notice from Franchisor, such failure shall constitute a material breach of this Agreement, and Franchisor may exercise its rights under Article XI (Termination), subject to applicable law.

Notwithstanding the foregoing, where Franchisor determines that a required update or modification is necessary to address data security, system integrity, legal compliance, or risks that may materially affect the Sharetea System or other franchisees, Franchisor may require implementation within a shorter period specified in its notice. Failure to comply within such specified period may constitute a material breach not reasonably curable within thirty (30) days.

#### 4.6 Damages

If Area Developer violates any obligation under this Article IV, it shall be liable for liquidated damages of \$10,000.

## **ARTICLE 5. INITIAL MANDATORY TRAINING, ON-SITE SUPPORT, AND RELATED EXPENSES**

- 5.1 After signing this Agreement, Area Developer must assign at least eight (8) staff members to complete 5 to 10 calendar days of initial training at Area Developer's Sharetea Shop in the United States, on a schedule Franchisor jointly determine. Area Developer bear all expenses for the trainees (including transportation, lodging, and meals) and for Franchisor's trainers' local expenses, including local transportation, meals, three-stars-or-above hotel accommodations, and other reasonable costs. Area Developer shall cover Franchisor's trainers' airfare and salary for this initial program, unless otherwise stated.
- 5.2 Upon completing the initial training, Franchisor will assign a business operation consultant to assist with Area Developer's pre-opening for up to 15 calendar days. Franchisor shall be responsible for the consultant's salary and international airfare, while Area Developer is responsible for local costs. If Franchisor advances these costs on Area Developer's behalf, Area Developer must reimburse Franchisor within seven (7) calendar days upon receiving Franchisor's request.
- 5.3 After Area Developer's Sharetea Shop opens, Franchisor may, at Area Developer's request, provide additional on-site consultation (e.g., quarterly). Area Developer shall pay a daily fee of US\$300 per consultant (or US\$350 if Area Developer request a specific consultant), plus round-trip airfare, lodging, meals, and local transportation. All such fees and reimbursements are due within seven (7) days after Franchisor's written invoice.

## **VI. MARKETING**

### **6.1 Design Guidelines**

Area Developer must adhere strictly to these guidelines and is responsible for printing and maintaining physical copies as necessary.

### **6.2 Marketing Activities and Projects**

Prior Notice. Area Developer must notify Franchisor at least 1 month before launching any marketing initiative.

### **6.3 Restrictions on Marketing Activities**

6.3.1. Legal Compliance. All advertising must comply with local laws. Area Developer is solely responsible for violations or penalties.

6.3.2. Immediate Termination. If Area Developer's illegal or noncompliant activities damage the brand, Franchisor may terminate this Agreement immediately.

#### 6.4. Unified Advertising Campaigns

Franchisor may initiate nationwide or regional campaigns. Area Developer must cooperate and implement these campaigns according to Franchisor's instructions.

#### 6.5. Compliance with Portrait Rights

Area Developer must respect all portrait rights in marketing materials. Violations are the sole responsibility of Area Developer and may result in termination.

#### 6.6. Prohibition on Political Commentary

Any political commentary or affiliation in marketing materials is strictly prohibited. A violation is a material breach subject to immediate termination.

### **VII. OPERATION**

#### 7.1. Supervision by Franchisor

##### 7.1.1. Reporting.

Area Developer shall prepare and deliver monthly and quarterly reports to Franchisor on or before the dates specified by Franchisor. Each report must be in a format designated or approved by Franchisor and shall include (without limitation) detailed information on sales, inventory levels, marketing initiatives, staffing, customer feedback, and any other data or metrics that Franchisor, in its sole discretion, deems necessary for effective oversight and brand management. Area Developer agrees to provide any supplemental reports or records requested by Franchisor and to cooperate fully in clarifying or correcting any discrepancies within the reports. Failure to provide timely, complete, and accurate reports—or failure to rectify reporting issues after notice—constitutes a material breach of this Agreement.

