FRANCHISE DISCLOSURE DOCUMENT

Little Sheep Hong Kong Holdings
Company Limited
a Hong Kong limited liability company
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This disclosure document provides information about a franchise for the operation of a "Little Sheep Hotpot" Restaurant offering Inner Mongolian hotpot cuisine featuring tabletop cooking served in a metal pot filled with herbs and spices.

The total initial investment necessary to begin operation of a single franchised Little Sheep Hotpot Restaurant ranges from $796,000 to $1,937,500. This includes $115,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 formats, contact Johnson Liu, at (0086) 021-2215-0124 and via email at Johnson.Liu@YumChina.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract 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-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this Franchise Disclosure Document is July 5, 2024

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 Exhibits I.1 and I.2.
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 H 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 Little Sheep Hot Pot Restaurant business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be Little Sheep Hot Pot Restaurant franchisee?	Item 20 or Exhibits I.1 and I.2 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 F.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area franchise agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in New York. 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 New York than in your own state.

2. **Mandatory Minimum Payment**: You must make minimum royalty or 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.

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

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.

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

LITTLE SHEEP
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, "we," "our" and "us" mean Little Sheep Hong Kong Holdings Company Limited, the franchisor. "You" means the individual or corporation, partnership, limited liability company, partnership, or other business entity that buys the franchise. If you are a business entity, "you" also may mean your owners.

The Franchisor

We are a limited liability company established in Hong Kong by our parent, Inner Mongolia Little Sheep Catering Chain, Company, Ltd. ("IMLS") on January 27, 2004 for the purpose of operating Little Sheep Hot Pot restaurants ("Restaurants") in Hong Kong and Macau. On October 25, 2017, IMLS granted us the exclusive right to operate and to franchise Little Sheep Restaurants everywhere in the world outside of Mainland China. Our principal place of business is 20/F, Tai Hung Fai (Tsuen Wan) Centre, 55 Chung On Street, Tsuen Wan, Hong Kong, CHINA.

We have 30 Restaurants open and operating in Japan, Indonesia, Cambodia, New Zealand, and Singapore. As of the date of this disclosure document we have one Restaurant open and operating in the United States. We conduct business under the name "Little Sheep" and under the name and marks "Mongolian Hotpot," (the "Marks"). We do not conduct business under any other name. Our agents for service of process are listed in Exhibit G.

We offer franchises for the development and operation of Restaurants operating under the name "Little Sheep," which offer casual dining with its roots in Inner Mongolia, China specializing in "Hot Pot" cooking (the "Products and Services"), as described below in greater detail.

In 2021, we began offering, under a separate franchise disclosure document, single- and multi-unit franchises for the development and operation of restaurants under the name "Simmer Huang." Simmer Huang is a Chinese-style simmer pot restaurant concept which serves fresh ingredients simmered in a pot at each table and then mixed with special sauces. Our affiliate, Royal Dynasty International Development Limited ("RDID"), has offered and sold "Simmer Huang" franchises outside the United States since 2014. As of December 31, 2023, there was 1 Simmer Huang franchise in Indonesia, and there were 3 "Simmer Huang" restaurants in the United States operated by franchisees of a third-party entity, Royal Dynasty U.S. Restaurant Management, Inc. ("RDUS"). As of the date of this disclosure document, both RDUS and RDID have the right to operate and to franchise Simmer Huang Restaurants in the United States.

In 2021, we began offering, under a separate franchise disclosure document, a Simmer Huang master franchise agreement for the United States to RDUS. On the date of this disclosure document RDUS had a nonexclusive right to operate and grant subfranchises for the operation of Simmer Huang restaurants throughout the United States. Through the Master Franchise Agreement, we will coordinate franchising activities with RDUS. RDUS will commit to recruiting qualified third party subfranchisees who will be responsible for establishing and operating Simmer Huang Restaurants in the United States. As of December 31, 2023, there were no "Simmer Huang" master franchisees.

We began offering the franchise described in this disclosure document for Little Sheep Hot Pot Restaurants in the United States in December 2018. Except as we disclosed above, we have never offered franchises in any other line of business. Except as we disclosed above, we do not have any other business activities. Other than our involvement in operating Little Sheep Restaurants, providing support to franchise-operated Little Sheep Restaurants, and franchising the Simmer Huang franchise system, we do not engage in, and have not in the past engaged in, any other business activity.

Our Parents, Predecessors, and Affiliates

Parents

Our immediate parent, IMLS, was organized in the Inner Mongolia Autonomous Region of the Peoples Republic of China in 1999. IMLS began franchising Little Sheep Restaurants in Mainland China in 2001. IMLS has franchised Little Sheep Restaurants in Mainland China since its inception. Its principal place of business is 9 Wulan Avenue, Kundulun District, Baotou City, Inner Mongolia Autonomous Region, the Peoples Republic of China. IMLS owns the Marks and System and is sometimes referred to as the IP Owner. IMLS does not own, operate or franchise any Little Sheep Hot Pot Restaurants within the United States. It does not franchise any other concepts.

In 2006, IMLS formed Inner Mongolia Little Lamb USA Corporation ("IMLL US") for the purpose of operating Little Sheep Hot Pot Restaurants in the United States. When IMLL US was closed by IMLS in 2009, 5 Restaurants were in operation in the United States, and 4 were in operation in Canada. IMLL US sold its North American Restaurants to one of its directors, Wang Feng, and XFY, Inc.

On January 1, 2011, IMLS formalized a master franchise agreement with Three Lamb Investments International LTD, ("Three Lamb") a British Columbia, Canada company confirming its rights to operate and to subfranchise Little Sheep Restaurants throughout Canada, Mexico, and the United States. On the date of that agreement, 12 Little Sheep Restaurants were in operation, 5 in Canada and 7 in the United States. Three Lamb then executed franchise agreements with the owners of the existing North American Restaurants, and began entering into agreements to establish other Restaurants. Between 2011 and 2017, pursuant to its master franchise agreement, Three Lamb operated or granted others the rights to operate 40 locations using the Little Sheep trademarks, 28 in the United States and 12 in Canada.

Under the terms of our 2017 Little Sheep Overseas Business Franchise Contract ("Master Franchise Agreement") with IMLS, IMLS agreed to assign to us or to terminate its contractual relationships with Restaurant owners outside of Mainland China. When IMLS extended our right to operate and to franchise Restaurants throughout the world, it agreed to assign to us or to terminate its contractual relationships with Restaurant owners outside Mainland China. In July 2018, IMLS entered into an agreement with Three Lamb in which Three Lamb agreed to terminate its Master Franchise Agreement and to stop using the Marks and System at all 28 of its U.S. Restaurants and its 12 Canadian Restaurants by June 30, 2020. As of December 31, 2020, all 12 Three Lamb locations in Canada were closed. Each of the Restaurants operated by Three Lamb pursuant to an agreement with it, is required to comply with the operating standards prescribed in our Manuals until the date it stops using the Little Sheep Marks, but not thereafter.

IMLS is a subsidiary of China XiaoFeiYang Catering Chain Co., Ltd. (British Virgin Islands) ("China XiaoFeiYan Catering"), which has a principal place of business is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. China XiaoFeiYan Catering has never owned, operated or franchised any Little Sheep Hotpot Restaurants nor any other line of business.

China XiaoFeiYang Catering is a subsidiary of Little Sheep Group Limited (Cayman Islands) ("Little Sheep Group"). Little Sheep Group's principal place of business is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island. The company has never owned, operated or franchised any Little Sheep Hotpot Restaurants nor any other line of business.

Wandle Investments Limited (Hong Kong) ("Wandle") and YRI Hong Kong I Limited (Hong Kong) Limited ("YRI Hong Kong") are the parent companies of Little Sheep Group. Wandle's principal place of business is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and YRI Hong Kong's principal place of business is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Neither company has ever owned, operated or franchised any Little Sheep Hotpot Restaurants nor any other line of business.

Yum China Holdings, Inc. ("Yum China"), our ultimate parent company, is a Delaware Corporation formed on April 1, 2016. Its US headquarters is located at 7100 Corporate Drive, Plano, Texas 75024 and its overseas headquarters is located at Yum China Building, 20 Tian Yao Qiao Road, Shanghai 200030, People's Republic of China. Yum China is an independent publicly traded company under the ticker symbol "YUMC" on the New York Stock Exchange as of October 31, 2016. With 9,200 restaurants as of December 31, 2023, Yum China owns, franchises or has an ownership in entities that own and operate restaurants under the KFC, Pizza Hut, Little Sheep, Simmer Huang, and Taco Bell concepts. Yum China does not own, operate or franchise any Little Sheep Hotpot Restaurants in the United States. Yum China also owns a controlling interest in the holding company of DAOJIA.com.cn, an established online food delivery service provider in China.

In addition, Yum China operates a tailor-made, world-class logistics management system, which is capable of accommodating large scale, wide coverage and advanced information dissemination as well as fast store expansions. Yum China, along with multiple independently owned and operated distributors, utilizes 25 logistics centers and seven consolidation centers to distribute supplies to company-owned and franchised stores, as well as to third-party customers. In addition, Yum China owns seasoning facilities for its Chinese dining business unit, which manufactures and sells seasoning products to Huang Ji Huang and Little Sheep franchisees.

YUM Brands, Inc. ("YUM Brands"), our former parent, acquired a 29% stake in IMLS in 2009, and acquired the remaining interest in the company in 2011. In 2012, Yum Brands held a 93% stake in IMLS and later acquired 100% of the company. IMLS was fully acquired by Yum Brands in February 2012. Our ultimate parent, YUM China is a Delaware corporation formed on April 1, 2016 when YUM Brands spun off its Chinese businesses, including us.

Predecessors

We do not have any predecessors.

Affiliates

Our affiliate, Inner Mongolia Little Sheep Condiment Food Co., Ltd. ("Inner Mongolia Condiment"), a limited liability company organized under the laws of People's Republic of China was formed on October 10, 2003 has a principal place of business at No. 1, Qiushi Road, Gaoxin District, Baotou City, Inner Mongolia Autonomous Region, the Peoples Republic of China. Inner Mongolia Condiment does not own or operate any restaurant, IMLS is the parent company of Inner Mongolia Condiment. Inner Mongolia Condiment does not offer franchises in any line of business.

<u>The Franchise Rights Offered</u>

We offer qualified individuals and entities the right to open and operate a single Restaurant at a specific location under the terms of the Little Sheep Franchise Agreement (the "Franchise Agreement"). A copy of the Franchise Agreement is included in Exhibit A to this Disclosure Document. You must operate the Restaurant under the standards, specifications, products and services, methods, procedures, technology and intellectual property prescribed by us relating to the establishment, development and operation of a Restaurant (the "System"), which includes methods of training, advertising and promotion, distinctive types of facilities, interior and exterior layouts, trade dress, menu, recipes, signs, equipment, packaging, supplies, furnishings, fixtures, décor, Confidential Information, business techniques, methods and procedures, and sales promotion programs, all of which the Franchisor may modify, change, improve and further develop using the trade name, and trademark "Little Sheep™." The required initial training program for this franchise opportunity is to be held in China.

The System is identified by certain trade names, service marks, trademarks, logos and emblems, including the mark "Little Sheep™". In the future, we may designate the use of new or additional Marks for use with the System. The Franchise Agreement gives you the right to use the Marks and the System solely in the operation of the Restaurant, and only from a location which we approve. You are not permitted to offer catering or delivery services, or serve alcoholic beverages, without our prior written consent.

Market and Competition

The market for hotpot flavor is well developed and the restaurant industry is highly competitive. Your competition will include independent restaurants as well as other franchised and company-owned restaurant chains offering a variety of cuisines as well as local stores and restaurants offering prepared food or other related products.

Laws and Regulations

In addition to laws and regulations that apply to businesses generally, federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Restaurant, including those which: (a) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants and disclosure of nutritional information, employee practices concerning the storage, handling, cooking and preparation of food, restrictions on smoking, availability of and requirements for public accommodations, including restrooms; (b) establish standards pertaining to employee health and safety; (c) establish standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials.

To serve alcohol at the Restaurant, you will need to comply with local and/or state alcoholic beverages licensing rules and regulations. These laws and regulations vary from state to state, and sometimes vary depending upon the city or county in the state. We recommend that you contact a lawyer who specializes in securing these licenses in your jurisdiction to assist with the process. You will also be subject to "dram-shop" laws, which may impose liability on sellers of alcohol for accidents or injuries caused by patrons of a restaurant, bar, or other seller of alcohol. There also may be regulations that pertain to sanitation, food preparation, food handling, grease and other waste disposal, environmental compliance, and food service.

You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

ITEM 2
BUSINESS EXPERIENCE

Director — Florence Lip Mei Yan

Ms. Lip has served as our sole Director since February 2018. Since January 2018, she has also served as Investor Relations Director of Yum China (Bai Sheng) in Hong Kong. Before that, Ms. Lip was KFC Planning Director for Yum China in Shanghai, China from March 2015 to December 2017. From

June 2012 to February 2015, she was Regional Financial Controller for AS Watson Group in Hong Kong, China.

Brand General Manager YANG Bei-min

Ms. YANG has served as the Brand GM, Little Sheep, since April 1st 2024. Her office is located in Shanghai, China. She is also the Brand General Manager of Simmer Huang since October 1st 2022. Before that, she was the HR Director since 2016.

Little Sheep Franchise Development Director WANG Ye

Mr. WANG has served as Franchise Development Director of Simmer Huang since October 1st 2022. He joined in Yum China since 2000.

ITEM 3
LITIGATION

On July 14, 2020, our parent, IMLS signed a consent order with the California Department of Business Oversight (DBO) in which it agreed to pay a civil penalty of $22,100 to settle claims arising out of its former North American Master Franchisee, Three Lamb's, allegedly having sold 13 unregistered franchises in California between 2011 and 2017. *In the Matter of The Commissioner of Business Oversight v. Inner Mongolia Little Sheep Catering Chain, Company, LTD.* Organization No: 306030. IMLS also agreed to desist and refrain from violating the California Franchise Investment Law. Although DBO alleged that IMLS was vicariously liable for Three Lamb's franchise sales, IMLS neither admitted nor denied the allegation, but agreed to the Consent Order for the purpose of allowing us to register the Little Sheep franchise in California.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee for Single Restaurant

The initial franchise fee (the "Initial Franchise Fee") for a Restaurant is $50,000 and is payable in a lump sum when you sign the Franchise Agreement. A service fee (the "Service Fee") for a Restaurant is $50,000 and is payable in a lump sum within 5 days of signing the Service Agreement and the Confidentiality Agreement. The Service Fee is our fee for the menu of key products, detailed material of relevant products, information about operating standards, instruction manual for store signage, building plan review, new restaurant design review, opening training and practical operation training, and one-week onsite support (one representative from the Franchisor or our affiliate will provide onsite support for one-week at your franchise location).

All fees are fully earned when paid and are not refundable.

The initial fees are uniform for new franchisees.

Prior to opening your Restaurant, and within 10 days from signing your first Franchise Agreement, you must pay a deposit of $15,000 (the "Franchise Deposit") pursuant to deposit terms described in the Franchise Agreement included as Exhibit B. The Franchise Deposit is in addition to the Initial Franchise Fee and Service Fee and will be used to offset the Initial Franchise Fee, the Maintenance Fee, indemnification, overdue penalties, if any, and liquidated damages in the event they are awarded as a result of a lawsuit. In the event of the termination or rescission of the Franchise Agreement, we will refund to you the unapplied balance, interest free, of the of the Franchise Deposit within ninety (90) days following your completion and satisfaction of the post-termination obligations described in the Franchise Agreement.

ITEM 6
OTHER FEES

Name of Fee (Note 1.)	Amount	Due Date	Remarks
Maintenance Fee	5% of all Revenues (See Note 2.)	15th day of the calendar month	See Note 3.
Alternative Fixed Maintenance Fee	$2,000 per month; Minimum $20,000 per year; both adjusted annually for inflation	15th day of the calendar month	If a state, local, or other law prohibits or restricts in any way your ability to pay, or our ability to collect, the Maintenance Fee or other amounts based on Revenues, then you will be required to pay the Alternative Maintenance Fee. See Note 4.
Local Marketing Requirement	Currently 3% of Revenues, will not exceed 3%	Accumulatively calculated/on receipt of invoice	You must spend at least the amount promoting your Restaurant that we specify. We may require that you provide us with a statement of local marketing expenditures during a given period. If, in our judgment, you have not satisfactorily demonstrated that you have satisfied the Local Marketing Requirement, the expenditures in the following taxable year(s) shall be made first out of the accumulated difference between the Local Marketing Requirement and the amount we determined that you have actually expended for local marketing from previous years. If the expenditure is still not satisfactory with us at the end of the Term, you shall pay the difference between the Local Marketing Requirement and the amount we have determined you have actually expended for local marketing upon the receipt of our invoice. See Note 2.

Name of Fee (Note 1.)	Amount	Due Date	Remarks
Marketing Fund Contribution	1%-3% of Revenues (once the Marketing Fund has been established)	15th day of the calendar month	If we establish a Marketing Fund, you must participate. We may discontinue the Marketing Fund at any time at our option. See Note 2. See Item 11.
Technology Fee	$200 per month	15th day of the calendar month	Payable for the technology and technology-related services provided to you by us or our designee.
Additional Training Fee	up to $1000 per day per trainee	Upon receipt of invoice	We may require the Designated Owner, the Manager, and any other of your employees to attend, at a location we designate, such ongoing additional training as we may require, which may be at least twice per calendar year, and we may charge you the Additional Training Fee.
Annual Conference Fee	Will not exceed $1000 per person, per conference	Upon receipt of invoice	
Temporary Management Fee	$500 per temporary Restaurant Manager, per day and our travel-related expenses	Upon receipt of invoice	You must pay the Temporary Management Fee if we “step in” to manage your Restaurant.
Renewal Fee	Franchise Agreement Renewal Fee: 1/2 of then-current Initial Franchise Fee, currently the Initial Franchise Fee is $50,000.	At time of renewal	The Renewal Fee is paid to us in lieu of paying an Initial Franchise Fee when you sign a new Franchise Agreement.
Late Fee	$250	On demand for each late payment	
Interest on Overdue Amounts	0.05% per day interest on overdue amounts or the maximum rate allowed by law	On demand	Interest accrues from the original due date until payment is received in full
Audit	All of our expenses related to the audit	On demand	If any audit shows an understatement of any amount payable to us of 2% or more, or if the audit is conducted because you have not provided required reports to us, then you must pay us the cost of the audit. We may also terminate your franchise.
Supplier Testing Fee	The costs we incur due to testing if you request to use a previously unapproved supplier or product.	Upon receipt of invoice	Supplier Testing Fee. *See also* Franchise Agreement §9.L.