##### 7.1.2. POS Monitoring.

Area Developer shall provide Franchisor with continuous, unlimited, and real-time electronic access to all Point-of-Sale (“POS”) data and systems for each Tea Shop. This includes, but is not limited to, sales, inventory, pricing, customer transactions, and any other data that Franchisor, in its sole discretion, deems relevant. Area Developer must install, maintain, and update all hardware, software, and data connections necessary to enable such access in accordance with Franchisor’s then-current specifications. Area Developer shall bear all costs associated with implementing and maintaining the required POS systems, integrations, and any related fees. Franchisor may, at any time and without notice, inspect, audit, extract, copy, or otherwise verify any data in the POS system to ensure accuracy, compliance with operational standards, and to calculate any fees or royalties owed. If Franchisor deems the POS system inadequate or discovers data discrepancies, Franchisor may require Area Developer to upgrade or replace the POS system, or take any other corrective action, at Area Developer’s expense. Area Developer shall not refuse, hinder, or limit Franchisor’s access or auditing functions in any way. Any violation of this provision is deemed a material breach of this Agreement.

## 7.2. Inspection Rights

Franchisor and its authorized representatives may enter the Sharetea Shop during normal business hours to assess Area Developer’s compliance with this Agreement and the Standards. Without prior notice, to: (i) inspect the condition of Area Developer’s Store, its Equipment and inventory, customer service, menu item preparation and other operations and to record and/or photograph the same; (ii) remove samples for testing and analysis; (iii) interview personnel; (iv) interview customers; (v) review operations processes and sample product quality; and (vi) conduct inventories and other activities for the purpose of determining Area Developer’s compliance with this Agreement. Such inspections may be scheduled or unscheduled. If any non-compliant items, procedures, or conditions are identified, Area Developer shall rectify them immediately at Area Developer’s sole expense. Should Area Developer fail to do so, Franchisor may remove or replace the offending items or practices at Area Developer’s cost, payable within ten (10) days of invoice.

## 7.3. Health and Safety Standard

Franchisor may request samples for testing or conduct its own inspections. Costs of failing or re-testing are borne by Area Developer. Local health and safety regulations apply.

## 7.4. Other Business Qualifications

Area Developer must secure all required local business qualifications, including but not limited to any necessary Franchise Disclosure Document filings, company incorporation, or tax licenses.

## 7.5. Unauthorized Products and Services.

Area Developer shall not offer, market, or sell any product or service that has not been expressly pre-approved in writing by Franchisor. This includes, without limitation, any new menu items, private-label merchandise, third-party collaborations, or promotional products. Any violation of this provision is deemed a material breach of this Agreement and entitles Franchisor, in its sole discretion, to immediately terminate the Agreement. In addition, due to the difficulty of quantifying the harm caused by unapproved products and services, Area Developer agrees to pay Franchisor liquidated damages in the amount of Twenty Thousand Dollars (\$20,000) for each such violation. These liquidated damages are not a penalty but constitute a reasonable estimate of the damages Franchisor will suffer. This remedy is in addition to any and all other rights and remedies available to Franchisor, whether at law or in equity.

## 7.6 Maintenance, Appearance, and Remodeling Obligations.

7.6.1 Area Developer agrees to maintain each Tea Shop in a clean, orderly, and attractive condition at all times, consistent with the standards set forth by Franchisor. Area Developer shall promptly perform all necessary repairs, upkeep, and routine maintenance to preserve the Tea Shop's interior and exterior appearance and functionality. This includes, but is not limited to, maintaining fixtures, furnishings, signage, décor, and equipment in good working order and replacing or upgrading them as Franchisor may reasonably require from time to time.

7.6.2 Furthermore, Area Developer shall remodel or refurbish each Tea Shop at its own expense as Franchisor periodically deems necessary to reflect the then-current image, brand standards, and marketing strategies of the Sharetea System. Franchisor will provide Area Developer with reasonable advance notice of any required remodeling, along with design specifications and deadlines for completion. If Area Developer fails to complete the required remodeling within the prescribed timeframe, such failure constitutes a material breach of this Agreement, giving Franchisor the right to exercise any and all remedies under this Agreement or applicable law.

## 7.7 Insurance Requirements.

During the entire term of this Agreement, Area Developer shall, at its own expense, obtain and maintain the insurance coverage that Franchisor periodically requires. At a minimum, Area Developer must carry commercial general liability insurance of two million dollars (\$2,000,000) per occurrence, or such higher limit as may be required by Franchisor or the applicable landlord. The specific premiums, limits, and coverage terms will vary based on Area Developer's

underwriting history, location, insurance carrier, and other factors, but all insurance policies must name Franchisor as an additional insured. Area Developer must also comply with all insurance-related obligations set forth under this Agreement (and any separate franchise agreement), including providing Franchisor with certificates of insurance upon request and immediately notifying Franchisor of any material changes or lapses in coverage. Failure to maintain the required insurance is a material breach of this Agreement.

## 7.8 Advertising and Marketing Obligations.

7.8.1 Area Developer shall conduct advertising and marketing activities for each Tea Shop in strict compliance with Franchisor's directives, guidelines, and brand standards. Area Developer agrees to allocate the necessary funds, staff, and resources to maintain an active marketing presence throughout the Territory, including both local advertising and promotional efforts as Franchisor may reasonably require. All marketing materials must conform to Franchisor's specifications and receive Franchisor's prior written approval where required.

7.8.2 Franchisor reserves the right to independently conduct additional advertising and marketing campaigns at the regional, national, or international levels, at its sole discretion. Area Developer acknowledges that such campaigns may also include the Territory, and that Franchisor has the unrestricted right to develop, modify, or discontinue any advertising or marketing programs. Area Developer shall cooperate fully with all promotional activities initiated by Franchisor and implement any related strategies or brand guidelines within the deadlines provided. Failure to comply with this section constitutes a material breach of this Agreement.

## 7.9. Tea Shop Management and Staffing Obligations.

Area Developer shall ensure that each Tea Shop within the Development Territory is properly staffed and managed at all times in accordance with Franchisor's guidelines and operational standards. This includes:

### 7.9.1. Daily Management.

Area Developer or its designated representative must oversee the day-to-day operations of each Tea Shop to ensure full compliance with this Agreement and with the Franchisor's established protocols, policies, and quality requirements.

### 7.9.2. Staff Training and Competency.

Area Developer is responsible for recruiting, hiring, training, and supervising all personnel necessary to operate the Tea Shops. All employees must meet Franchisor's standards for skill, professionalism, and customer service, and complete any required initial or ongoing training programs specified by Franchisor.

#### 7.9.3. Compliance with Labor Laws.

Area Developer must comply with all applicable labor and employment laws, regulations, and best practices in connection with Tea Shop staffing and employee management.

#### 7.9.4. Ongoing Oversight.

Area Developer shall periodically review staff performance and morale, implement improvements or corrective actions as needed, and promptly address any deficiencies that might jeopardize the Tea Shop's adherence to Franchisor's operating standards.

#### 7.9.5. Continuity of Operations.

Area Developer shall maintain sufficient managerial and operational personnel at each Tea Shop to ensure uninterrupted service to customers, including during periods of staff turnover, vacations, or other absences.

Failure to meet these obligations constitutes a material breach of this Agreement, and Franchisor reserves the right to take any and all remedies available under this Agreement or at law, including immediate termination.

## **VIII. TRADEMARK**

8.1 Area Developer agrees to use only those Sharetea Trademarks (including names, logos, service marks, and associated branding) that Franchisor specifies, and strictly in the form, manner, and context that Franchisor has approved in writing. Area Developer may not modify, distort, or misuse the Sharetea Trademarks, nor may Area Developer combine or co-brand them with any other trademark, logo, name, or identifier without Franchisor's express prior written consent. Area Developer may not offer or sell any Sharetea -branded products or services via catalogs, the Internet, social media, or other remote channels without Franchisor's prior written authorization. Franchisor retains exclusive control over all online usage of the Sharetea Trademarks, including domain names, social media handles, and any digital or electronic presence.