Name of Fee (Note 1.)	Amount	Due Date	Remarks
Insurance Procurement Fee	You must maintain the amounts and types of insurance we require. We have the option, but not the obligation, to procure the required insurance if you fail to do so, and will charge you 150% of our costs to obtain the required insurance.	Upon receipt of invoice	You are required to maintain the types and amounts of insurance specified in Item 8, which must name us as an additional insured.
Cost of Enforcement	All costs, including attorneys' fees	Upon receipt of invoice	You will reimburse us for all costs in enforcing obligations if we prevail.
Liquidated Damages	$100,000	On demand upon termination	Due if we terminate an agreement because of your default.
Holdover Fees	150% of the fees which would have been due to us under the agreements had the agreements neither terminated nor expired (e.g., Maintenance Fee, Marketing fee)	By the due date specified for payment of each fee specified in the agreements	
On-Site Evaluation Fee	Our actual costs of conducting an on-site evaluation, but not less than $750	Upon receipt of invoice	See Note 5.
Relocation Fee	$5,000	Upon relocation	You must submit a notice of intent to relocate at least 90 days prior to relocating your Restaurant. Franchisor will respond to your notice within 30 days of receipt of the notice of intent to relocate. Franchisor will not unreasonably withhold its approval.
Management Information Systems Fee or MIS Fee	Currently $350 per Restaurant, subject to change with 30 days' notice	15th day of the calendar month	The MIS Fee is paid to us or our affiliate for (a) establishing and maintaining any Websites or intranet systems for our Little Sheep™ franchisees and for the promotion of the Little Sheep™ Restaurants; (b) modifying or upgrading our proprietary software that we now or in the future may create and license to you; and (c) providing ongoing maintenance and support services associated therewith.

Name of Fee (Note 1.)	**Amount**	**Due Date**	**Remarks**
NSF Fee	Our then-current fee at the time you sign a Franchise Agreement for each restaurant, currently $150 per returned check or dishonored draft	On demand	
Transfer Fee	$5,000	At the time of transfer	The Transfer Fee is paid to us in lieu of paying an Initial Franchise Fee when the transferee signs a new Franchise Agreement.
Manual Replacement Fee	$500	Upon receipt of invoice	
Extended or Additional Onsite Support Fee	$1,250 per person per additional week	As incurred	See Note 6. Payable if your request, we or our representative(s) provides on-site hands-on support or support services at the Restaurant for an additional time after the Restaurant has opened for business.
Deficiency Reimbursement Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Deficiency Reimbursement Fee. See Note 7. *See also* Franchise Agreement §9.I.
Secret Shopper/Customer Insight Program Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Secret Shopper/Customer Insight Program Fee. See Note 8. *See also* Franchise Agreement §9.X.
Quality Assurance Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Quality Assurance Fee. See Note 9. *See also* Franchise Agreement §9.Y.
Additional Ongoing Assistance Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Payable when you request additional training be provided by us or our representative(s) once the Restaurant is open. The Additional Ongoing Assistance Fee is a reimbursement to us for the costs and expenses associated with providing the additional training to you. See Note 10. *See also* Franchise Agreement §13.B.
Tax Reimbursement Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Tax Reimbursement Fee. See Note 11. *See also* Franchise Agreement §20.A.

Name of Fee (Note 1.)	Amount	Due Date	Remarks
Indemnification Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Indemnification Fee. See Note 12. *See also* Franchise Agreement §21.D.
Force Majeure Relocation Fee	Our costs associated with executing our obligations or in enforcing our rights on your behalf	As incurred	Force Majeure Relocation Fee. See Note 13. *See also* Franchise Agreement §25.B.

NOTES:

(1) Except where otherwise noted, all fees are payable to us, are non-refundable, and are uniformly imposed. All fees shall be paid to us by wire transfer, electronic funds transfer, or direct debit, at our option.

(2) "Revenues" means the aggregate amount of all gross receipts and all consideration the Franchisee derives from operating the Restaurant, regardless of whether the consideration is accrued in compliance with this Agreement, whether for cash, on credit (not adjusted for credit card fees) or otherwise made or provided at or in connection with the Restaurant, including off-premises or off-site sales derived away from the Restaurant. "Revenues" does not include any federal, state, municipal or other sales, or retailer's excise taxes paid or accrued by the Franchisee shall not be deducted from Revenues. Revenues shall not be adjusted for uncollected accounts or cash shortages from cash registers. Revenues shall be deemed received to be the earlier of delivery of the Product or Service, or receipt of payment and Revenues shall be the total income before tax and all service fees before tax received by the Franchisee generated from the products sold and services provided in the Restaurant.

(3) During the term of the Agreement and in consideration of the rights granted to you, you must pay to us a nonrefundable maintenance fee ("Maintenance Fee") in the amount of 5% of the previous month's Revenues. Beginning on the first due date after the opening date, you shall pay to us the Maintenance Fee each calendar month by due date set forth in the Summary Pages of the Franchise Agreement based upon your Revenues for the previous calendar month. If any state imposes a sales or other tax on the Maintenance Fee that you pay us, then you must pay the taxes for us and pay us the additional amount so that our net receipts equal the full 5% Maintenance Fee you owe us.

(4) If a state or local law applicable to your Restaurant prohibits or restricts in any way your ability to pay Maintenance Fees or other amounts based on Revenues derived from the sale of alcoholic beverages at the Restaurant, then we will charge you an Alternative Fixed Maintenance Fee of $2,500 per month if it is higher than the Maintenance Fee that would be on sales of products and services other than alcoholic beverages. The amount may be adjusted each January based on changes in the US Consumer Price Index for all consumers.

(5) The On-site Evaluation may be conducted by personnel that resides outside of the United States.

(6) We will provide a representative or an affiliate representative to provide onsite support beyond what we normally provide. The cost for each person will be $1,250 per week. The representative or an affiliate's representative may reside outside of the United States. You must provide

accommodations and round-trip travel expenses for each person at your own expense.

(7) The Deficiency Reimbursement Fee is the reimbursement of the Franchisor's costs to undertake and complete any required replacement, repair, cleaning or maintenance for the Restaurant when the Franchisee does not fulfill its obligations.

(7) The Secret Shopper/Customer Insight Program Fee is the reimbursement of the Franchisor's cost from the third-party vendor.

(8) The Quality Assurance Fee is the reimbursement of the Franchisor's cost and expenses to implement quality assurance policies and programs.

(9) The Additional Ongoing Assistance Fee is the reimbursement of the Franchisor's costs and expenses associated with providing additional training, including travel-related expenses when the Franchisee requests additional assistance.

(10) The Tax Reimbursement Fee is the reimbursement of the amount equal to the amount of such taxes and related costs imposed upon and paid by the Franchisor on the Franchisee's behalf.

(11) The Indemnification Fee is the reimbursement of all losses and expenses incurred by the Franchisor in connection with the termination of the franchise Agreement with any action, lawsuit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether the same is reduced to judgment) or any settlement therefore, which arises out of the Restaurant, the Franchise Agreement, and the relationship between the parties.

(12) The Force Majeure Relocation Fee is the reimbursement of the Franchisor's costs and expenses associated with assisting You with relocating your Restaurant in the event of force majeure.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low-High	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	$50,000	Lump Sum	Within 10 days of signing Franchise Agreement	Us
Service Fee (Note 1)	$50,000	Lump Sum	Within 5 days after the execution of Confidentiality Agreement & Service Agreement	Us
Deposit (Note 1)	$15,000	Lump Sum	Upon signing Franchise Agreement	Us
Rent (3 months); Lease; Utility and Security Deposits (Note 3)	$10,000 to $50,000	As incurred	As arranged	Landlord
Design & Architectural Fees (Note 4)	$15,000 to $45,000	As arranged	As arranged	Approved Suppliers

Type of Expenditure	Low-High	Method of Payment	When Due	To Whom Payment is to be Made
Restaurant Décor and Signage (Note 5)	$8,000 to $20,000	As arranged	As arranged	Approved Suppliers
Leasehold Improvements (*after* Landlord allowances) (Note 6)	$300,000 to $600,000	As incurred	As incurred	Approved Suppliers
POS System Fee	$3,000 to $10,000	As incurred	As incurred	Third parties
Equipment (Note 7)	$100,000 to $300,000	As arranged	As incurred	Approved Suppliers We appoint Supplier for pot but do not need to approve for other equipment suppliers
Furniture & Fixtures (Note 8)	$7,500 to $20,000	As arranged	As incurred	Approved Suppliers
Initial Inventory (Note 9)	$100,000	As arranged	As incurred	Approved Suppliers
Business License and Permits (Note 10)	$50,000 to $100,000	As arranged	As arranged	Government Agencies
Liquor License (Note 10)	$500 to $400,000	As arranged	As arranged	Government Agencies
Professional Fees, Dues and Deposits (Note 11)	$20,000 to $80,000	As incurred	As incurred	Third parties
Restaurant Insurance (Note 12)	$5,000 to $10,000	As arranged	As arranged	Insurance Company
Initial Training Expenses (Note 13)	Included in service fee	As incurred	As incurred	Airlines, Hotels, Restaurants
Grand Opening Advertising (Note 14)	$7,500	As incurred	Within 90 days after opening of the Restaurant	Advertising suppliers
Additional Funds 3 Months (Note 15)	$55,000 to $80,000	As incurred	As incurred	Us, Approved Suppliers, employees and other creditors
Estimated Total Initial Investment	**$796,000 to $1,937,500**			

Notes:

Except as otherwise noted, all fees that you pay to us are non-refundable. Third-party lessors, contractors and suppliers will decide if payments to them are refundable. We and our affiliates do not offer any direct or indirect financing in connection with a Restaurant (see Item 10).

(1) The Initial Franchise Fee is $50,000. For the description of Deposit and Service Fee, see Item 5.

(2) [Intentionally Omitted]

(3) Typical locations for a Restaurant are ground floor premises of office or residential buildings in urban locations and smaller free-standing, multiple use and strip mall locations in suburban or other

locations. The cost of leasing the Restaurant premises will vary significantly depending on the region of the country, the specific location within that region and the terms of the lease, including the required payment of fees other than rent, such as building operating expenses, common area maintenance expenses, merchants' association assessments and advertising and promotional expenses. This estimate is based on a Restaurant with approximately 3,000 to 30,000 square feet, and includes a lease deposit of up to 2 months and rent for 3 months in a metropolitan area, but excludes any additional expenses required under your lease. The estimates include required maintenance costs.

(4) You must construct your Restaurant in accordance with our standards and specifications. This estimate includes the expense of building out a Restaurant, including carpentry, all interior finishes, mechanical, electrical, and plumbing. This estimate also includes fees for architectural and engineering services such as site planning, state approvals and other permits for building, heating and air conditioning, and plumbing, bid review, construction coordination, pay request review, and project closeout. The construction costs for a building will vary significantly depending on many factors including the size of the building, difficulty of site work, labor costs, local taxes and development fees and the availability of financing.

(5) You must purchase all the restaurant décor, including signage, exterior façade, tables, chairs, art, lighting, flooring, and landlord allowances, from suppliers which we have approved or designated. All signs for your Restaurant must meet our standards and specifications and comply with any local government regulations.

Signage includes the exterior storefront signs as well as interior signage package and branding elements. However, the specific location and/or shopping center where the Restaurant will be located may have requirements and regulations that dictate the size, layout and illumination of the exterior signage for the Restaurant. You will be required to abide by these regulations, and as a result may experience higher or lower costs for your exterior signage.

(6) You will need to construct improvements to, or "build out," the premises at which you will operate the Restaurant. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, HVAC, lighting, and décor items which must be constructed according to our specifications. These costs are likely to vary depending upon the size, location, configuration, installation costs, and overall condition of the premises, and may be much higher, if you already have or wish to establish your Restaurant in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply. A landlord allowance covering a portion of the costs of constructing the leasehold improvements may be able to be obtained from the landlord. Any allowance will be negotiated between you and the landlord. We cannot estimate the amount, scope or type of allowance that may be available, if any, for a particular site or from any particular landlord. The figures in the chart are for the build-out of a "plain vanilla shell" location. The range reflects estimated costs after receiving allowances from the landlord. If a franchisee acquires or leases existing retail space that may have operated a restaurant or as another type of business, the costs for retrofitting the space with the required leasehold improvements may be more or less than the figures in the chart. There are other variables regarding potential sites that are likely to be site-specific and may impact overall construction and/or operating costs, such as, for example, asbestos or other materials within walls of existing locations, special permitting rules and regulations, special HVAC requirements, or site-specific design criteria. These situations are site-specific.

(7) This amount includes the cost of the equipment for the operation of your Restaurant, including the Restaurant appliances (dishwasher, grill, oven, freezer, walk-in cooler/freezer, ice machine and

other similar food service equipment), small wares (pots, pans, kitchen knives, food processors, storage containers, etc.), fountain equipment, and office equipment.

(8) The variation in the costs of furniture and fixtures is based on differences in size, configuration, and location of the Restaurant site. Typical furniture and fixtures include tables and chairs for both indoor and outdoor (if applicable) seating, and other trade dress that are not included as landlord improvements.

(9) You may purchase your inventory of the Approved Supplies from our affiliate and other products for your Restaurant from suppliers, which we have approved or designated.

(10) This is the estimated cost of the permits and licenses that you must have in order to operate your Restaurant and the costs may vary greatly depending on your state's requirements. Each state establishes its own licensing requirements, and those requirements may change. We strongly recommend that you consult with an attorney to determine exactly what permits and licenses you will need and how much those permits and licenses will cost.

The amount necessary to obtain a liquor license varies greatly depending on the city, county and state licensing authority involved and may be based on whether a license is available from the licensing authority or must be purchased from a third party. In states with large urban areas, such as New York and New Jersey, the cost may range up to $1,000,000 for a single liquor license.

(11) This amount estimates attorneys' fees, accounting fees, restaurant association and local chamber of commerce member fees, and utility deposits ("Professional fees, dues, and deposit").

(12) Requirements are described in greater detail in Item 8 of this Disclosure Document. Factors that may affect your cost of insurance include location of the Restaurant, value of the landlord allowances, equipment, carrier, deductible limits, and other factors. Our estimate represents an annual premium. You may pay your premiums monthly, quarterly or semi-annually.

(13) We will provide our initial training program for no more than four people as a part of your Service Fee, but you must pay for your trainees' expenses while attending training. These expenses include travel, lodging, meals and wages. The amount you spend will depend on how far you must travel, the number of people attending training, the method of travel, and the accommodations chosen. According to Expedia, as of April 15, 2024, the cost for a roundtrip airfare from Los Angeles, California to Shanghai, China is $1,568 (economy class, one-stop) to $7,926 (business class non-stop). If you are traveling from elsewhere, you may occur additional costs. The costs for meals, lodging, and wages will vary.

(14) Under the Franchise Agreement, we have the right to require you to spend up to $7,500 on the Grand Opening Advertising Program, but you may choose to spend more than the required amount. We will collaborate with and assist you in preparing the Grand Opening Advertising Program.

(15) We have relied on the experience our officers have in operating Little Sheep Restaurants to prepare this estimate. These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries, for the start-up phase of the Restaurant, which we calculate will be 3 months. Expenses not included are your salary and additional inventory. Your costs may be higher or lower and will depend on factors such as: how closely you follow our recommended methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period. You should review these estimates carefully with an

accountant or other Restaurant advisor before making any decision to buy a franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services throughout the System and in conjunction with the System, you must maintain and comply with our quality standards.

Authorized Location of Restaurant; Lease; Construction

You are not required to purchase or lease real estate from us or our affiliates, and we do not typically own the real estate where the Restaurant is located. We must consent to the site of the Restaurant and lease. Unless we otherwise agree in writing, your lease must contain the "Lease Rider" attached to the Franchise Agreement. You must construct and equip the Restaurant in strict accordance with our then-current approved specifications and standards for Little Sheep Restaurants pertaining to equipment, furniture, signs, décor items, flooring and trade dress (both interior and exterior) and design and layout of the building. In addition to meeting our design specifications and standards, it is solely your responsibility to ensure that your building plans, and the Restaurant and its adjacent areas comply with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards, including the Americans with Disabilities Act ("ADA").

Designated Sources

As of the issuance date of this Disclosure Document, you must purchase: (1) the standard clear white powder bag soup base; (2) the standard powder bag spicy soup base; (3) the roasted-fried spices; (4) the chili oil; and (5) the temperature concentrated broth (collectively, "Required Inventory"), directly from designated suppliers. In addition, we may designate suppliers for other required inventory items, kitchen equipment, and all of the Restaurant's décor. Other than the Required Inventory, neither we nor our affiliates are presently an approved or designated supplier of any product or service, although we may become an approved or designated supplier in the future.

We may designate the specific brand and/or manufacturer of any of the Required Inventory, and we may designate a single source or sources from whom you must purchase any Approved Supplies. Under all circumstances and without limiting the above, we have the right to designate, as applicable, the specific brand and/or manufacturer, and/or the single source of supply (which may be or include us or one of our affiliates), of the following: condiments, lamb, signage, and pots.

Approved Supplies and Suppliers

You must offer or sell in connection with the Restaurant all products and services, and only those products and services, we approve, from time to time, as being suitable for sale from Restaurants and meeting our standards for the System, and you may not offer or sell any other product or service in connection with the Restaurant without our prior written approval. In addition, you must use in the build out, maintenance and operation of the Restaurant the approved products, including the products, services, construction and decorating materials, fixtures, equipment, furniture, signs, décor items, flooring and trade dress (both interior and exterior), advertising, packaging, marketing and promotional materials and promotional items, and any other items we approve and require for Restaurants (collectively, "Approved Supplies").