- 8.2 Area Developer acknowledges that the Sharetea Trademarks are owned solely by Franchisor or its affiliates, and that all goodwill arising from Area Developer's use of them inures exclusively to Franchisor's benefit. Area Developer will not register, attempt to register, or otherwise claim rights in any mark, trade name, domain name, or entity name that is identical or confusingly similar to the Sharetea Trademarks. Area Developer also agrees not to use the name "Sharetea" (or Franchisor's company name, any variation thereof, or any similar terms) in Area Developer's corporate, partnership, limited liability company, fictitious, or assumed business names, or in any manner that may create the false impression that Area Developer is anything other than an independently owned and operated franchisee.
- 8.3 Area Developer must immediately comply with any direction from Franchisor regarding the use, display, discontinuance, or modification of the Sharetea Trademarks, including removing or destroying any materials Franchisor deems unacceptable, at Area Developer's expense. Any unauthorized or improper use of the Sharetea Trademarks constitutes a material breach of this Agreement, entitling Franchisor, at its sole discretion and without limiting other available remedies, to seek immediate injunctive relief, terminate this Agreement, and/or require Area Developer to pay damages for harm to Franchisor's brand and goodwill.
- 8.4 Area Developer must immediately notify Franchisor of any potential infringement or litigation involving the Sharetea Trademarks. Franchisor shall have the sole and absolute right to direct, control, and settle any litigation, dispute, or other proceeding relating to its intellectual property. Area Developer agrees to cooperate fully, at its own expense, in any action taken by Franchisor to protect or defend its rights in the Sharetea Trademarks.
- 8.5 Except as otherwise expressly provided in this Agreement, Area Developer shall not at any time represent or claim any right, title, or interest in or to the licensed trademarks and shall not engage in any act that could impair the rights associated with such trademarks. Area Developer shall also refrain from infringing Franchisor's copyrights, trademark rights, patent rights, and any other intellectual property rights or other legal rights and shall not cause or allow any third party to do so.
- 8.6 Without the prior written consent of Franchisor, Area Developer shall neither relicense nor otherwise authorize any third party to use Franchisor's trademarks. In the event Area Developer infringes upon the rights of the Franchisor or any third party, thereby causing damage to Franchisor or its employees, agents, or affiliates, Area Developer agrees to indemnify and hold the Franchisor harmless from any and all such damage, loss, or liability.

## **IX. TRANSFER OR ASSIGNMENT**

### **9.1. Assignability**

9.1.1. Reliance on Personal Qualifications. Franchisor has executed this Agreement in reliance on Area Developer's personal qualifications; thus, Area Developer may not assign this Agreement except as specified in Section 9.2.

9.1.2. Franchisor's Right to Assign. Franchisor may assign this Agreement at its sole discretion without Area Developer's consent; Area Developer waives any claims arising from such assignment.

## 9.2 Transfers to an Affiliated Entity

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. Franchisor shall not unreasonably withhold such consent, provided that Area Developer 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.

## X. NON-COMPETITION

### 10.1 Restriction on Competitive Activities

10.1.1. Scope and Duration. During the term of this Agreement, and for one (1) year after its expiration or termination (for any reason), neither the Area Developer nor its Principal Equity Owners (including any entity owned, controlled, or managed by them) may invest in, own, operate, be employed by, consult with, advise, or otherwise engage or participate—directly or indirectly—in any business that offers products or services that are the same as or substantially similar to those offered under the "Sharetea" brand, whether through retail outlets, online channels, or otherwise, within the Territory (or any area where the Franchisor or its affiliates conduct business or have disclosed an intention to do so).

10.1.2. No Circumvention. Area Developer and its Principal Equity Owners shall not circumvent this restriction by using a third party or affiliate as a proxy or by transferring any ownership interest in order to avoid or dilute the effect of this provision.

- 10.1.3. No Solicitation of Employees. During the same restricted period, Area Developer and its Principal Equity Owners shall not knowingly recruit or hire any of Franchisor's employees, trainers, consultants, or key personnel for a competing business, nor encourage such individuals to terminate or modify their employment or consultancy with Franchisor or its affiliates.
- 10.1.4. Confidential Information. The Area Developer and its Principal Equity Owners shall not disclose, use, or permit the use of any trade secrets or other confidential and proprietary information of the Franchisor in connection with a competing business, either during the term or after the expiration of this Agreement, subject to any separate confidentiality provisions herein.
- 10.1.5. Remedies for Breach. In the event of an actual or threatened breach of this Section 10.1, Franchisor shall be entitled to any and all remedies available at law or in equity, including but not limited to injunctive relief, to protect its interests without the requirement of posting a bond (to the extent permitted by law).

These restrictions in Sections 10.1 apply in addition to any other confidentiality, non-disclosure, or non-competition obligations found elsewhere in this Agreement. The parties acknowledge that these provisions are reasonable in scope and duration and are necessary to protect the legitimate business interests of the Franchisor.

## **XI. DEFAULT AND TERMINATION**

### 11.1 General

- 11.1.1. In addition to Section 2.2 on Force Majeure, Franchisor may terminate this Agreement if Area Developer fails to comply substantially with any material obligation, after written notice and a reasonable (up to 30 days) opportunity to cure, or if Area Developer is in material breach of the Area Developer Agreement for any Tea Shop.

- 11.1.2. Right to Terminate for Failure to Provide Training.

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.

## 11.2 Operation of Opened Tea Shops After Termination or Expiration

If Franchisor terminates this Agreement for default, Area Developer (or affiliates) may continue to operate any Tea Shops opened prior to termination if they are not in material breach of the respective Franchise Agreements. However, Area Developer forfeits any further exclusive rights under this Agreement.

11.3 Termination by Franchisor. In addition to the other rights of termination provided elsewhere in this Agreement, Franchisor may terminate this Agreement upon the occurrence of any of the following conditions. Unless otherwise stated, Franchisor may exercise its right to terminate immediately upon giving written notice to Area Developer.

### 11.3.1 Breach of Obligations.

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.

### 11.3.2. Failure to Make Timely Payments.

Area Developer fails to pay any sums due (e.g., royalties, fees, or other financial obligations) within twenty (20) days after receiving written notice from Franchisor.

### 11.3.3. Insolvency or Legal Proceedings.

Area Developer becomes insolvent or enters into dissolution, liquidation, bankruptcy, or company reorganization. Likewise, the Agreement may be terminated if a court or government order substantially impedes Area Developer's business operations.

### 11.3.4. Damage to Franchisor's Brand or Reputation.

Area Developer engages in any act or omission (including illegal or unethical conduct) that harms or has the potential to harm Franchisor's public image, brand, trademarks, or goodwill. Negative publicity or legal issues resulting from Area Developer's actions may justify immediate termination.

### 11.3.5. Failure to Maintain Operation Standards.

Area Developer fails to conform to Franchisor's operational, product quality, customer service, or branding standards. If not corrected within thirty (30) days of notice, Franchisor may terminate.

#### 11.3.6. Unapproved Assignments or Transfers.

Area Developer transfers, assigns, or encumbers its rights under this Agreement without Franchisor's prior written consent, constituting grounds for immediate termination.

#### 11.3.7. Repeated Breaches.

Even if Area Developer cures individual breaches, Franchisor may terminate if multiple breaches occur (or reoccur) within any twelve (12) month period, reflecting a pattern of non-compliance.

#### 11.3.8. Failure to Meet Development Schedule.

Area Developer does not achieve the milestones outlined in the Development Schedule (such as the timely opening of the required number of Tea Shops). Failure to correct such delays within thirty (30) days of notice may result in termination.