We will provide you with a list of Approved Supplies (the "Approved Supplies List") and a list of approved suppliers (the "Approved Suppliers" comprise the "Approved Supplier List"), either as part of the Manuals or otherwise. We may revise the Approved Supplies List and Approved Suppliers List from time to time, as we deem appropriate. We have the right to approve the brand, manufacturer, supplier and/or distributor of any of the Approved Supplies. We may also require you to use Approved Suppliers. For some Approved Supplies, we may only describe the specifications and/or standards they must meet, without reference to a particular brand, manufacturer, supplier and/or distributor. In addition, as further described above, we may designate a single source or sources from whom you must purchase any Approved Supplies, and we and/or our affiliates may be that single source or one or more of the sources. We will notify you of these requirements, and changes to these requirements, through the Manuals, the Approved Supplies List or the Approved Suppliers List, or other means. For certain Approved Supplies and other products and services, we, an affiliate or a third-party manufacturer, supplier or distributor may be the only Approved Supplier even though we have not designated a single source of supply for those items. All products, services, inventory, materials and other items and supplies used in the operation of the Restaurant that are not included in the Approved Supplies List must conform to any specifications and standards we establish.

If we have not designated the brand and/or manufacturer, or the source or sources, of any of the Approved Supplies, you may request that we approve an alternative to that item, or an alternative supplier for that item. In that case, you must first notify us in writing and provide us (upon our request) sufficient specifications, photographs, drawings and other information or samples for us to determine whether the alternative item complies with our specifications and standards, or the alternative supplier meets our Approved Supplier criteria. We will notify you in writing as to whether or not the proposed alternative item or supplier is approved within 30 days. We may charge a Testing Fee as reimbursement of our costs and expenses to review, analyze/test, and approve the proposed alternative item or supplier. We may develop procedures for the submission of requests for approved alternative items or suppliers, and obligations that Approved Suppliers must assume (which may be incorporated in a written agreement to be signed by Approved Suppliers). We may impose limits on the number of alternative items and/or suppliers to be used by you for the Restaurant and/or in conjunction with the System. We have the right to revoke our approval of alternative items or suppliers upon written notice to you. If we revoke our approval of an alternative item or supplier, you will have 30 days from our notice to stop offering, selling or using that item or supplier. If we have designated a brand or source of supply, we may, but are not obligated to, consider your requests to use an alternative brand or source of supply that meets our standards.

We apply certain general criteria in approving (or revoking) a proposed supplier, including the supplier's quality and pricing of products/services, reputation, ability to provide products/services that meet our specifications, responsiveness, ability to provide products/services within the parameters required by the System, quickness to market with new items, financial stability and insurance coverage, credit program for franchisees, freight costs and the ability to provide support to the System. To the extent we make these general criteria available to franchisees, we will do so through the Manuals or other written communication.

Insurance

You must purchase and maintain in full force and effect, at your expense, all of the insurance coverage described in the Manuals, as well as any other insurance coverage required by law. Insurance may include: comprehensive general liability insurance, including public liability, products liability, property damage, and personal injury coverage; automobile liability insurance; workers' compensation and employer's liability; fire, vandalism, theft burglary and extended coverage insurance; business interruption insurance; and umbrella policies. All insurance policies must: (1) be issued by an insurance carrier(s) we designate or if we don't designate a specific insurance carrier, by carriers that have an A.M. Best rating of A or higher; (2) name us and our affiliates as an additional insured; (3) contain the above-mentioned insurance coverage for each Restaurant that you operate; and (4) provide that we will receive 10 days' prior written notice of a material change in or termination, expiration or cancellation of any policy (or such shorter period as required by the insurance carrier and approved by us). Your obligation to maintain insurance may not be reduced by any insurance we maintain.

We may, with prior written notice to you, increase or decrease the minimum liability protection requirements, and require different or additional kinds of insurance. You will provide us with a copy of the insurance endorsement and any other documents we request to evidence your compliance with these requirements. In addition, you will provide us annually, upon renewal or extension, and at our request a proper endorsement and such other documentation as we may request evidencing the existence of such insurance coverage and your compliance with the provisions of this paragraph. We also may request copies of all policies at any time. Failure to obtain and maintain the requisite amounts and types of insurance will result in termination of the Franchise Agreement.

Advertising

You must, at your own expense, conduct advertising campaigns in accordance with applicable state and local laws. All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise. See Item 11 for further information regarding advertising programs. We may license third-party suppliers to produce advertising and promotional items which bear the Marks and require you to purchase these items from these suppliers. You must accept those bank cards and credit cards we designate.

Miscellaneous

Except as described above in this Item 8, you are not required to purchase or lease any other products or services for the operation of the Restaurant from us or our affiliates.

We and our affiliates have the right to receive fees, payments, rebates, commissions or other consideration from third-party manufacturers, suppliers and/or distributors which may or may not be reasonably related to services we or our affiliates provide to these third parties. We and our affiliates will retain and use any fees, payments, rebates, commissions or other consideration as we deem appropriate or as required by a particular manufacturer, supplier or distributor. During our last fiscal year that ended December 31, 2023, we did not receive any revenues or rebates from the sale of required products and services to our franchisees.

There is no purchasing or distribution cooperative. We will try to obtain volume discounts for Restaurants. We do not provide material benefits to you because of your use of Approved Suppliers. We may negotiate prices for products or services for the benefit of franchisees generally, but not on behalf of individual franchisees. We do not provide material benefits to you because of your use of particular products, services, or suppliers.

You can expect items purchased from designated or Approved Suppliers will represent approximately 10% of total purchases you will make to begin operations of the Restaurant, and approximately 5% of the ongoing costs to operate the Restaurant.

There are no suppliers in which one or more of our officers owns an interest.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise agreement 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.

Franchise Agreement

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§ 2.A in Franchise Agreement	8 and 11
b. Pre-opening purchases/leases	§ 9.B in Franchise Agreement; Lease Rider (*see* Schedule D)	5, 7, and 8
c. Site development and other pre-opening requirements	§§ 9.B, 9.C, and 9.E in Franchise Agreement	8 and 11
d. Initial and ongoing training	§§ 13.A and 13.C in Franchise Agreement	11
e. Opening	§9.H in Franchise Agreement	11
f. Fees	§§ 4–6 and the Summary Pages in Franchise Agreement	5 and 6
g. Compliance with standards and policies/Operating Manuals	§§ 9.A, 9.H, 9.K–9.P, and 11 in Franchise Agreement	8, 11, and 14
h. Trademarks and proprietary information	§ 10 in Franchise Agreement	13 and 14
i. Restrictions on products/services offered	§§ 9.L–9.N in Franchise Agreement	5, 8, and 16
j. Warranty and customer service requirements	Not applicable.	16
k. Territorial development	§2.B in Franchise Agreement	12
l. Ongoing product/service purchases	§ 9.K–9.N in Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	§§ 9.B, 9.I, and 9.J in Franchise Agreement	8
n. Insurance	§ 15 in Franchise Agreement	7 and 8
o. Advertising	§ 7 in Franchise Agreement	6, 8, and 11
p. Indemnification	§ 20.D in Franchise Agreement	None
q. Owner's participation/ management/staffing	§§ 9.O–9.Q in Franchise Agreement	15

Obligation	Section in Agreement	Disclosure Document Item
r. Records/reports	§§ 14.A–14.C in Franchise Agreement	6
s. Inspection/audits	§ 14.D in Franchise Agreement	6 and 11
t. Transfer	§ 16 in Franchise Agreement	17
u. Renewal	§ 3.B in Franchise Agreement	17
v. Post-termination obligations	§ 18 in Franchise Agreement	17
w. Non-competition covenants	§ 18.C in Franchise Agreement	17
x. Dispute resolution	§ 22.A in Franchise Agreement	17
y. Taxes/permits	§§ 6.C and 19 in Franchise Agreement	1

ITEM 10
FINANCING

We do not offer any direct or indirect financing in connection with a Restaurant. We do not guarantee your notes, leases or any other obligation.

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

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

Pre-Opening Obligations

Before you open your Restaurant, we will:

1. Provide pre-opening consultation, support, and assistance regarding certain matters, including equipment, start-up inventory, access to Franchisor's Manuals, training, and signage, as the Franchisor deems advisable, subject to the availability of personnel (Franchise Agreement – Section 8.A).

2. Provide you will approval of the fixtures, equipment, furniture and signs as long as they meet the requirements, if applicable, or that the ultimate quality of the approved Product or Service will be suitable. As further described in Sections 9.M and 9.N of the Franchise Agreement, you may be required to purchase these items from Approved Suppliers, which may include the us and/or our Affiliates (Franchise Agreement – Section 9.F). See Franchise Agreement – Section 9.F for further information regarding these specifications. We do not currently assist with the installation, install or deliver the fixtures, equipment, furniture and signs, however, we or our Affiliate may deliver the opening inventory if we are the Approved Supplier.

3. Provide you with our design criteria information and/or prototypical design plans for the Restaurant (Franchise Agreement – Section 9.E).

4. Provide you with electronic or hard copy access to our Manuals (Franchise Agreement – Section 8.C).

5. Provide you with the initial training program. Depending on how many trainees you wish to attend initial training, we may charge you a fee. You must pay for all of your trainees' transportation, lodging, meals, wages, and related expenses. (Franchise Agreement – Section 13.A). This training is described in detail below in this Item.

6. Provide you with opening assistance, which may be onsite support for a fee, online or via telephone conference. (Franchise Agreement – Section 13.B).

<u>Ongoing Assistance</u>

During the operation of your Restaurant, we will:

1. Provide you with continuing consultation, advice, field visits, and assistance, as we deem appropriate, regarding the management and operation of the Restaurant. We may provide this assistance by telephone, facsimile, or online. (Franchise Agreement, Section 8.B). We may provide on-site assistance as we deem appropriate, subject to the availability of our personnel.

2. Update the Manuals from time to time, at our option (Franchise Agreement – 8.C).

3. Designate its Affiliates or other third parties to perform the Franchisor's duties and obligations under the Franchise Agreement (Franchise Agreement – 8.D).

4. The marketing materials used in connection with the Restaurant must comply with the Instruction Manual for Overseas Store Signage. Currently, we do not review the marketing and promotional materials for approval, but we reserve the right to review and approve all advertising materials in the future. If we review the materials, we will notify you in writing whether they have been approved or disapproved. (Franchise Agreement – 7.A).

5. Provide updates as warranted to the Approved Suppliers and Approved Supplies Lists (Franchise Agreement – Section 9.L).

6. If established, manage the Marketing Fund (Franchise Agreement – Section 7.A).

Consultation and Advice

In the Manuals, we may provide, at no cost to you, advice regarding best practices relating to the operation of the Franchised Business, pricing suggestions, administration/management of the Restaurant, and bookkeeping, accounting, and records practices (Franchise Agreement – Sections 8.B, 9.S, and 14.E). We will give you access to our marketing programs, if created, and communicate information to you regarding developments in the System (Franchise Agreement – Sections 7.A.1 and 8.B).

Notwithstanding the System standards as provided in the Manuals, we will not provide advice or assistance to you regarding the hiring and training of employees and the staffing procedures for your Restaurant employees (Franchise Agreement Section 9.Q).

<u>Site Selection and Opening</u>

We do not own or lease the Premises of your Little Sheep Restaurant.

We must approve of the location of your Restaurant. The factors we consider in approving sites include safety, building appearance, visibility and ease of access, parking, size, layout, demographics, business in the area, traffic, and building condition. We may review and approve or disapprove of the site you propose for your Restaurant within 10 business days of receiving your completed site evaluation form. (Franchise Agreement – Section 9.B).

We will furnish to you design criteria information and/or prototypical design intent plans for the Restaurant, at our discretion. Depending on the premises that you propose for your Restaurant, you may or may not need to undertake construction. If you need to undertake construction, you must submit building plans for the Restaurant, including interior design, decoration, and layout to us for our approval prior to beginning construction on the Restaurant. You must hire an architect to prepare the building plans for the Restaurant. These building plans must be full architectural, mechanical, electrical and plumbing drawings showing equipment layout, manufacturer and model numbers and bearing the seal of a registered architect in the state where the Restaurant is located. You are solely responsible for ensuring that the build-out of the Restaurant complies with all applicable laws and building code requirements, including the ADA. You must hire a qualified, licensed, insured and bonded contractor to supervise the construction of the Restaurant. (Franchise Agreement – Section 9.E).

We estimate that 6 to 12 months will elapse from when you sign the Franchise Agreement to the opening of your Restaurant. (Franchise Agreement – Section 9.B). You must open your Restaurant by the "Opening Date" stated in the Franchise Agreement or else we may terminate the Franchise Agreement. (Franchise Agreement – Section 9.H). The factors that affect this time are the ability to obtain licenses, general permits, training, financing, zoning and local ordinances, shortages, and installation of any office equipment, fixtures, and signs. (Franchise Agreement – Section 9.O). If we and you cannot agree on a location for the Restaurant, the opening of your Restaurant may be delayed. If you do not open your Restaurant by the opening date stated on the Summary Pages of the Franchise Agreement, we may terminate your Franchise Agreement and you may have to pay us liquidated damages. You will not receive a refund of the fees paid to us. (Franchise Agreement – Sections 9.H and 17.B).

Ongoing Maintenance, Remodeling and Appearance of the Restaurant

You must maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds that are part of the Restaurant premises), as we prescribe in the Manual. You must, at your own expense, replace worn out, broken and obsolete fixtures, equipment, furniture, signs, décor items, flooring and trade dress, purchase any additional equipment, and other items necessary for the operation of the Restaurant as we prescribe, repair the interior and exterior of the Restaurant, and regularly clean and maintain the Restaurant. (Franchise Agreement – Section 9.I).

<u>Confidential Operations Manuals</u>

After you become a franchisee, we will allow you to access an electronic or hard copy of our confidential operations manuals (the "Manuals"). We may modify the Manuals from time to time, at our option. (Franchise Agreement – Section 8.C). A copy of the table of contents of the Manuals is attached as Exhibit E to this Disclosure Document. As of the issuance date of this Disclosure Document, the Manuals have a total of 128 pages. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals. (Franchise Agreement – Section 11).

<u>Franchisee Marketing Fund</u>

We will notify you 30 days in advance if we choose to create a marketing fund (the "Marketing Fund" or "Fund"). If we establish a Marketing Fund, you must make monthly contributions to the Fund in an amount up to 3% percent of your Revenues (we expect that the amount will initially be set for 2%, once the Fund has been established) for the preceding month, as we designate. Your required contributions to the Fund are in addition to amounts you are required to spend for local marketing. Fund contributions will be made monthly, based on the prior month's Revenues, at the same time and in the same manner as your Royalty payments. Any company-owned Restaurants would contribute the same amount and on the same basis as other Franchised Businesses.

We will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. The Fund may be used to pay the costs of preparing and producing video, audio, and written marketing materials; administering regional marketing programs, including purchasing direct mail and other media marketing, and employing marketing, promotion, and marketing agencies; the cost of developing and maintaining an internet website and social media; and supporting public relations, market research, and other promotion and marketing activities. We may create advertising content in house, or we may engage freelance advertising services.

The Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting market research; preparing marketing, promotion, and marketing materials; and collecting and accounting for contributions to the Fund. All interest earned on monies contributed to the Fund will be used to pay marketing costs before other assets of the Fund are expended. We will prepare an unaudited annual statement of monies collected and costs incurred by the Fund and furnish the statement for the previous fiscal year to you upon written request. We may cause the Fund to be incorporated or operated through a separate entity at a time as we deem appropriate, and a successor entity will have all of the rights and duties specified in the Franchise Agreement. All Little Sheep Restaurants owned by us and our affiliates, if any, will contribute to the Fund on the same basis as a franchisee that begins operating within the same year.

The Fund is intended to maximize recognition of the Marks and patronage of Little Sheep Restaurants. Although we will endeavor to utilize the Fund to develop marketing and marketing materials and programs that will benefit all Restaurants, we undertake no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Restaurants operating in that geographic area or that any Restaurant will benefit directly or in proportion to its contribution to the Fund from the development of marketing and marketing materials or the placement of marketing. We may use a portion of the monies contained in the Fund to pay for a toll-free telephone number for the Little Sheep Restaurant network. We assume no direct or indirect liability or obligation to you relating to collecting amounts due to, or maintaining, directing or, administering, the Fund.

In our last fiscal year ending December 31, 2023, we did not establish the Marketing Fund Contributions and we did not collect or spend any Marketing Fund Contributions. The Fund will not be audited. Amounts remaining in the Fund at year end are rolled over into the next year's Fund budget.

We reserve the right, upon 30 days' prior written notice to you, to defer, reduce, or suspend contributions to (and, if suspended, deferred, or reduced, to reinstate these contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to franchisees in proportion to their respective contributions to the Fund during the preceding 3-month period, and the amounts refunded must be spent by you on local marketing in addition to the local marketing requirement discussed below.

We may use the Fund to directly or indirectly place marketing in your local or regional market;

therefore, we cannot ensure that you will benefit directly or on a pro rata basis from the future placement of any such advertising in your local market. We may use the Fund to create and prepare marketing materials or marketing programs to be provided to you so that you may directly place or implement these materials or programs in your local or regional market. Any amounts that you spend to place or implement marketing programs created by the Fund in your local or regional market will be credited towards your local marketing obligations. (Franchise Agreement – Section 7.A).

Local Franchisee Marketing

You must conduct local marketing in your Territory. We require you to spend at least 3% of Revenues each year on local marketing. Currently, we do not review the advertising materials for approval, but we reserve the right to review and approve all marketing and promotional materials in the future. If we review the materials, we will notify you in writing whether they have been approved or disapproved. Any marketing materials you submit to us for our review will become our property, and we may use or distribute these materials in any manner we deem appropriate, without compensating you for them. (Franchise Agreement – Section 7.C).

Grand Opening Promotion

We do not require you to conduct a grand opening promotion at this time, but we reserve the right to do so in the future. If we institute this requirement, then you will be required to submit a written plan for a grand opening promotion campaign to us for our approval and you will be required to spend at least $7,500 on grand opening advertising promotions during the 3 months after the opening date of your Restaurant. (Franchise Agreement – Section 7.B). As stated in Item 7, we strongly recommend that you spend additional amounts on all initial marketing activity including, but not limited to, the grand opening promotion.

Franchisee Advertising Cooperative

You are not required to participate in local or regional advertising cooperatives.

Franchisee Advertising Advisory Council

We do not maintain a franchisee advertising advisory cooperative to advise us on advertising policies.

Training Programs

Before the Restaurant opens, we will train you (or, if you are a business entity, your Designated Owner or Restaurant Manager) and any other employees that we require to attend initial training, or that you would like us to train, in operating the Restaurant. You must pay us a fee for initial training if we permit additional trainees to attend beyond those that we designate. You must also pay your trainees' expenses while attending the initial training program, including travel, lodging, meals and applicable wages. The training program will be held at a specific location in China at the site of an existing Little Sheep Restaurant, at another location that we designate, or online. Classroom training may be conducted in English. Restaurant on-the-job training will only be conducted in Chinese. We reserve the right to modify our training program based on the individual needs or experience of any trainee.