#### 11.3.9. Legal Violations.

Area Developer is found to be in breach of local, national, or international laws or regulations that adversely affect Franchisor's interests or the Area Developer's ability to operate the franchise.

#### 11.3.10. Failure to Adhere to Marketing and Advertising Guidelines.

Area Developer does not comply with Franchisor's marketing, advertising, or social media guidelines, including failing to obtain prior written approval for promotional materials. Repeated non-compliance after notice may lead to termination.

#### 11.3.11. Failure to Attend or Implement Training.

Area Developer neglects to send required personnel for training or fails to implement Franchisor's required protocols. If not cured within thirty (30) days, Franchisor may terminate.

#### 11.3.12. Prohibition on Political Activities.

Area Developer engages in or endorses political activities in violation of the Agreement, including making political commentary under the brand name. Such actions constitute a material breach warranting immediate termination.

#### 11.3.13. Abandonment of Business.

Area Developer ceases to operate any franchised Tea Shop for more than five (5) consecutive days (except in force majeure circumstances) or otherwise abandons its obligations without Franchisor's written consent.

#### 11.3.14. Failure to Maintain Insurance or Licenses.

Area Developer does not obtain or maintain in full force any insurance coverage or business licenses required by this Agreement or local laws. If Area Developer does not rectify the lapse within fifteen (15) days of receiving notice, Franchisor may terminate immediately.

#### 11.3.15. Material Misrepresentations or Fraud.

Area Developer or its Principal Equity Owners make any false statements, conceal material facts in dealing with Franchisor, or otherwise commit fraud, whether in financial reporting, operations, or other areas related to the franchise business.

#### 11.3.16. Unauthorized Disclosure of Confidential Information.

Area Developer or its Principal Equity Owners disclose or misuse any of Franchisor's confidential information (including trade secrets, recipes, manuals, or business strategies) in violation of the Agreement or any separate confidentiality obligations.

#### 11.3.17. Breach of Non-Competition Obligations.

Area Developer or its Principal Equity Owners engage in competitive business activities contrary to the Agreement's non-compete provisions (e.g., investing in or operating a directly competing concept), which may result in immediate termination.

#### 11.3.18. Persistent Negative Performance or Quality Issues.

Area Developer repeatedly fails to meet minimal quality, customer service, or financial benchmarks established by Franchisor (in writing), despite receiving notice and an opportunity to improve. Continuing substandard performance indicates a material breach, justifying termination.

#### 11.4 Effect of Termination.

Upon termination for any of the reasons set forth above, Franchisor may avail itself of all legal and equitable remedies, including without limitation the right to discontinue Area Developer's right to develop additional Tea Shops, demand immediate payment of all outstanding fees, require cessation of the use of Sharetea Trademarks, and seek injunctive relief to prevent further unauthorized use of Franchisor's intellectual property. Any continuing Tea Shops operations will be governed by the terms of the applicable franchise agreement(s), subject to Franchisor's right to terminate those agreements for reasons stated therein or if Area Developer's breaches extend to those agreements. All rights not expressly granted to Area Developer will revert to Franchisor immediately upon termination.

## **XII. DISPUTE RESOLUTION**

### 12.1 Mediation

Before initiating arbitration, the parties shall first attempt to resolve any dispute through good-faith settlement discussions between Franchisor and Area Developer. If they fail to reach a mutually acceptable resolution within sixty (60) days after the dispute first arises or after either party requests settlement discussions, they may submit the dispute 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

### 12.2 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 Sharetea Trademark generic or invalid. Judgment on the award may be entered in any court of competent jurisdiction.

12.3 Injunctive Relief

Any party may seek temporary or preliminary injunctive relief in a court of competent jurisdiction in California without first complying with the mediation or arbitration provisions if there is an imminent threat of irreparable harm.

12.4 Legal Fees and Expenses

The prevailing party in any arbitration or litigation is entitled to recover reasonable legal fees and costs from the losing party.

12.5 Survival

This Article XII survives expiration or termination of this Agreement.