Training will occur after you sign the Service Agreement and while you are developing the Restaurant. You and any Designated Owner or Manager of the Restaurant are required to complete the initial training to our satisfaction as a condition of opening your Restaurant. All individuals who are required to be trained must complete training 2 weeks before your Restaurant opens. We plan to be flexible in scheduling training to accommodate our personnel, you, and your personnel. (Franchise Agreement – Section 13). Training classes are held every 3 months, but this may change in the future. The materials we use in our initial training program include our Manuals and other materials that we believe will benefit our franchisees in the training process. As of the date of this Disclosure Document, we provide the following training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
History and introduction of Little Sheep	4	0	Shanghai
Production Station	4	40	Shanghai
Customer Service Procedures	4	40	Shanghai
Front/Back of House–General Manager Duties	4	32	Shanghai
Food Safety	4	4	Shanghai
Totals	**20**	**116**	

Our training program will be managed and administered by Xin Fang, whose biographical information is described in Item 2. Ms. Fang has 7 years of experience as an Operating Associate Director with Yum China.

We may require you, your Designated Owner or Restaurant Manager, and/or other employees of yours to attend ongoing training at locations we specify or online. You will be responsible for all travel, meal, lodging, and salary expenses associated with attending any ongoing training programs we provide, as well as the expenses that are incurred by our trainers. We may also charge you a fee for ongoing training.

Notes

1. Additional Training Fee: We may require the Designated Owner, the Manager, and any other of your employees to attend, at a location we designate, such ongoing additional training as we may require, which may be at least twice per calendar year, and we may charge you the Additional Training Fee of up to $1000 per day per trainee.

2. Annual Conference Fee: We may charge you a fee for each person that attends the annual conference. The Annual Conference Fee will not exceed $1,000 per person, per conference.

Extended or Additional Onsite Support Fee: At your request, we shall provide a representative or an affiliate representative to provide on-site support for additional time as needed. We may charge an Extended or Additional Onsite Support Fee of $1,250 per person per additional week. You must provide accommodations and round-trip travel expenses for each person at your own expense.

Computer and POS System

We currently do not require a specific computer and POS System to be used in the Restaurant. However, at your own expense, you must use in the Restaurant a computer system that includes point-of-sale and reporting software, including all existing or future communication or data storage systems, components thereof and associated service, which we may develop or select for the System (the "POS System"). You may be required to license software used in the operation of the Restaurant from us, an affiliate, or a third party in the future. You also may be required to pay a software licensing or user fee and support fee in connection with your use of software. We may also charge you a Technology Fee of $200 per month for technology that we provide, such as website services. The software used in the computer system of the Restaurant must be legally authorized and not be a pirated copy of software. (Franchise Agreement – Section 9.G).

As of the issuance date of this Disclosure Document, we do not have an Approved Supplier for the computer and POS System, but we reserve the right to do so in the future. We estimate that the costs associated with computers would be $3,000 to $10,000.

We do not provide maintenance for your computer and POS System. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and determine the additional cost for the services. As indicated in the Franchise Agreement, Section 9.G, we are not obligated to provide ongoing assistance regarding the computer and POS System. Our computer hardware and software requirements will periodically change, and you will be required to upgrade your computer hardware and software within 12 months of receiving notice from us of such required upgrade. We will advise you in writing of any required upgrades. If we (a) establish and maintain any Websites or intranet systems for Little Sheep™ franchisees and for the promotion of Little Sheep™ Restaurants; (b) modify or upgrade our proprietary software that we now or in the future may create and license to you; and (c) provide ongoing maintenance and support services associated therewith, then you must pay the MIS Fee in the amount of $350 (Franchise Agreement, Section 9.G).

We reserve the right to obtain independent access to operational and financial information and data produced by your POS System (Franchise Agreement, Section 9.G). There are no contractual limitations on our right to access the information and data.

ITEM 12
TERRITORY

Franchise Agreement

The Franchise Agreement grants you the right to operate a Little Sheep Hotpot Restaurant at a particular street address known as the "Premises". The Restaurant Premises will be subject to our written approval, which will not be unreasonably withheld. You may not operate the Restaurant from any location other than the location we have approved.

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 we control.

Except as specifically authorized under the Franchise Agreement neither you nor your Affiliates may:

1. conduct, engage in, subcontract to third parties, utilize on-line or internet-based delivery scheduling companies or applications, or authorize or permit any person, entity, third party, or technology to engage in, delivery operations at or from the Restaurant, unless such delivery operations or program has been expressly approved, in writing, by us. We may approve or disapprove in our sole discretion; and

2. offer or sell products or services authorized under the Franchise Agreement through any other means, including without limitation, through satellite locations, temporary locations, food trucks, carts or kiosks, the Internet, or through any electronic media, without our prior written approval, and only in accordance with our policies as they may be developed and/or modified from time to time.

We reserve the right, among other things, without any obligation or compensation to you and your Affiliates, and regardless of whether we compete with your Restaurant:

1. To own and operate, and grant franchises or licenses to others to own and operate, Little Sheep Restaurants from any location;

2. To own and operate and license others to own and operate any business of any kind, selling services or products which are similar to or different from those sold by Little Sheep Restaurants, under the Marks or any other names, trademarks, service marks, logos and commercial symbols at any location;

3. To acquire businesses that are similar to a Little Sheep Restaurant, and operate or license others to operate such businesses regardless of where the businesses are located, and to be acquired by any third party which operates businesses that are the similar to a Little Sheep Restaurant regardless of where such businesses are located;

4. To offer, sell or distribute, or to license to others to offer, sell or distribute, any services or products the Franchisor develops or identifies with the Marks, or any other names, trademarks, service marks, logos or other commercial symbols, through "other channels of distribution" or "other methods of distribution" (as described below) at any locations. "Other channels of distribution" means any channels of distribution other than the operation of Little Sheep Restaurants and includes grocery stores and other retail stores. "Other methods of distribution" includes wholesale, resale or the internet (or any other form of electronic commerce); and

5. To advertise the System on the internet or any other form of electronic commerce and to create, operate, maintain and modify or discontinue the use of websites using the Marks.

We retain all other rights not expressly granted to you by your Franchise Agreement.

You have no right of first refusal or similar rights or options to acquire additional franchises.

You must not relocate your Restaurant without our prior written consent. At least 90 days prior to relocating your Restaurant, you must submit to us, in writing, a notice of intent to relocate the Restaurant. We will consider your request, and will likely consider factors similar to factors that we consider and evaluate when making decisions regarding a request for approval of other new Restaurant sites. We will provide a written response within 30 days of receipt of such notice. We will not unreasonably withhold our approval of the relocation. If we consent to the relocation of your Restaurant, you will be required to pay the Relocation Fee.

Simmer Huang Single- and Multi-Unit Franchise Program

In 2021, we began offering another franchise system under the name "Simmer Huang" in the United States. The Simmer Huang restaurant concept is a Chinese-style simmer pot restaurant which serves fresh ingredients simmered in a pot at each table and then mixed with special sauces. We do not plan to maintain a separate business address or physically separate offices and training facilities for the different franchise systems.

Under the Simmer Huang form franchise agreement ("Simmer Huang Franchise Agreement") the Simmer Huang franchisee will be granted a territory of approximate a 5-mile radius. We may operate, and grant third parties to operate, a Simmer Huang restaurant within your Development Area (if you sign a Development Agreement), and you may operate a Little Sheep Restaurant within the territory of a Simmer Huang franchisee's territory, and you will not be compensated for any Simmer Huang restaurants placed in your Development Area. Therefore, we do not have a process to resolve conflicts between franchisees under each franchise system regarding territory, customers or franchise support.

Simmer Huang Master Franchise Program

In 2021, we began offering a Simmer Huang master franchise agreement for the United States to RDUS. On the date of this disclosure document RDUS had a nonexclusive right to operate and grant subfranchises for the operation of Simmer Huang restaurants throughout the United States. Through the Master Franchise Agreement we will coordinate franchising activities with RDUS. RDUS will commit to recruiting qualified third party subfranchisees who will be responsible for establishing and operating Simmer Huang Restaurants in the United States. We do not plan to maintain a separate business address or physically separate offices and training facilities for the different franchise systems.

The Master Franchisee will operate throughout the United States and will directly and indirectly (through subfranchisees) operates Simmer Huang franchised restaurants. Under the Simmer Huang form subfranchise agreement ("Simmer Huang Sub-Franchise Agreement") the Simmer Huang subfranchisees will be granted a territory of approximate a 5-mile radius. Simmer Huang Area Developers and subfranchisees may operate within your Development Area (if you sign a Development Agreement), and you may operate a Little Sheep Restaurant within the territory of the Simmer Huang area developer or subfranchisee. You will not be compensated for any Simmer Huang restaurants placed in your Development Area.

ITEM 13
TRADEMARKS, SERVICE MARKS, TRADE NAMES, LOGOTYPES, AND COMMERCIAL SYMBOLS

We grant you the right to use certain Marks under the Franchise Agreement. The IP Owner (IMLS) is the sole and the exclusive owner of the Marks. You must follow our and IP Owner's rules when you use these Marks. IP Owner has registered the following principal mark with the U.S. Patent and Trademark Office (the "USPTO") on its Principal Register:

Mark	Registration/ Serial Number	Registration/ Application Date	Principal/ Supplemental Register
LITTLE SHEEP	Reg. No: 6504826	Reg. Date: October 5, 2021	Principal

Mark	Registration/ Serial Number	Registration/ Application Date	Principal/ Supplemental Register
小肥羊	Reg. No: 6072085	Reg. Date: June 9, 2020	Principal
	Reg. No. 6072084	Reg. Date: June 9, 2020	Principal

The IP Owner has licensed us to use the principal mark, as well as other Marks, and to sublicense the use of the Marks to operate Franchised Businesses under a trademark license agreement (the "Trademark License Agreement") with an effective date of October 25, 2017 for a term of 20 years. If we are in compliance with the Trademark License Agreement, we may apply to renew it. The Trademark License Agreement gives us the exclusive right to use the IP Owner's Intellectual Property throughout the world, except for Mainland China. The IP Owner may terminate the Trademark License Agreement if we fail to cure a breach under it within 30 days of IP Owner' notice to us of that breach. Breaches under the Trademark License Agreement include (i) our failure or refusal to perform a required duty under the Trademark License Agreement, (ii) our use of the Marks in a manner that the IP Owner reasonably believes threatens the validity or integrity, or the goodwill, of the Marks, and (iii) our failure or refusal to comply with any other provision of the Trademark License Agreement or any instruction of IP Owner concerning quality control standards for the Marks. If the Trademark License Agreement is terminated, any then-existing sublicenses (franchises) will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other limitations.

We or the IP Owner intend to timely file with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the trademarks noted above.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the Marks, and there is no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks. There is no agreement in effect which significantly limits our rights to use or license the Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

Pursuant to an agreement granted by IMLS, 28 Restaurants were authorized to operate in the United State by a Vancouver, British Columbia, Canadian company called Three Lamb. Three Lamb has agreed with IMLS to close its Restaurants and to terminate its North American U.S. franchise agreements. All 28 Restaurants will cease operating between December 31, 2018 and June 30, 2020. A list of the Restaurants and their closing deadlines is attached as Exhibit I.2. We will determine whether Three Lamb franchisees claim any territorial rights before granting a franchise in the market area.

You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. We and the IP Owner have the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. We and the IP Owner have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks and to defend you against any third-party claim, suit or demand arising out of your use of the Marks. If there is any litigation regarding your use of the Marks, you must sign any and all documents and do the acts as may, in our or IP Owner's opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action and you must pay for your own costs in doing these acts.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Mark or for you and the Restaurant to use one or more additional or substitute trade or service marks, you agree to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification of the Marks.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

We do not have any patents (or pending patent applications) that are material to the operation of your Restaurant.

Copyrights

We claim to own copyrights in the Manuals, our marketing materials, and similar items. We have not registered these copyrights with the United States Registrar of Copyrights, but we are not required to do so to protect them. You may use these items only as we specify while operating your Restaurant and you must stop using them if we direct you to do so. Our right to use or license copyrighted items is not materially limited by any agreement. We are not aware of any infringing use of our copyrights that could materially affect you.

You shall fully and promptly disclose to the us any and all ideas, concepts, products, process, methods, techniques, improvements, and additions relating to the development and/or operation of a Restaurant, or any advertising or promotion ideas related to your Restaurant that you, your Principals, agents or employees conceive or develop during the term of your Franchise Agreement. You, your Principals, agents, and employees all agree that such improvements are our property and must sign all documents necessary to evidence the assignment of these improvements to the us without any additional compensation. We have the perpetual right to use and authorize others to use such improvements without any obligation to pay you royalties or other fees. You may not introduce improvements, additions, or modifications to the System without our prior approval.

Confidential Operations Manuals

You must operate your Restaurant according to all mandatory standards, methods, policies and procedures specified in the Manuals. You must treat the Manuals, any other information which we lend you and the information in them as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce these materials, in any manner, or otherwise give them to any unauthorized person. The Manuals will remain our sole property and must be kept in a secure place at your Restaurant. Access to electronic versions of the Manuals must be password restricted.

We may revise the contents of the Manuals, and you must comply with each new or changed standard at your own expense. You must make sure that the Manuals are kept current at all times. If there is any dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our corporate office will be controlling.

Confidential Information

You must not, during the term of your Agreement or after the term of your Agreement, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant, which may be communicated to you or which you may learn because of your operation of your Restaurant. You may divulge confidential information only to those of your employees who must have access to it to operate your Restaurant. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of your Agreement.

Examples of confidential information include: (1) site selection and design specifications; (2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Little Sheep Restaurants; (3) marketing and marketing programs for Little Sheep Restaurants; (4) knowledge of specifications for and suppliers of, and methods of ordering, certain materials, equipment and supplies; (5) knowledge of the operating results and financial performance of Little Sheep Restaurants other than your Restaurant; (6) terms of the Franchise Agreement; (7) the Manuals; (8) graphic designs and related intellectual property; and (9) customer data. The confidential information constitutes our trade secret.

You must have your owners, Restaurant Manager and any personnel having access to any of our confidential information sign agreements requiring that they will maintain the confidentiality of information they receive during their employment by you. The agreements must be in a form satisfactory to us, and must identify us as a third-party beneficiary of the covenants with the independent right to enforce them. They must also prohibit your staff from having any direct or indirect ownership in a business that competes with the System or with any Restaurant. Our current form of this confidentiality agreement is attached to the Franchise Agreement.

You must promptly notify us of any suspected unauthorized use of the copyrighted materials, any challenge to the validity of the copyrighted materials, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the copyrighted materials. We and the IP Owner have the sole right to direct and control any administrative proceeding or litigation involving the copyrighted materials, including any settlement. We and the IP Owner have the right, but not the obligation, to take action against uses by others that may constitute infringement of the copyrighted materials and to defend you against any third-party claim, suit or demand arising out of your use of the copyrighted materials. If there is any litigation regarding your use of the copyrighted materials, you must sign any and all documents and do the acts as may, in our or IP Owner's opinion, be necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action and you must pay for your own costs in doing these acts.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any copyrighted materials or for you and the Restaurant to use one or more additional or substitute copyrighted materials, you agree to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification of the copyrighted materials. We nor our affiliates are required to defend you or any of your representatives or affiliates against your use of the copyrighted materials.

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

We do not require you to personally participate in the operation of your Restaurant, but your Restaurant must at all times be under the direct supervision of a Restaurant Manager (the "Restaurant Manager") of whom we have approved who has satisfactorily completed our initial training programs and who devotes his/her full time, energy and effort to the management and operation of your Little Sheep Restaurant. The Restaurant Manager is not required to have an equity interest in the franchisee's business entity. The Restaurant Manager must be under the supervision of your Designated Owner. The Designated Owner is an individual owner of the franchisee entity, who we approve and who is responsible for causing you to comply with the Franchise Agreement. The Restaurant Manager and Designated Owner may be the same person. If they are not the same person, the Designated Owner must spend at least 5 hours per week at the Restaurant.

We have the right to approve all of your succeeding Restaurant Managers. Each Restaurant Manager must attend and successfully complete our training program to our satisfaction. The Restaurant Manager and other key employees will be required to sign an agreement not to compete with Little Sheep Restaurants while employed by you and for 2 years after their employment ends. They must also agree not to reveal confidential information obtained while employed by you.

If you are a business entity, you shall not operate or participate in the operation of hot pot or other similar Restaurant business in competition with us in any form during the term of franchise and 2 years upon termination. Meanwhile, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. Our "Guaranty and Assumption of Obligations" is part of the Franchise Agreement. If we do not require one of your owners to sign the full Guaranty, that owner still must comply with all non-monetary obligations, including the covenant not to compete, as if he or she were the franchisee.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the approved location solely for the operation of a Little Sheep Restaurant. You must keep your Restaurant open and in normal operation for the minimum hours and days as we specify, subject to applicable law. You must not use or permit the use of the Restaurant for any other purpose or activity at any time without first obtaining our written consent. You must operate the Restaurant in strict conformity with the methods, standards, and specifications we may require in the Manuals or otherwise in writing. You must stop selling and offering for sale any products or services which we may, in our discretion, disapprove in writing at any time. We have the right to change the types of authorized products and services and there are no limits on our right to make changes.

The System may be supplemented, improved or modified by us. You must comply with all of our requirements in that regard, including offering and selling new or different products or services as specified by us.

You must sell the products and services that we approve, and no others. All products and services approved by us must be offered for sale on a continuous basis at your Restaurant at the time and in the manner specified by us. No sale of any product or service except those products or services approved by us may be solicited, accepted, or made by or from your Restaurant.

You are not restricted as to the customers whom you may solicit or service.

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.

Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise Term	§ 3.A	The earlier of the Expiration Date or 10 years after the Effective Date.
b. Renewal or extension of the Term	§ 3.B	2 additional 5-year or 10-year terms
c. Requirements for you to renew or extend	§ 3.B	Written notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release us, sign new Franchise Agreement, pay renewal fee, and others; see §§ 3.B.1–3.B.8 in the Franchise Agreement. The new agreement that you must sign at renewal may contain terms and conditions that are materially different than the original contract. (See also Note 1)
d. Termination by you	§17.A	You may terminate the Franchise Agreement 30 days after notice of Franchisor's material breach if we fail to remedy the breach(es) within 30 days. (Subject to applicable state law.)
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 17.B	Default under Franchise Agreement, bankruptcy, abandonment, fail to begin operating the Restaurant within 180 days after the Effective Date, failure to complete training, and other grounds; see

Provision	Section in Franchise Agreement	Summary
		§ 17 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. (See Notes 1 and 3) If you sign an ADA and the ADA is terminated, we may terminate the franchise agreement if the Restaurant is not open as of the date of termination. (ADA Section 9.13)
g. “Cause” defined – curable defaults	§ 17.B	All other defaults not specified in §§ 17.B.1–17.B.23 of the Franchise Agreement.
h. “Cause” defined - non-curable defaults	§ 17.B	Bankruptcy, abandonment, conviction of felony, violation of covenants, and others; see § 17.B of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/ nonrenewal	§ 18	Cease operating Restaurant, payment of amounts due, return of manuals and other materials, deliver records, assign contracts, cancel assumed names, and others; see §§ 18.A–18.J of the Franchise Agreement.
j. Assignment of contract by us	§ 16.G	There are no limits on our right to assign the Franchise Agreement.
k. “Transfer” by you – defined	§ 16	Includes transfer of any interest.
l. Our approval of transfer by you	§ 16.A	We have the right to approve all proposed transfers.
m. Conditions for our approval of transfer	§ 16	Full compliance with Franchise Agreement, release us, transferee must sign new Franchise Agreement, pay transfer fee, and others; see §§ 16.A.1–16.A.10 of the Franchise Agreement. (See also Note 1)
n. Our right of first refusal to acquire your business	§ 16.E	We have a right of first refusal. If the Franchisee or one or more of the Franchisee’s Owners wish to make a Transfer pursuant to any bona fide binding offer received from a third party to purchase that interest, then the proposed

Provision	Section in Franchise Agreement	Summary
		seller shall promptly notify the Franchisor in writing of the offer, and provide any additional information and documentation relating to the offer that the Franchisor requires. Franchisor has 30 days to notify the transferee of its intent to acquire the Restaurant.
o. Our option to purchase your business	§ 18.J	We have the option, within 30 days of termination or expiration, to purchase your tangible and intangible assets relating to the Restaurant, including the Restaurant premises and to an assignment of the lease at fair market value.
p. Your death or disability	§ 16.F	The designated owner's estate must transfer his interest in the Restaurant to a third party we have approved, within 120 days after his death or after he becomes permanently disabled. (See also Note 1)
q. Non-competition covenants during the term of the franchise	§ 17.B	Includes prohibition on engaging in any business, which is the same or similar to the Restaurant and diverting or attempting to divert any business or customer of the Restaurant or of any other Restaurant to any competitor, directly or indirectly, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. *See* §§ 17.A and 17.B of the Franchise Agreement. (Subject to applicable state law.)
r. Non-competition covenants after the franchise is terminated or expires	§ 17.C	Includes a 24 month prohibition similar to "q" (above), at the Premises, within 10 miles of the Premises, or within 10 miles of any other Little Sheep Restaurant and diverting or attempting to divert any business or customer of the Restaurant or of any other Restaurant to any competitor, directly or indirectly, or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System. *See* § 19.B of the Franchise Agreement. (Subject to applicable state law.)
s. Modification of the agreement	§ 22.J	Must be in writing signed by both parties.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	§ 23.J	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representation or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	§ 22.A	Before bringing an action in court, the parties must have internal negotiations before submitting any disputes to binding arbitration, except for intellectual property claims and claims for injunctive relief. (See Notes 1 and 2).
v. Choice of forum	§ 22.A	The City and State where the Restaurant is located. (Subject to applicable state law)
w. Choice of law	§ 22.A	The law of the State of New York. (Subject to applicable state law)

ITEM 18
PUBLIC FIGURES

We do not use any public figures to promote our franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise Disclosure Document. Financial performance information that differs from that included in this Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or, (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any financial performance representations. 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 Johnson Liu, our Franchise Development Manager; in person at 9F Middle Tower, Huaning Plaza, 300 Xuanhua Road, Changning District, Shanghai ,China; by phone at (0086) 021-2215-0124; and by email at Johnson.Liu@YumChina.com; the Federal Trade commission; and the appropriate state regulatory authorities.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Company- Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	**2021**	**0**	**0**	**0**
	2022	**0**	**0**	**0**
	2023	**0**	**1**	**+1**

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
Total	**2021**	**0**
	2022	**0**
	2023	**0**

Table 3
Status of Franchised Outlets
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
New Jersey	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**1**	**0**	**0**	**0**	**0**	**1**
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**1**	**0**	**0**	**0**	**0**	**1**

Table 4
Status of Company-Owned Outlets
For years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**

Table 5
Projected Openings as Of December 31, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Year
California	0	1	0
Total	**0**	**1**	**0**

Notes:

- No franchisees have signed a confidentiality clause in a franchise agreement, settlement, or other contract within the last three years that would restrict their ability to speak openly about their experience with us.
- If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.
- As of the issuance date, there is no trademark-specific franchisee organization associated with the franchise system.

Table 1
Three Lamb North American Restaurants Summary
For years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	1	0	-1
	2022	0	0	0
	2023	0	0	0
Company- Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	**2021**	**1**	**0**	**-1**
	2022	**0**	**0**	**0**
	2023	**0**	**0**	**0**

Table 2
Transfers of Outlets from Three Lamb North American Restaurants to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
Total	**2021**	**0**
	2022	**0**
	2023	**0**

Table 3
Status of Three Lamb Restaurants
For years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Hawaii	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Illinois	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
New Jersey	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
New York	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Oregon	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Pennsylvania	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Washington	2021	1	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Canada **	2021	12	0	0	0	0	12	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Totals	**2021**	**1**	**0**	**1**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**	**0**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 4
Status of Three Lamb Company-Owned Restaurants
For years 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	**2021**	**0**	**0**	**0**	**0**	**0**	**0**
	2022	**0**	**0**	**0**	**0**	**0**	**0**
	2023	**0**	**0**	**0**	**0**	**0**	**0**

Table 5
Projected Openings as Of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
All States	0	0	0
Total	**0**	**0**	**0**

A list of the North American Three Lamb locations operated or franchised by Three Lamb is provided at Exhibit I.2.

ITEM 21
FINANCIAL STATEMENTS

Our fiscal year end is **December 31**. Exhibit H contains our audited financial statements fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021. Also attached to Exhibit H are unaudited financial statements dated as of April 11, 2024.

ITEM 22
CONTRACTS

The following contracts are attached to this Disclosure Document:

Franchise Agreement (Exhibit A) (and attachments)
Service Agreement (Exhibit C) (and attachments)
Confidentiality Agreement (Exhibit D)
Form of Release (Exhibit M)

ITEM 23
RECEIPTS

The last 2 pages of this Disclosure Document (Exhibit N) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this Disclosure Document.

EXHIBIT A
FRANCHISE AGREEMENT

Little Sheep
Franchise Agreement

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LITTLE SHEEP™
FRANCHISE AGREEMENT

SUMMARY PAGES

These pages (the "**Summary Pages**") summarize certain terms of the attached Agreement. The Summary Pages are an integral part of the attached Agreement and are hereby incorporated therein.

1. THE FRANCHISEE:
Name: ____
Address: ____

Telephone: ____
Facsimile: ____
E-mail Address: ____

2. TYPE OF BUSINESS ENTITY: ____

3. THE FRANCHISEE'S DESIGNATED OWNER:
Name: ____
Address: ____

Telephone: ____
Cell Phone: ____
Facsimile: ____
E-mail Address: ____

4.

OWNERS:	OWNERSHIP %:
________________________	________________________
________________________	________________________
________________________	________________________
________________________	________________________

5. PREMISES ADDRESS: ____
____
____
____

6. THE FRANCHISOR:
Name: Little Sheep Hong Kong Holdings Company Limited

Address: 20/F, Tai Hung Fai (Tsuen Wan) Centre, 55 Chung on Street, Tsuen Wan, Hong Kong
Telephone: (852) 3750 8651
E-mail Address: RSC_FD_LS@YumChina.com

7. INITIAL FRANCHISE FEE: $50,000 Due upon execution of this Agreement.

8. SERVICE FEE: $50,000 due within 5 days after the execution of the Confidentiality Agreement and the Service Agreement.

9. FRANCHISE DEPOSIT: $15,000 for a single Restaurant within 10 business days of signing this Agreement and prior to the Opening Date.

10. RENEWAL FEE: 50% of our then current initial franchise fee

11. TRANSFER FEE: $5,000

12. LIQUIDATED DAMAGES: $100,000

13. EFFECTIVE DATE: ____

14. OPENING DATE: ____

15. EXPIRATION DATE: _______________________ (**10 years from the Effective Date)**

16. FEES: DUE DATE

(a)	Maintenance Fee: 5% of all Revenues	15th of each calendar month during the Term
(b)	Alternative Minimum Fixed Maintenance Fee: $2,000 per month, maximum $20,000 per year, both adjusted annually for inflation	15th of each calendar month during the Term
(c)	Audit: Franchisor's expenses related to the audit of the financial records.	On demand
(d)	Grand Opening Promotion Amount: $7,500	During the Grand Opening
(e)	Local Marketing Requirement:	Accumulatively calculated/on receipt of invoice

	Currently 3% of Revenues, will not exceed 3%	
(f)	Marketing Fund Contribution: Currently 1%-3% of Revenues (once the Marketing Fund has been established)	15th of each month during the Term
(g)	Relocation Fee: $5,000	Upon relocation
(h)	Late Fee: $250	On demand for each late payment
(i)	Interest on Overdue Amounts: 0.05% per day interest on overdue amounts or the maximum rate allowed by law	On demand for late payments
(j)	Insurance Procurement Fee: 150% of the cost of insurance premiums the Franchisor pays for the Franchisee	Upon receipt of invoice
(k)	Technology Fee: $200 per month	15th day of each calendar month
(l)	Management Information Fee or MIS Fee: $350 per month	15th day of the calendar month
(m)	Additional Training Fee: Up to $1,000 per day per trainee	Upon receipt of invoice
(n)	Annual Conference Fee: Will not exceed $1,000 per person per conference	Upon receipt of invoice
(o)	Temporary Management Fee: $500 per temporary manager, per day	Upon receipt of invoice

(p)	Supplier Testing Fee: Costs the Franchisor incurs due to testing if the Franchisee requests to use a previously unapproved supplier or Product	Upon receipt of invoice
(q)	On-Site Evaluation Fee: Franchisor's actual costs in conducting the on-site evaluation, but not less than $750	Upon receipt of invoice
(r)	Extended or Additional On-site Support Fee: $1,250 per person per additional week	Upon receipt of invoice
(s)	Cost of Enforcement: All of Franchisor's costs, including attorneys' fees associated with enforcing this Agreement.	Upon receipt of invoice

17. METHOD OF PAYMENT: Wire Transfer, Electronic Funds Transfer or Direct Debit, at the Franchisor's option

18. REPORT DUE DATES:

Monthly Revenue Reports:	5th of each month for the previous calendar month's Revenues (based on the Franchisee's time zone)
Year End Financial Statement:	January 31st
The Franchisee's Business Plan:	November 30th

19. NOTICES TO THE FRANCHISEE:

Name: ____
Address: ____
____
Telephone: ____
Facsimile: ____
E-mail: ____

20. NOTICES TO THE FRANCHISOR:

Name: Little Sheep Hong Kong Holdings Company Limited
Address: 20/F, Tai Hung Fai (Tsue Wan) Centre, 55 Chung on Street, Tsuen Wan, Hong Kong
Telephone: (852) 3750 8651
E-mail Address: RSC_FD_LS@YumChina.com

GLOSSARY OF TERMS

Additional Training Fee means the fee that the Franchisee must pay the Franchisor for certain training programs provided by the Franchisor in addition to the Franchisor's initial training program.

Affiliate means a Business Entity which is controlled by or under common control with another Business Entity.

Agreement means this Agreement and all exhibits, schedules, ancillary documents, and guarantees attached hereto.

Alternative Maintenance Fee means the Monthly fee the Franchisee must pay to the Franchisor if Maintenance Fees may not be lawfully paid for the sale of alcoholic beverages.

Annual Conference Fee means the fee the Franchisee pays the Franchisor for the Franchisee and/or the Franchisee's employees to attend the Franchisor's annual conference.

Approved Suppliers means those suppliers the Franchisor designates from which the Franchisee must purchase any Approved Supplies, which may be the Franchisor or its Affiliates.

Approved Suppliers List means the list of Approved Suppliers, as it may be modified by the Franchisor periodically.

Approved Supplies means the inventory, supplies, smallwares, Products, services, construction and decorating materials, fixtures, equipment (including the POS System, Computer System, furniture, signs, décor items, flooring and trade dress (both interior and exterior), packaging, advertising, marketing and promotional materials and promotional items, educational kits, educational materials and any other items the Franchisor approves for use or sale at the Restaurant.

Approved Supplies List means the list of Approved Supplies, which the Franchisor may modify from time to time.

Area Developer means the qualified individual or business entity identified as "the Developer" on the Summary Pages of the Area Development Agreement (defined below), and also includes all persons who succeed to the interest of the original Area Developer.

Area Development Agreement means, if offered by the Franchisor, the form of Area Development Agreement executed by an Area Developer for the operation of multiple Restaurants in a designated area.

Asset Transfer means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter vivos transfer, testamentary disposition or other disposition of the Restaurant, the Restaurant's assets, this Agreement or any interest in or right under this Agreement; of all or substantially all of the assets of the Restaurant or in an interest therein, including (1) any transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (2) any transfer upon the death of any of the Franchisee's Principals by will, declaration of or transfer in trust or under the laws of intestate succession; or (3) any foreclosure upon the Restaurant or the transfer, surrender or loss of possession, control or management of the Premises by the Franchisee.

Assignment of Telephone Number(s) means the transfer of the Restaurant's telephone number(s) to the Franchisor or its designee in the event of termination, transfer of ownership of Restaurant to the Franchisor, or upon the expiration of this Agreement. The current form is Schedule C to this Agreement.

Business Entity means a corporation, a general or limited partnership, limited liability company, trust, or any other type of business organization.

Business Plan means the plan that the Franchisee is required to submit to the Franchisor each year that details the Franchisee's goals, including the Franchisee's projected Revenues, for operating the Restaurant during the next year and the proposed methods of achieving those goals.

Collateral means the following property:

(1) all of the Franchisee's right, title and interest, estate, claim and demand, either at law or in equity, in and to all equipment, machinery, apparatus, fixtures and articles of personal property of every kind and nature whatsoever, located at the Restaurant's Premises or now or hereafter ordered for eventual delivery to the Restaurant's Premises (whether or not delivered thereto) and all such as are now or hereafter used or usable in connection with any of the Franchisee's present or future business operations at the Restaurant's Premises and now owned or hereafter acquired by the Franchisee, and any and all replacements thereof, additions thereto and substitutions therefore, including, without in any manner limiting, the generality of the foregoing, all computer equipment used in the operation of the Restaurant;

(2) all of the Franchisee's inventory for sale at the Restaurant, both now owned and hereafter acquired, whether or not located at the Restaurant's Premises, and as the same may now and hereafter from time to time be constituted, together with all cash and non-cash proceeds and products thereof;

(3) all proceeds of the conversion, voluntary or involuntary, of any of the Collateral into cash or liquidated claims, including the proceeds of insurance; and

(4) all of the Restaurant's contracts, cash, and accounts receivable.

Competitive Business means a restaurant or food service business that generates 25% or more of its gross revenues from the sale of 'hot pot" meals, including but not limited to Hidilao hot pot, Xiabu Xiabu, Wellamb, Dolar Shop, Happy Lamb Hot Pot.

Computer System means certain information and communication technologies, systems, and formats, including but not limited to, personal computers, laptop computers, printers, tablets, software, hardware, applications, data storage, retrieval and transmission systems, and internet access mode and speed. The Computer System includes the Franchisee's computer equipment as well as technology equipment used in the delivery of Services. The Computer System may include the POS System.

Confidential Information means information relating to the operation of the System including the standards, methods, procedures and specifications of the System, including the contents of the Manuals, customer lists, information about Little Sheep™ Franchisees and the operation of its business, information about suppliers and pricing, business plans, marketing plans, advertising programs, market research, and all other information which is used in the Restaurant, which is derived from the Franchisor or other Little Sheep™ Franchisees, and which has value to the Franchisor. Any and all information, knowledge, know-how, techniques, and other data which the Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

Confidentiality Agreement means an agreement to be signed by the Franchisee, its Designated Owner, Owners, Manager, and other key employees designated by the Franchisor whereby each agrees not to disclose Confidential Information, to misuse or corrupt any software application, or to use Confidential Information or software other than in the operation of the Restaurant. The current forms are attached as Schedule B.

Control, Controlling, or Controlling Interest means the possession, directly or indirectly, of the power to direct or cause the direction, of the management and policies of a Business Entity, through ownership of voting securities, by contract or otherwise.

Designated Owner is an individual Owner of the Franchisee that the Franchisee designates and the Franchisor approves, if the Franchisee is a Business Entity, who is directly responsible for causing the Franchisee to fulfill its duties under this Agreement.

Development Initial Fee means the fee paid to enter into this Agreement when it is the second or later Franchise Agreement executed by the parties pursuant to an Area Development Agreement.

Disclosure Document means a disclosure document describing the Franchisor and the Restaurant which was delivered by the Franchisor to the Franchisee before this Agreement was executed.

Due Date means the day specified on the Summary Pages by which recurring fees and reports are due to the Franchisor and must be received by the Franchisor.

Effective Date means the date the Agreement is executed by the Franchisor as stated on the Summary Pages.

Expiration Date means the date this Agreement expires, as stated on the Summary Pages.

Extended or Additional On-site Support means a representative or an affiliate representative will provide on-site support for additional time as needed. The fee will be due once the support services, timeframe to complete the support services, and number of representatives or affiliate representatives have been agreed upon by the franchisor and the franchisee. The cost for each person is stated on the Summary Pages.

Financial Statements are Quarterly and Year-End Financial Statements, prepared in the manner prescribed by the Franchisor.

Force Majeure are acts of God, strikes, lockouts or other labor disturbances, war, riot, acts of terrorism, disease outbreaks, epidemic, fire or other catastrophe, or other forces beyond either party's control.

Franchise means all forms of franchises the Franchisor grants including unit franchise agreements, or development agreements, conversion agreements, or any other agreement granted to an individual or Business Entity to operate a Little Sheep™ business. Franchise also means all future agreements which may license the Marks and any part or enhancement of the System described herein.