**XIII. NOTICES**

13.1 Notice Requirements

All notices must be in writing and sent by reliable overnight courier or delivered in person. Notices are deemed given the next business day after deposit with a courier. Any changes to the addresses must be communicated promptly in writing.

13.1.1. Franchisor’s Address:

\_\_\_\_\_ [Insert Address]  
\_\_\_\_\_ [Insert Contact Person]

13.1.2. Area Developer’s Address:

\_\_\_\_\_ [Insert Address]  
\_\_\_\_\_ [Insert Contact Person]

**XIV. GENERAL TERMS AND PROVISIONS**

12.1. Governing Law and Forum Selection (California).

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. 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.

12.2. Modification. No change or amendment is valid unless in writing and signed by all parties.

12.3. Waiver and Delay. Franchisor's failure to exercise any rights or insist on strict compliance does not constitute a waiver for future breaches.

12.4. Severability; Partial Invalidity. If any provision is held invalid or unenforceable, it shall be modified only to the extent necessary to comply with law, and the remainder shall remain in full force.

12.5. Titles for Convenience. Section titles are for convenience only and do not affect interpretation.

12.6. No Third-Party Beneficiaries. This Agreement benefits only the named parties (and their permitted successors and assigns).

12.7. Survival of Covenants. All obligations that by their nature survive termination (e.g., confidentiality, non-compete, indemnification) remain in effect.

12.8. Successors and Assigns. This Agreement is binding upon, and inures to the benefit of, successors and permitted assigns.

12.9. Counterparts. The Agreement may be executed in multiple counterparts, each considered an original.

12.10. Entire Agreement. This document, together with its Exhibits, is the entire agreement between the parties and supersedes all prior understandings or representations.

12.11 Death or Disability of Area Developer. In the event of the death or permanent disability of the Area Developer (or if the Area Developer 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 Area Developer'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 Area Developer'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.

#### 12.12 Integration / Merger Clause.

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.

#### 12.13 Superiority of Individual Franchise Agreement

All individual Franchise Agreements that Franchisor and Area Developer sign for Sharetea Tea Shops within the Development Area are independent of this Agreement. The continued effectiveness of any individual Franchise Agreement does not depend on the continued effectiveness of this Agreement. If any conflict arises between this Agreement and any individual Franchise Agreement as to any individual Sharetea Tea Shop, the terms of the individual Franchise Agreement will control.

[This Space Intentionally Left blank]

#### FRANCHISOR

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

#### FRANCHISEE

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

***EXHIBIT 1 - DEVELOPMENT SCHEDULE***

All Tea Shops will be opened at sites located in the “Development Area” described as follows:

Area Developer must open (and thereafter maintain) Tea Shops in accordance with the following schedule:

## 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 4<sup>th</sup> 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  
20<sup>th</sup> Floor, 200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(state agency)

Office of the Attorney General – Securities  
Division  
20<sup>th</sup> 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, 1<sup>st</sup> Floor  
Lansing, Michigan 48933-1105  
(517) 373-7117

**Minnesota**

Minnesota Department of Commerce  
Commissioner of Commerce  
85 7<sup>th</sup> 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, 1<sup>st</sup> 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, 4<sup>th</sup> 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 the contact information of the former franchisees:

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

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Tra Nguyen 17039 SE 272nd Street, Suite 118, Covington, WA 98042 vandk0814@gmail.com	Xyra Arante 128 S. Ely St, Kennewick, WA 99336 xydella497x@gmail.com, dezakpin@gmail.com	Van Vong 4018 Pacific Ave SE, Lacey, WA 98053 vongvn@gmail.com,
Kyung Jun 220 36th St, Suite 322, Bellingham, WA 98225 thomas.jun@live.com		

Washington D.C.		
Jerry He 519 H St Nw Washington, DC 20001 jerryhe@hotmail.com; shareteachinatown@hotmail.com		

**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: March 5, 2026

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

I received a Disclosure Document issued March 5, 2026. 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: March 5, 2026

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

I received a Disclosure Document issued March 5, 2026. 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**