Franchise Deposit means the amount paid by the Franchisee to the Franchisor to offset the Initial Franchise Fee, the Maintenance Fee, indemnification, overdue penalties, if any, and liquidated damages in the event they are granted as a result of a lawsuit. The amount is specified on the Summary Pages.

[The] **Franchisee** means the individual or Business Entity identified as "the Franchisee" on the Summary Pages, and also includes all persons who succeed the interest of the original Franchisee.

[The] **Franchisor** means Little Sheep Hong Kong Holdings Company Limited, a limited liability company organized under the laws of Hong Kong.

Grand Opening means an event hosted by the Franchisee at the Restaurant to publicize the opening of the Restaurant, which shall occur within sixty (60) days after the Opening Date, pursuant to the requirements specified in the Manuals.

Grand Opening Promotion Amount means the Grand Opening Promotion Amount set forth in the Summary Pages.

Guarantor means every person who executes, or whom the Franchisor requires to execute, a Personal Guaranty.

Holdover Fee means the fees the Franchisee must pay if it continues to operate the Restaurant beyond the Expiration Date or the Termination Date, as specified on the Summary Pages.

Including means "including, without limitation."

Indemnitees means the Franchisor's Representatives and their successors and assigns.

Initial Franchise Fee is the fee due under this Agreement for the right to enter into this Agreement, when the Agreement is not the first Franchise Agreement executed by the parties as specified on the Summary Pages, expressed in U.S. Dollars.

Initial Training Fee for Additional Trainees means the fee set forth in the Summary Pages that the Franchisee pays to the Franchisor for attendees to participate in the Franchisor's initial training beyond the number of attendees that would otherwise be permitted by the Franchisor to attend.

Insurance Procurement Fee means 150% of the Franchisor's costs to obtain the required insurance, which is payable to the Franchisor by the Franchisee if the Franchisee fails to obtain and maintain the requisite amounts of insurance specified in this Agreement and the Franchisor exercises its option to purchase the required insurance on the Franchisee's behalf.

Intellectual Property or IP means the Marks, System, Confidential Information, know how, copyrighted materials, software, domain names, URLs, meta tags, trade secrets or trade dress which the Franchisor uses in the System or has licensed to the Franchisee.

Interest is the amount specified on the Summary Pages.

IP Owner includes all affiliates of the Franchisor, who own the Little Sheep™ IP and license it to the Franchisor for Little Sheep™ Franchisees' use.

Liquidated Damages is the amount due to the Franchisor upon termination of this Agreement following a termination pursuant to Section 17.B.

Little Sheep™ Restaurant means a restaurant that uses the System and the Marks.

Little Sheep™ Franchisee a Person who has entered into a Franchise with the Franchisor.

Local Marketing Requirement is the amount specified by the Franchisor, which the Franchisee must spend to promote the Franchisee's Restaurant in the market area in the manner the Franchisor has specified or approved.

Losses and Expenses means all losses; compensatory, exemplary or punitive damages; fines; charges; costs; expenses; lost profits; lawyers' fees, costs, and expenses; experts' fees; court costs; settlement amounts; judgments; compensation for damages to the Franchisor's reputation and goodwill; costs of or resulting from delays; financing; interest; costs of marketing material and media time or space, and costs of changing, substituting, or replacing same; and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described. Losses and Expenses include the difference between Liquidated Damages paid by the Franchisee following the Termination of this Agreement and any losses that the Franchisor incurs because of the Termination.

Maintenance Fee, or Maintenance Fees mean the rate or amount specified on the Summary Pages.

Manager means the individual who is selected by the Franchisee, and who is approved by the Franchisor, to manage the operation of the Restaurant under the supervision of the Franchisee's Designated Owner.

Manuals mean manuals and policies developed by the Franchisor regarding or relating to various operations and procedures, standards, specifications and requirements regarding or relating to the Restaurant as the Franchisor specifies from time to time, as they may be developed, revised, changed, modified or supplemented by the Franchisor from time to time and such additional standards, operations bulletins or memoranda as the Franchisor may develop from time to time. The term "Manuals" includes the operations manual, training manuals, development manual and other business manuals as may be prepared from time to time for use by the Franchisor and directives, bulletins, memoranda, and by-laws. The Manuals may be in printed or electronic format including, without limitation, video recordings. The Manuals shall remain the Franchisor's exclusive property and may not be duplicated, shared or re-distributed. The Franchisor may update the Manuals from time to time. The printed or electronic Manual that the Franchisor maintains is the official version of the Manuals unless the Franchisor otherwise informs the Franchisee in writing.

Marks include the trademarks, service marks, domain names, trade names, trade dress, goodwill, reputation, distinctive slogans, signs, symbols, and devices and other intangible assets linked to the Franchisor's commercial activity and which are associated with the System and any other commercial symbols we authorize you to use. You agree to use only the Marks we designate, and to use them exclusively in the manner we prescribe.

Marketing Fund Contribution means the monthly contribution to the Marketing Fund in the amount specified on the Summary Pages.

Marketing Fund means a separate segregated fund that the Franchisor has the right, but not the obligation, to maintain, following the guidelines established by the Franchisor, consisting of payments from Little Sheep™ Franchisees pursuant to their franchise agreements. The Marketing Fund shall be used for marketing, advertising, sales promotion and promotional materials, public and consumer relations, social media engagement, publicity, and any other programs that the Franchisor deems necessary or appropriate.

Monthly Revenue Report is the report the Franchisee must submit to the Franchisor electronically through the POS System and/or Computer System each calendar month, which contains reports of financial and other information related to the operation of the Restaurant in the form and manner specified by the Franchisor, including all Revenues for the previous month.

Opening Date is the date specified on the Summary Pages by which the Franchisee must commence operations pursuant to this Agreement with the Franchisor's approval.

On-Site Evaluation Fee means the fee set forth in the Summary Pages that the Franchisee pays to the Franchisor if the Franchisor conducts more than one (1) on-site evaluation of a site that the Franchisee proposes for its Restaurant.

Owner means a Person who directly or indirectly possesses an Ownership Interest in the Franchisee or the Franchisor.

Ownership Interest means any direct or indirect, legal or beneficial ownership interest of any type, including (a) in relation to a corporation, the ownership of shares in the corporation; (b) in relation to a partnership, the ownership of a general partner or limited partnership interest;

(c) in relation to a limited liability company, the ownership of a membership interest; or (d) in relation to a trust, the ownership of the beneficial interest of such trust.

Ownership Interest Transfer means the voluntary, involuntary, direct or indirect sale, assignment, transfer, license, sublicense, sublease, collateral assignment, grant of a security, collateral or conditional interest, inter vivos transfer, testamentary disposition or other disposition of any direct or indirect Ownership Interest in the Franchisee or revenues or income of the Restaurant, including: (1) any Transfer, redemption or issuance of a legal or beneficial Ownership Interest in the Franchisee or any Business Entity that has an interest in the Franchisee or of any interest convertible to or exchangeable for a legal or beneficial Ownership Interest in the Franchisee or any Business Entity that has an interest in the Franchisee; (2) any merger or consolidation between the Franchisee or any Business Entity that has an interest in the Franchisee and another Business Entity, whether or not the Franchisee is the surviving Business Entity; (3) any Transfer in, or as a result of, a divorce, insolvency, dissolution proceeding or otherwise by operation of law; (4) any Transfer upon the Franchisee's death or the death of any of the Franchisee's Owners by will, declaration of or transfer in trust or under the laws of intestate succession; or (5) any foreclosure upon the Restaurant or the transfer, surrender or loss by the Franchisee of possession, control or management of the Premises.

Permanent Disability or Permanently Disabled State means any physical, emotional or mental injury, illness or incapacity which prevents the Designated Owner or the Manager from performing the obligations set forth in this Agreement in the ordinary course of business for at least ninety (90) consecutive days, and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. If the Franchisee disagrees with the Franchisor about whether the Designated Owner or the Manager is permanently disabled, the existence of permanent disability shall be determined by a licensed practicing physician selected by the Franchisor, upon examination of the Designated Owner or the Manager; or if the Designated Owner or the Manager refuses to submit to an examination, then the person automatically shall be considered permanently disabled as of the date of refusal. The costs of any such examination shall be paid by the Franchisor.

Person is an individual or a Business Entity.

Personal Guaranty is Schedule A to this Agreement and is also referred to as a Guaranty and Assumption of Obligations.

POS System means the point-of-sale and reporting system that the Franchisee must use in the Restaurant, including all existing or future communication or data storage systems, components thereof and associated service, which the Franchisor may develop or select for the System. The POS System may be a part of the Computer System.

Premises or Restaurant Premises means the real property from which a Restaurant operates and which the Franchisor has approved for the operation of the Restaurant, as identified on the Summary Pages. If the Premises has not been approved by the Franchisor on the Effective Date, the address will be added to the Summary Pages when the Premises are approved.

Principal means collectively or individually, all officers and directors, partners, members, or Owners of the Franchisee or any of the Franchisee's Affiliates, in the Franchise, in this Agreement or in any interest in or right under this Agreement, or any interest in all or substantially all of the assets of the Franchisee's Restaurant or an interest therein or in the revenues or income thereof.

Products mean the products that meet the Franchisor's specifications and the Franchisor approves for sale at the Restaurant.

Quarterly Financial Statements are profit and loss statements and balance sheets which the Franchisee must prepare and submit to the Franchisor on the dates specified on the Summary Pages.

Records includes the Restaurant's and the Franchisee's books, records, state and federal income tax, payroll tax, sales tax records and returns, and evidence of compliance with applicable laws. Records includes electronic and tangible information, regardless of the medium upon which it is stored.

Relocation Fee means the fee paid to reimburse us for expenses we incur in connection with the relocation of a Restaurant if we consent to a Restaurant's relocation.

Representatives mean the Franchisor and the Franchisee, their Affiliates and their respective Owners, Principals, officers, directors, employees, agents, lawyers, and representatives.

Restaurant means the business which the Franchisee is authorized to operate pursuant to this Agreement.

Revenues means the aggregate amount of all gross receipts and all consideration the Franchisee derives from operating the Restaurant, regardless of whether the consideration is accrued in compliance with this Agreement, whether for cash, on credit (not adjusted for credit card fees) or otherwise made or provided at or in connection with the Restaurant, including off-premises or off-site sales derived away from the Restaurant. "Revenues" does not include any federal, state, municipal or other sales, or retailer's excise taxes paid or accrued by the Franchisee shall not be deducted from Revenues. Revenues shall not be adjusted for uncollected accounts or cash shortages from cash registers. Revenues shall be deemed received to be the earlier of delivery of the Product or Service, or receipt of payment and Revenues shall be the total income before tax and all service fees before tax received by the Franchisee generated from the products sold and services provided in the Restaurant.

Right of First Refusal means the Franchisor's right to purchase the interest being offered by the Franchisee or an Owner by matching the bona fide monetary purchase price and payment schedule terms, less any brokerage commission (without having to match any other or non-monetary terms of the proposed Transfer).

Services mean the services that meet Franchisor's specifications and the Franchisor approves for sale at the Restaurant, which may include catering services.

Subsequent Franchise Agreement means a new Little Sheep™ franchise agreement which is offered to the Franchisee for a period which commences on the Expiration Date of this Agreement.

Subsequent Franchise Agreement Fee means the amount specified on the Summary Pages to be paid by the Franchisee to the Franchisor for the right to enter into a Subsequent Franchise Agreement.

Subsequent Franchise Agreement Term means the period which begins on the Expiration Date and ends on the earlier of the date the lease of the Premises expires or five (5) or ten (10) years from the Expiration Date.

Supplier Testing Fee means fee the Franchisee pays to the Franchisor if the Franchisee requests to use a previously unapproved supplier or Product.

System means the standards, specifications, Products and Services, methods, procedures, IP prescribed by the Franchisor relating to the establishment, development and operation of a Restaurant. The System includes methods of training, advertising and promotion distinctive types of facilities, interior and exterior layouts, trade dress, menu, recipes, signs, equipment, packaging, supplies, furnishings, fixtures, décor, Confidential Information, business techniques, methods and procedures, and sales promotion programs, all of which the Franchisor may modify, change, improve and further develop using the trade name, and trademark "Little Sheep™."

Technology Fee means the fee that the Franchisee pays the Franchisor for the technology and technology-related services provided to the Franchisee by the Franchisor or its designee.

Temporary Management Fee means the fee set forth in the Summary Pages that the Franchisee pays the Franchisor if the Franchisor "steps in" to manage the Franchisee's Restaurant due to the Franchisee's default.

Term means the period from the Effective Date to the earlier of the Expiration Date or the Termination Date.

Termination Date means the date upon which this Agreement ends pursuant to Section 17.

Transfer means an Asset Transfer or an Ownership Interest Transfer.

Transfer Fee is a non-refundable fee specified on the Summary Pages which must be paid to the Franchisor as a condition of its reviewing a proposed Transfer of this Agreement.

Transferee is any Person who wishes to acquire or who acquires Assets of the Restaurant or an Ownership Interest.

Travel-Related Expenses mean the travel, meal, lodging, and payroll and benefits expenses incurred by a party to this Agreement in connection with fulfilling its obligations under this Agreement, and includes the travel, meal, and lodging expenses incurred by the parties' respective employees and Representatives in fulfilling any obligation under this Agreement.

LITTLE SHEEP
FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made and entered into on the Effective Date by and between the Franchisor and the Franchisee (collectively, the "Parties").

1. RECITALS OF FACT

This Agreement is made and entered into by the Franchisor and the Franchisee with reference to the following facts:

A. The Franchisor and the Franchisor's Affiliates have developed and granted Franchisor the right to sublicense the System to the Franchisee and to enter into this Agreement.

B. The IP Owner has granted the Franchisor the right to use and to sublicense the Marks and the System for the purpose of operating Restaurants in the United States and elsewhere and to enter into Area Development and Franchise Agreements with Franchisees.

C. The Franchisee desires to operate a Restaurant under the System and to obtain a license from the Franchisor for that purpose.

D. The Franchisee has executed and completed an application for a franchise to own and operate a Restaurant.

E. The Franchisor has approved the Franchisee's application in reliance upon all of the representations and warranties made by the Franchisee and its Owners, and grants to the Franchisee a franchise to own and operate a Restaurant.

F. The Franchisee hereby acknowledges that it has read this Agreement and the Disclosure Document, and that it has no knowledge of any representations about the Restaurant or about the Franchisor or its franchising program or policies, which contradict the statements in the Disclosure Document or the terms of this Agreement. The Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's high standards of quality and service and thereby to protect and preserve the goodwill of the Marks.

G. Each party is an independent legal entity or other organizations duly organized and validly existing in the respective country/region where it locates or a natural person with full civil capacity of conduct. Each party has the fully legal power, rights and authorizations required to execute and implement this Agreement and perform the obligations hereunder; and there is no legal or factual impediment to prevent it from performing its obligations hereunder.

H. Upon the execution of this Agreement, each party is not insolvent nor knows any circumstances which may grant its creditors the right to appoint a receiver, petition for its bankruptcy or to otherwise size or foreclose on its assets.

I. The Franchisee warrants that it is unaware of any pending or threatened litigation, arbitration or other legal proceeding, which may cause material adverse impact on its assets, financial status, operations, or its capacity to perform its obligations hereunder.

2. GRANT OF FRANCHISE

A. Location of the Restaurant. The Franchisor grants to the Franchisee, and the Franchisee accepts, a single unit Franchise to operate one (1) Restaurant, utilizing the System. The Franchisor also grants, and the Franchisee accepts, a limited Franchise to use only such Marks, and only in connection with the Products and Services which have been approved by the Franchisor for the Restaurant. The Franchisee's activities are limited to offering and selling the Products and Services at the Restaurant, and to providing catering services as prescribed by Section 2.D. Without the prior written consent of the Franchisor, the Franchisee shall not change the location, size and scope of the operation of the Restaurant.

B. No Protected Territory. The Franchisee will not have a protected territory under this Agreement. If this Agreement was granted to an Area Developer, as long as the Area Developer is in compliance with the Area Development Agreement and that Agreement has not expired or been terminated and all other Franchise Agreements granted pursuant to it, the Franchisor will not grant other Franchises in the Development Area described in the Area Development Agreement. The Franchisor retains all other rights, and may, among other things, on any terms and conditions the Franchisor deems advisable, and without granting the Franchisee any rights therein, engage in the activities specified in Section 2.C. below.

C. Rights Reserved to the Franchisor. All rights not expressly granted to the Franchisee herein are reserved to the Franchisor. The Franchisor reserves the right of ownership in, and control over, the System. The Franchisor reserves the right:

1. To own and operate, and grant franchises or licenses to others to own and operate, Little Sheep™ Restaurants from any location;

2. To own and operate and license others to own and operate any business of any kind, selling services or products which are similar to or different from those sold by Little Sheep™ Restaurants, under the Marks or any other names, trademarks, service marks, logos and commercial symbols at any location;

3. To acquire businesses that are similar to a Little Sheep™ Restaurant, and operate or license others to operate such businesses regardless of where the businesses are located, and to be acquired by any third party which operates businesses that are the similar to a Little Sheep™ Restaurant regardless of where such businesses are located;

4. To offer, sell or distribute, or to license to others to offer, sell or distribute, any services or products the Franchisor develops or identifies with the Marks, or any other names, trademarks, service marks, logos or other commercial symbols, through "other channels of distribution" or "other methods of distribution" (as described below) at any locations. "Other channels of distribution" means any channels of distribution other than the operation of Little Sheep™ Restaurants and includes grocery stores and other retail

stores. "Other methods of distribution" includes wholesale, resale or the internet (or any other form of electronic commerce); and

5. To advertise the System on the internet or any other form of electronic commerce and to create, operate, maintain and modify or discontinue the use of websites using the Marks.

This Agreement does not grant the Franchisee any options, rights of first refusal, or similar rights to acquire additional franchises.

D. Sale of Products and Services; Catering; Delivery. Unless otherwise permitted by the Franchisor, the Franchisee must offer and sell only Products and Services previously authorized by the Franchisor, from the supplier designated by the Franchisor, and only from the Restaurant, only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals, and only to retail customers for consumption on the Restaurant's Premises or for personal, carry out consumption. Unless approved by the Franchisor in writing in advance, such Products shall not be sold to any third party or used in any other places. In addition, and without limiting the foregoing:

1. The Franchisee may conduct catering from the Restaurant only if Franchisee obtains the Franchisor's written approval and satisfies the Franchisor's operating standards for catering. Such approval shall apply prospectively for all catering operations from the Restaurant, and the Franchisee need not seek approval on a job-by-job basis; provided, however, that the Franchisor shall have the right to revoke or modify its approval if the Franchisee fails to satisfy the Franchisor's standards, which may be modified from time to time. The Franchisee must conduct catering from the Restaurant, if so required by the Franchisor.

2. The Franchisee shall not conduct, engage in, subcontract to third parties, utilize on-line or internet based delivery scheduling companies or applications, or authorize or permit any person, entity, third party, or technology to engage in, delivery operations at or from the Restaurant, unless such delivery operations or program has been expressly approved, in writing, by the Franchisor. The Franchisor may grant or not grant such approval in the Franchisor's sole discretion. The Franchisor may condition its approval on, among other things, (a) the Franchisee's strict compliance with this Agreement and the standards and specifications for Restaurant operations set forth in the Manual; and/or (b) the Franchisee's strict compliance with any delivery rules, procedures, requirements or standards that the Franchisor may establish, such as, obtaining and maintaining additional and specialized insurance, and purchasing (or leasing) and using new or additional equipment and software for ordering, tracking, and reporting on deliveries, implementing a new or modified point of sale system(s), and utilizing required packaging; and/or (c) the Franchisee's utilization of the Franchisor-designated or approved third-party ordering, delivery and/or billing services and/or software; and/or (d) the Franchisee's strict compliance with the Franchisor's standards and requirements for billing, collections and reporting of such services.

3. The Franchisee must not offer or sell products or services authorized under this Agreement through any other means, including without limitation, through satellite locations, temporary locations, food trucks, carts or kiosks, the Internet, or through any electronic media, without the prior written approval of the Franchisor, and only in accordance with the Franchisor's policies as they may be developed and/or modified from time to time.

3. TERM AND SUBSEQUENT FRANCHISE AGREEMENT

A. Term. Subject to the provisions in this Agreement and unless earlier terminated, the Term of this Agreement commences on the Effective Date and it expires the earlier of 10 years or on the Expiration Date.

B. Subsequent Franchise Agreement.

The Franchisee may opt to enter into a Subsequent Franchise Agreement for the up to two (2) Subsequent Franchise Agreement Terms of five (5) years or ten (10) years each at Franchisor's sole discretion, subject to the following conditions, which must be complied with prior to entering into a Subsequent Franchise Agreement:

1. the Franchisee shall give the Franchisor written notice of election to enter into a Subsequent Franchise Agreement not less than six (6) months and not more than twelve (12) months prior to the Expiration Date;

2. the Franchisee may not be in default of any provision or amendment to this Agreement or any other agreement between the Franchisor and the Franchisee. The Franchisee must have complied with all conditions of all agreements with the Franchisor or its Representatives during the Term;

3. the Franchisee must complete, at its sole expense, such maintenance or renovation of the Premises as is required by the Franchisor;

4. the Franchisee must satisfy all monetary obligations owed by the Franchisee to the Franchisor and its Representatives, and must have timely met these obligations throughout the Term;

5. the Franchisee must sign the Subsequent Franchise Agreement, which shall supersede this Agreement in all respects, the terms of which may differ materially from the terms of this Agreement. The Franchisee must pay to the Franchisor on the date of execution of the Subsequent Franchise Agreement, a Subsequent Franchise Agreement Fee;

6. the Franchisee must comply with the Franchisor's then-current qualifications and training requirements;

7. the Franchisee and its Representatives must execute a general release, in a form prescribed by the Franchisor, of any and all claims against the Franchisor and its Representatives, and their respective Representatives; and

8. the Franchisee must satisfy all other criteria imposed by the Franchisor, at its option.

4. PAYMENT TO AREA DEVELOPER BY FRANCHISEE

A. Payment Procedure. The Franchisee shall pay all amounts due to the Franchisor via wire transfer or, at the Franchisor's option, via electronic funds transfer or direct debit. The Franchisee must sign any documents needed to effectuate such payment programs and comply with all policies for collecting payments that the Franchisor prescribes. The Due Date for each payment is specified on the Summary Pages to this Agreement, and the Franchisee must make each payment by the Due Date. The Franchisee is liable for paying any costs of exchange controls that may be imposed on the payments. If this Franchise has been granted pursuant to the terms of an Area Development Agreement, the Franchisor may require that any or all payments due under this Agreement be delivered to the Franchisee's Area Developer in time for the Area Developer to make a timely payment to the Franchisor or to the Franchisor's designee. The Franchisee is liable to the Franchisor if the Developer fails to make timely payments hereunder.

5. INITIAL FRANCHISE FEE

In consideration of the Franchise granted herein, the Franchisee must pay to the Franchisor the Initial Franchise Fee. The Initial Franchise Fee is not refundable, and is fully earned by the Franchisor upon execution by the Franchisee of this Agreement.

6. MAINTENANCE FEES

During the term of this Agreement and in consideration of the rights granted to you, you must pay to us a nonrefundable maintenance fee ("Maintenance Fee"). Beginning on the first Due Date after the Opening Date, the Franchisee shall pay to the Franchisor the Maintenance Fee each calendar month by Due Date set forth in the Summary Pages based upon the Franchisee's Revenues for the previous calendar month. If applicable law prohibits or restricts in any way Franchisee's ability to pay, or Franchisor's ability to collect, any portion of the Maintenance Fee and the amount of the Maintenance Fee would be less than the amount of the Alternative Maintenance Fee, then the Franchisee must pay the Franchisor the Alternative Maintenance Fee instead of the Maintenance Fee.

A. Payment Procedure. The Franchisee shall pay all amounts due to the Franchisor via wire transfer or, at the Franchisor's option, via electronic funds transfer or direct debit. The Franchisee must sign any documents needed to effectuate such payment programs and comply with all policies for collecting payments that the Franchisor prescribes. The Due Date for each payment is specified on the Summary Pages to this Agreement, and the Franchisee must make each payment by the Due Date.

B. Late Fees and Damage Provisions. The Franchisee shall pay the Franchisor the Late Fee or Interest on any late payment, report, or action, as specified on the Summary Pages. The Franchisor may deduct any late Maintenance Fees and other amounts due to the Franchisor from any amounts the Franchisor owes to the Franchisee.

C. Taxes On Fees Due. All amounts payable to the Franchisor pursuant to this Agreement are exclusive of any sales taxes or other taxes which may be payable by the Franchisee. In addition to amounts owed to the Franchisor, the Franchisee is responsible for paying all sales taxes and other taxes imposed on such payments.

D. Franchise Deposit. The Franchisee shall pay the Franchise Deposit within 10 days from the signing of this Agreement and before the Opening Date in the amount as specified on the Summary Pages. The Franchisor may use the Franchise Deposit to offset any failure of the Franchisee to pay amounts due under this Agreement, including Liquidated Damages. Once the Franchisor has notified the Franchisee that it has applied the Franchise Deposit, the Franchisee shall immediately reimburse the Franchisor so that full amount of the Franchise Deposit remains in the possession of the Franchisor. The Franchisor may use the Franchise Deposit to reimburse itself for defaults under any Franchise Agreement that is owned or controlled by any of its Affiliates.

If this Agreement or a Franchise Agreement of any of Franchisee's Affiliates is terminated because of the Franchisee's or its Affiliate's default, the Franchise Deposit shall not be returned.

Upon the expiration of this Agreement, if it has not been renewed pursuant to Section 3.B., the Franchisor shall refund the balance of the Franchise Deposit, without interest, to the Franchisee within ninety (90) days after Franchisee has fully complied with all of its post termination obligations, including those under Sections 18 and 19.

7. MARKETING

A. Marketing Fund. The Franchisor may, at its option, establish a Marketing Fund. If it does so, the Franchisor shall notify the Franchisee at least thirty (30) days before the Marketing Fund begins operating. Thereafter, the Franchisee must pay the Franchisor the Marketing Fund Contribution by the Due Date in the amount required by the Franchisor based on the Franchisee's Revenues for the previous calendar month. The range of the Marketing Fund Contribution is set forth in the Summary Pages, and the Franchisor may increase or reduce the Marketing Fund Contribution from time to time, at its option. The Franchisee agrees that the Marketing Fund shall be maintained and administered by the Franchisor as follows:

1. The Franchisor shall direct all marketing programs with sole discretion over the creative concepts, materials and media used in such programs, and the placement of fund allocations thereof. The Franchisee agrees and acknowledges that the Marketing Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System generally, and that the Franchisor undertakes no obligation in administering the Fund to make expenditures for the Restaurant which are equivalent or proportionate to the Franchisee's contribution, or to ensure that any particular Franchisee benefits directly or pro rata from the placement of advertising or other marketing activities. The Marketing Fund is not a trust or escrow account, and the Franchisor has no fiduciary obligations regarding the Marketing Fund.

2. All contributions to the Marketing Fund and any earnings shall be used exclusively to meet any and all costs of maintaining, administering, directing, and

preparing marketing activities (including cost of preparing and conducting marketing campaigns in various media, Including social media and the Internet; marketing surveys and other public relations activities designed to promote the Marks and the System; employing advertising agencies; and providing promotional brochures and other marketing materials to the Restaurant). The Franchisor may use the Marketing Fund to pay for expenses associated with any toll-free telephone number that the Franchisor may elect to establish for brand, at its option. All sums paid by the Franchisee to the Marketing Fund and any earnings shall be maintained in an account separate from the other monies of the Franchisor, and shall not be used to defray any of the Franchisor's expenses, except for such reasonable administrative costs and overhead, and taxes, as the Franchisor may incur in activities reasonably related to the administration or direction of the Marketing Fund and advertising programs for the Little Sheep™ Franchisees and the System. The Franchisor shall maintain separate bookkeeping accounts for the Marketing Fund.

3. It is anticipated that all contributions to and earnings of the Marketing Fund shall be expended for the purposes described during the taxable year, within which the contributions and earnings are received. If, however, excess amounts remain in the Marketing Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

4. The Franchisor reserves the right to defer or reduce contributions of the Franchisee to the Marketing Fund and, upon thirty (30) days prior written notice, to reduce or suspend the Franchisee's payment of Marketing Fund Contributions to and suspend operation of the Marketing Fund for one or more periods of any length and to terminate (and if terminated, to reinstate) the Marketing Fund. If the Marketing Fund is terminated, all unspent monies on the date of termination shall be distributed to the Little Sheep™ Franchisees in proportion to their respective contributions to the Marketing Fund during the preceding three (3) month period. All amounts refunded to the Franchisee shall be spent on local marketing in addition to the amounts specified by the Franchisor or, at the Franchisor's option, such amounts may be credited against the Maintenance Fee or other payments the Franchisee owes to the Franchisor.

5. The Marketing Fund is not and shall not be an asset of the Franchisor or of the Franchisee. Where required by law, a financial statement of the operations of the Marketing Fund shall be prepared annually, at the expense of the Fund, and be made available to the Franchisee for the previous fiscal year upon written request.

6. Although the Marketing Fund is intended to be of indefinite duration, the Franchisor maintains the right to terminate the Marketing Fund, to reduce required contributions to certain Little Sheep™ Franchisees, to suspend contributions, to remit a portion of the Marketing Fund to local or regional marketing and advertising programs, or to distribute any part of such contributions to the Franchisee for use in fulfilling the Local Marketing Requirement. Unspent amounts contained in the Marketing Fund may be rolled-over from year to year. If the Franchisor enters into a settlement of claims with a Little Sheep™ Franchisee which does not result in a collection of all

Maintenance Fees, and Marketing Fund Contributions which were due, the Franchisor may allocate amounts collected as it deems appropriate.

B. Grand Opening Promotions. The Franchisee must spend at least the Grand Opening Promotion Amount for Grand Opening promotions during the three (3) months after the Opening Date. The Grand Opening promotion fund shall be spent pursuant to a plan which is approved or designated by the Franchisor.

C. Local Marketing Plan. The Franchisee agrees to implement and follow all advertising and marketing plans created by the Franchisor which are specified in the Manuals for the Franchisee's use. The Franchisor does not review the advertising materials used by the Franchisee. The Franchisor reserves the right to review the advertising materials in the future at its discretion. The Franchisee may implement additional advertising, provided such advertising conforms to the standards and requirements of the Franchisor, as set forth in the Manuals, or as otherwise designated by the Franchisor. The Franchisor may, but is not obligated to, provide the Franchisee with templates for advertising material that the Franchisee may customize at the Franchisee's own expense, subject to the Franchisor's specifications. The Franchisee shall not advertise the Restaurant in conjunction with any other business, except with the Franchisor's prior written consent. The Franchisee shall obtain the Franchisor's prior approval of all advertising and promotional plans and materials that the Franchisee desires to use that have not been prepared or approved by the Franchisor within the preceding twelve (12) month period. The Franchisee shall submit such unapproved plans or materials to the Franchisor in the manner designated by the Franchisor (which may be by personal delivery or via certified mail/return receipt requested, e-mail, or overnight courier). The Franchisee shall use no such plans or materials until they have been approved by the Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials upon notice by the Franchisor. Any plans or materials submitted by the Franchisee to the Franchisor which have not been approved or disapproved in writing, within thirty (30) days of receipt by the Franchisor, shall be deemed disapproved. The Franchisee shall only use suppliers of advertising and promotional services which have been prescribed or approved by the Franchisor.

D. Local Marketing Expenditures. Each year during the Term of this Agreement the Franchisee shall expand on marketing programs or amount that equals or exceeds the Local Marketing Requirement. If so required by the Franchisor, the Franchisee shall provide the Franchisor with a statement of the Franchisee's local marketing expenditures for the period designated by the Franchisor. The statement shall include evidence of all such expenditures in a form that the Franchisor specifies or approves. It is anticipated that all 3% Revenue of Local Marketing Requirement shall be expended for the purposes described during each calendar year. The monthly expenditures required before December will be calculated on a pro-rata basis during the previous three (3) months. If, in the Franchisor's judgment, the Franchisee has not satisfactorily demonstrated that it has satisfied the Local Marketing Requirement, the expenditures in the following calendar year(s) shall be made first out of accumulated the difference between the Local Marketing Requirement and the amount the Franchisor has determined the Franchisee has actually expended for local marketing from previous years. If the expenditure is still not satisfactory with the Franchisor at the end of this Agreement, Franchisee shall pay the difference between the Local Marketing Requirement and the amount the Franchisor has determined the Franchisee has actually expended for local marketing upon the receipt Franchisor's invoice.

E. Use of Photos. The Franchisee consents to the Franchisor's use of photographs of the Restaurant in advertising and promotional programs, and the Franchisee agrees to obtain the consent of the Franchisee's employees and customers for the use of photographs of them in advertising or promotional programs.

F. Crises Response. The Franchisee shall immediately notify the Franchisor of any event which has occurred or which is alleged to have happened relating to the Restaurant, which involves any person or thing that is affiliated with the Restaurant, or which relates to any activity which is sponsored by or affiliated with the Restaurant, which may adversely affect the image, reputation or goodwill of the Marks or the System, involves a danger to customer's health and safety involves any breach of a customer's data or security. When such event arises, whether at Franchisee's Restaurant or at another Little Sheep™ Restaurant, absent the Franchisor's written approval, the Franchisee shall not communicate with the press or communicate information or opinions about the event by any means or medium. At the Franchisor's option, the Franchisor shall control all public relations efforts relating to the event, and the Franchisee shall give the Franchisor all reasonable assistance in its efforts. The Franchisor shall not be liable to the Franchisee or any of the Franchisee's Representatives for any damages or claims which arise out of its response to the event.

8. DUTIES OF THE FRANCHISOR

A. Pre-Opening. The Franchisor shall provide pre-opening consultation, support, and assistance regarding certain matters, including equipment, start-up inventory, access to Franchisor's Manuals, training, and signage, as the Franchisor deems advisable, subject to the availability of personnel.

B. Opening Assistance. The Franchisor shall provide the Franchisee with initial opening assistance, which may be online or via teleconference. The Franchisor shall determine the time and manner of the opening assistance, and the Franchisor shall attempt to schedule such opening assistance within two (2) weeks before or after the Opening Date. If the Franchisee requests additional assistance, then the Franchisee shall reimburse the Franchisor for the costs and expenses associated with providing such assistance, including Travel-Related expenses.

D. Ongoing Assistance. The Franchisor may in its sole discretion provide consultation, advice, field visits, and assistance on a continuing basis as the Franchisor deems advisable, subject to the availability of the Franchisor's personnel. The Franchisor may in its sole discretion share best practices relating to operating the Restaurant, and communicate information about developments in the System. The Franchisor may in its sole discretion provide extended additional on-site support for a fee as set forth on the Summary Pages.

1. Extended or Additional On-site Support. At the Franchisee's request, the Franchisor shall provide a representative or an affiliate representative to provide on-site support for additional time as needed. The Extended or Additional On-site Support Fee will be due once the support services, timeframe to complete the support services, and number of representatives or affiliate representatives have been agreed upon by the Franchisor and the Franchisee. The cost for each person is stated on the Summary Pages.

E. Manuals. Electronic versions of the Manuals shall be made available to the Franchisee during initial training. The Franchisor may make the Manuals and any updates to the Manuals available in either electronic or paper formats.

F. Performance of Duties. The Franchisee acknowledges and agrees that the Franchisor may designate its Affiliates or other third parties to perform the Franchisor's duties and obligations under this Agreement.

9. DUTIES OF THE FRANCHISEE

A. Maintaining Operating Standards. The Franchisee understands and acknowledges that every detail of the Restaurant is important to the Franchisee, the Franchisor, and other Little Sheep™ Franchisees and the Franchisee agrees to operate the Restaurant in compliance with the applicable version of the Manuals.

B. Restaurant Premises; Lease. The Franchisee is solely responsible for securing a Premises for the Restaurant that the Franchisor has approved it in writing within six (6) months after signing this Agreement. The Franchisee must submit to the Franchisor a complete site evaluation form containing any information that the Franchisor may require for the proposed Restaurant location. The Franchisor shall notify the Franchisee in writing within ten (10) business days after the Franchisor receives the Franchisee's complete site evaluation form and other materials the Franchisor requests about whether the Franchisor approves or disapproves the proposed Restaurant Premises. The Franchisor has the right, but not the obligation, to conduct an on-site evaluation of the proposed Restaurant location, and if the Franchisor conducts more than one (1) on-site evaluation the Franchisee must pay to the Franchisor the On-Site Evaluation Fee set forth in the Summary Pages. If the Franchisee enters into lease for the Restaurant Premises, the Franchisee must provide the lease to the Franchisor and receive the Franchisor's prior written approval of the lease before the Franchisee executes it. The Franchisor shall have no responsibility for the lease, and it is the Franchisee's sole responsibility to evaluate, negotiate and enter into the lease for the Restaurant Premises. The Franchisee's lease must contain the Lease Rider attached as Schedule D or the terms contained in it. The Franchisee must provide the Franchisor a copy of the executed lease and Lease Rider within five (5) days of their execution. The Franchisee is responsible for all costs and expenses associated with the Restaurant Premises and lease.

C. Relocation Fee. The Franchisee must not relocate the Restaurant without the Franchisor's prior written consent. At least 90 days prior to relocating the Restaurant, Franchisee must submit to Franchisor, in writing, a notice of intent to relocate the Restaurant. Franchisor will provide a written response within 30 days of receipt of such notice. Franchisor will not unreasonably withhold its approval of the relocation. If the Franchisor consents to the relocation of the Restaurant, the Franchisee will be required to pay the Relocation Fee.

D. No Assurance of Success. The Franchisor's identification of a site, review of a site or site lease, or approval of a site does not constitute a guarantee, recommendation or assurance as to the suitability of the site for a Little Sheep™ Restaurant, or the success of the site or the Restaurant.

E. <u>Construction; Future Alteration</u>. The Franchisee must construct and equip the Restaurant in strict accordance with the Franchisor's current approved specifications and standards for Little Sheep™ Restaurants pertaining to equipment, furniture, signs, décor items, flooring and trade dress (both interior and exterior) and design and layout of the building. The Franchisee must submit building plans for the Restaurant, including interior design, decoration and layout, to the Franchisor for the Franchisor's approval before the Franchisee begins construction of the Restaurant. The Franchisor shall furnish the Franchisee design criteria information and/or, in the Franchisor's sole judgment, prototypical design intent plans for the Restaurant. The Franchisor may require the Franchisee to hire an architect of whom the Franchisor approves, who must conform any design criteria information and/or prototypical design intent plans that the Franchisor provides to local, state and federal laws and building code requirements, including the Americans with Disabilities Act ("ADA"). The Franchisor recommends that the Franchisee submit preliminary designs to the Franchisor for the Franchisor's review, prior to the preparation and submission of the Franchisee's final building plans. In addition to the Franchisor's approval of the building plans, the architect must also obtain any required local building plan approval and architectural seals. The Franchisor must approve in writing any proposed alterations to the Franchisor's design criteria information, prototypical design intent plans or previously approved building plans, and reserve the right to charge additional fees for multiple plan reviews. Further, any additional revisions to the Franchisor's design criteria information and/or prototypical design intent plans shall become the Franchisor's property. The Franchisor and the Franchisor's Affiliates have the right to use those plans in any manner in the future. The Franchisee must hire a qualified, licensed, insured and bonded contractor to supervise the construction of the Restaurant. The Franchisee must construct all required improvements to the Premises, purchase and install all required equipment, furniture, signs, décor items, flooring and trade dress (both interior and exterior), and decorate the Premises in compliance with the approved building plans and specifications the Franchisor approves, the construction standards the Franchisor specifies, and all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions. The Franchisor must approve any architect and/or contractor the Franchisee uses for future Restaurant build-outs, modernizations or replacements. No approval granted by the Franchisor pursuant to this Section constitutes a representation or warranty that the Restaurant will be profitable or that the designs, plans, contractors, or architects meet the requirements if applicable or that the ultimate quality of the approved Product or Service will be suitable. After the completion of the decoration, the Franchisee shall submit photographs of the Restaurant (including, without limitation, external walls, dining areas, private rooms, kitchen, etc.) to the Franchisor for examination. The Franchisee's Restaurant can start operation only after receiving the written approval of the Franchisor. The Franchisee is responsible for all costs and expenses associated with the construction of the Restaurant Premises.

F. <u>Fixtures, Equipment, Furniture and Signs</u>. Franchisee shall select fixtures, equipment, furniture and signs in compliance with the standards required for the normal operations of the Restaurant. If the Franchisor so requires, the Franchisee must use in constructing and operating the Restaurant only those types of construction and decorating materials, fixtures, equipment, POS System, furniture, signs, décor items, flooring and trade dress (both interior and exterior) that the Franchisor has approved for Little Sheep™ Restaurants as meeting the Franchisor's specifications and standards for appearance, function and performance. No approval granted by the Franchisor constitutes a representation or warranty that the Restaurant will be profitable or that the fixtures, equipment, furniture and signs meet the requirements if applicable or that the ultimate quality of the approved Product or Service will be suitable. As further described in Sections 9.M and 9.N below, the Franchisee may be required to purchase these items from Approved Suppliers, which may include the Franchisor and/or the Franchisor's Affiliates.

G. POS System, Computer System, and Telephone Line. If required by the Franchisor, the Franchisee shall use the POS System in the Restaurant. The Franchisor may designate a specific POS System that the Franchisee must use in the Restaurant, or the Franchisor may permit the Franchisee to choose a POS System that meets the Franchisor's standards and specifications, at the Franchisor's option. The Franchisee must pay all fees imposed by the Franchisor or a third party in connection with the POS System, and enter into agreements with third parties, as required, to obtain the POS System. The POS System may include one or more proprietary software programs developed by or for the Franchisor, and/or any additional software programs that the Franchisor may require from time to time. The Franchisee may be required to license software from the Franchisor, its Affiliate or a third party, and the Franchisee also may be required to pay a software licensing or user fee and support fee in connection with the Franchisee's use of software, which may or may not be included in the Technology Fee set forth in the Summary Pages, at the Franchisor's option. We currently do not charge the Technology Fee. The Technology Fee may also include software license for any Little Sheep proprietary software, configuration support, maintenance, upgrades, and other technology or technology-related services provided by the Franchisor, its affiliate, or a third party, and the Franchisor may remit a portion of the Technology Fee to a third party for technology or technology-related services on behalf of the Franchisee. All right, title and interest in any proprietary software shall remain with the licensor of the software, and the Franchisee may be required to enter into license agreements related to the Franchisee's use of the proprietary software. The Franchisee must keep all customer lists secure at all times. The Franchisor owns and controls the use of the customer lists that are stored on the POS System. The Franchisor may access the POS System at the Restaurant or through any electronic system or program the Franchisor develops or designates. The Franchisee must store all data and information that the Franchisor designates, and report data and information in the manner the Franchisor specifies, including through any electronic or other communications systems the Franchisor designates. The Franchisor shall have full and complete unimpeded access to all data, including all sales data. The Franchisee shall cause the Restaurant to have and use such Internet access and other high-speed connections as the Franchisor specifies. The Franchisee shall use an e-mail address the Franchisor designates for communication with the Franchisor. The Franchisee must comply with all payment card industry security standards and participate in any compliance program the Franchisor requires. The Franchisor may designate a single source from which the Franchisee must purchase the POS System, any software or hardware components thereof and associated services, and the Franchisor or the Franchisor's Affiliates may be that single source. The Franchisee shall use and, at the Franchisor's discretion, pay for all future updates, supplements and modifications to the POS System. The Franchisor may require the Franchisee to upgrade the POS System or the software from time to time, and the Franchisee must complete all required upgrades within twelve (12) months of receiving notice from the Franchisor of such required upgrade. The Franchisee is responsible for all costs and expenses associated with upgrades to the POS System and/or any software.

The Franchisee shall use the Computer System in the Restaurant. The Franchisor also has the right to specify the requirements of the Franchisee's Computer System, including on the Approved Suppliers list or the Approved Supplies list. The Franchisor has the sole right to determine and designate which elements and/or components of the Computer System are mandatory, and which are optional. The Franchisor may require the Franchisee to purchase additional computers at any time during the Term. The Franchisee agrees to comply with the Franchisor's specifications (whether in the Manuals or otherwise) with respect to the Computer System, and with respect to required upgrades, at the Franchisee's own expense. The Franchisee agrees to comply with all applicable laws, as well as any requirements in the Manuals, that relate to any data breach or cybersecurity incident.

As provided on the Summary Pages, the Franchisee shall pay to us or our Affiliate the MIS Fee for: (a) establishing and maintaining any Websites or intranet systems for Little Sheep™ franchisees and for the promotion of Little Sheep™ Restaurants; (b) modifying or upgrading our proprietary software that we now or in the future may create and license to you; and (c) providing ongoing maintenance and support services associated therewith.

H. Restaurant Opening. The Franchisee shall comply with any Restaurant opening requirements prescribed in the Manuals. The Franchisee shall not open the Restaurant for business without the Franchisor's prior written approval. The Franchisee agrees to open the Restaurant for business by the Opening Date.

I. Condition and Appearance of Restaurant/Remodeling of Restaurant. The Franchisee shall maintain the condition and appearance of the Restaurant (including adjacent parking areas and grounds that are part of the Restaurant Premises), as the Franchisor prescribes in the Manual. The Franchisee shall, at the Franchisee's expense, replace worn out, broken and obsolete fixtures, equipment, furniture, signs, décor items, flooring and trade dress, purchase any additional equipment, and other items necessary for its operation of the Restaurant as the Franchisor prescribes, repair the interior and exterior of the Restaurant, and regularly clean and maintain the Restaurant. If at any time in the Franchisor's sole judgment, the general state of repair, appearance or cleanliness of the Restaurant Premises or its fixtures, equipment, furniture, signs, décor items, flooring and trade dress do not meet the Franchisor's then-current standards for Little Sheep™ Restaurants, the Franchisor may so notify the Franchisee, specifying the action the Franchisee must take to correct the deficiency. If the Franchisee fails, within ten (10) days after receipt of notice, to commence action and continue in good faith and with due diligence, to undertake and complete any required replacement, repair, cleaning or maintenance, the Franchisor may (in addition to the Franchisor's rights under this Agreement and at law and in equity) enter the Premises and correct the deficiencies on the Franchisee's behalf, and at the Franchisee's expense.

In addition to the requirements described in the preceding paragraph, the Franchisee shall, at the Franchisee's expense, make such reasonable capital expenditures necessary to remodel, modernize and redecorate the Premises and to replace and modernize the furniture, fixtures, signs, training materials and equipment used in the Restaurant so that the Restaurant reflects the then-current physical appearance and service standards of Little Sheep™ Restaurants. The Franchisor may require the Franchisee to take such action: (1) five (5) years after the Effective Date; (2) as a condition to a Transfer; (3) as a condition of entering into a Subsequent Franchise Agreement; and (4) otherwise during the term of the Agreement as further described in the Manuals, but in no event more than once every five (5) years, except that the Franchisor may require the Franchisee to replace certain key equipment more frequently. The Franchisee acknowledges and agrees that the requirements of this Section 8 are both reasonable and necessary to insure continued public acceptance and patronage of Little Sheep™ Restaurants.

In the event the Franchisee is unable to remodel the Restaurant on time due to special circumstances, Franchisee shall submit a written request to the Franchisor for an extension and provide a justification for the delay. The written request shall be submitted 3 months prior to the expiration of the 5-year time period for the remodel. The extension will be approved in writing by the Franchisor only when and if it is requested in writing, it is submitted in advance as required above, the Franchisor concludes that an extension is justified, and the extension will not exceed 2 years.

If the Restaurant is damaged or destroyed by fire or any other casualty, the Franchisee shall, within thirty (30) days, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue (until completion) repairs or reconstruction, to restore the Restaurant Premises to its original condition before the casualty. If, in the Franchisor's sole judgment, the damage or destruction is of a nature or to an extent that the Franchisee can repair or reconstruct the Premises of the Restaurant consistent with the then-current décor and specifications of a new Little Sheep™ Restaurant, without incurring substantial additional costs, the Franchisor may require, by giving written notice, that the Franchisee repairs or reconstructs the Premises in compliance with the then-current décor and specifications.

J. Restaurant Alterations. The Franchisee shall not materially alter the Premises or appearance of the Restaurant, or make any material replacements of or alterations to the fixtures, equipment, furniture or signs of the Restaurant without the Franchisor's prior approval.

K. Restriction on Use of Premises. The Franchisee shall not, without the Franchisor's prior approval, offer at the Restaurant any products or services the Franchisor has not then authorized for use or sale for Little Sheep™ Restaurants; nor shall the Restaurant or the Premises which it occupies be used for any purpose other than the operation of a Little Sheep™ Restaurant.

L. Approved Supplies and Suppliers. The Franchisee must use in the build out, maintenance, equipment, and operation of the Restaurant the Approved Supplies. The Franchisor shall provide the Franchisee with the Approved Supplies List and the Approved Supplier List, either as part of the Manuals or otherwise. If approved by the Franchisor, the Franchisee may purchase items outside the Approved Supplies List (Exhibit A attached hereto). The Franchisor may revise the Approved Supplies List and Approved Suppliers List, as the Franchisor deems appropriate. The Franchisor may approve or designate the brand, manufacturer, supplier and/or distributor of any of the Approved Supplies. The Franchisor may require the Franchisee to use an Approved Supplier, and the Franchisor and/or the Franchisor's Affiliates may be an Approved Supplier or the only Approved Supplier. If the Franchisee would like for the Franchisor to add a supplier to the Approved Supplier List, the Franchisor may require items purchased from the proposed supplier to be tested and the Franchisor may require the Franchisee to pay the Supplier Testing Fee set forth in the Summary Pages. The Franchisee is obliged to complete the procedures of the relevant import, customs declaration, transportation, inspection and quarantine and so forth related to the Products at its own expenses.

If the Franchisor becomes aware of a likely delay in supply of Products for any reason, including the ordering cycle and transportation issues, the Franchisor or the Approved Suppliers designated by the Franchisor shall notify the Franchisee in time to take temporary remedial measures.

The Franchisee must accept in the Franchisee's Restaurant those credit cards, and other forms of payment the Franchisor designates, and the Franchisee must purchase and install all software and devices the Franchisor designates or approves. All products, services, inventory, materials and other items and supplies used in the operation of the Restaurant that are not included in the Approved Supplies List or Approved Suppliers List must conform to any specifications and standards the Franchisor establishes.

The Franchisor may receive from Approved Suppliers volume rebates or other revenue or consideration as a result of the Franchisee's purchases, and the Franchisor may use such rebates and revenue without restriction.

The Products purchased by the Franchisee from the Franchisor or the Approved Suppliers shall only be used by the Franchisee for the purpose of providing Products and Services to the consumers in the Restaurant. Unless approved by the Franchisor in writing in advance, such Products shall not be sold to any third party or used in any other places.

M. Specifications, Standards and Procedures. The Franchisee agrees to maintain the standards of quality and service in the Restaurant the Franchisor prescribes and to comply with all mandatory specifications, standards and operating procedures specified by the Franchisor, including:

1. the Services that the Franchisee offers at the Restaurant;

2. the Products that the Franchisee sells at the Restaurant;

3. methods and procedures relating to marketing, customer service and order processing;

4. the safety, maintenance, cleanliness, function and appearance of the Premises and its fixtures, equipment, furniture, décor and signs;

5. the style, make and/or type of equipment used in operating the Restaurant; and

6. use and illumination of exterior and interior signs, posters, displays, standard formats and similar items.

N. Products and Services Offered at the Restaurant. The Franchisee may only sell Products and Services at the Restaurant and shall not sell Products and Services to non-consumers through redistribution or resale. The Franchisor may require that the Franchisee offer and sell specific Products and Services, and the Franchisor may also provide the Franchisee the option to offer other specified Products and Services at the Restaurant. The Franchisor may permit some Little Sheep™ Franchisees to sell certain Products and Services that the Franchisor disapproves for sale at the Restaurant according to actual local situation, and the Franchisor may require the Franchisee to sell Products and Services that it does not require other Little Sheep™ Franchisees to sell. Not all Little Sheep™ Products will be authorized for sale by the Franchisee at the Restaurant. Franchisee shall not add herbal remedies or other materials in the Products that are prohibited by applicable laws.

O. Compliance with Laws and Good Business Practices. It is the Franchisee's sole responsibility to research and comply with all applicable laws including, without limitation, those laws governing food safety and food service. The Franchisee must obtain and maintain in force all required licenses, permits and certificates relating to the operation of the Restaurant and must operate the Restaurant in full compliance with all applicable laws. For instance, the Franchisee must abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information. The Franchisee must comply with the Franchisor's standards and policies pertaining to privacy laws. The Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without the Franchisor's prior written consent as to said policy. The Franchisee shall not conduct any business or advertising practice which injures the Franchisor's business, the System or the goodwill associated with the Marks and other Little Sheep™ Restaurants according to the determination of the Franchisor at its sole discretion.

P. Management of the Restaurant. The Franchisee shall use its best efforts to manage, promote and enhance the business of the Restaurant. The Franchisee shall have in place a Designated Owner at all times during the term of this Agreement. In addition, the Franchisee must designate at least one General Manager at all times after the Restaurant opens. The Franchisee's Designated Owner and General Manager may be the same individual, although, the Franchisee's Designated Owner may not serve as the General Manager of more than one Restaurant. The Designated Owner must ensure that the Restaurant is operated in accordance with the terms and conditions of this Agreement, although this in no way relieves the Franchisee of its responsibility to do so. The Designated Owner also must be readily and continuously available to the Franchisor. The Franchisee's Designated Owner, General Manager and any assistant manager who will manage the Restaurant when the Designated Owner or General Manager is not present must attend and successfully complete all required training.

The Franchisee's General Manager must personally invest his or her full time and attention and devotes his or her best efforts to the on-Premises general management of the day-to-day operations of the Restaurant, and may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or that otherwise may conflict with the General Manager's obligations. If the Franchisee's Designated Owner is not also the Franchisee's General Manager, the Franchisee's Designated Owner must be on site at the Restaurant at least five (5) hours per week during the time the Restaurant is open for business or some other period the Franchisor approves. At all times, the Restaurant must be under the direct, on-site supervision of the Designated Owner, the General Manager or an assistant manager, each of whom must meet the Franchisor's training requirements.

If at any time the Designated Owner, the General Manager or a qualified assistant manager is not managing the Restaurant on a full-time basis, following notice to the Franchisee, the Franchisor may elect to manage, or designate a third party to manage the Restaurant on the Franchisee's behalf, at the Franchisor's option. The Franchisor's, or the Franchisor's designee's management of the Restaurant does not relieve the Franchisee of its obligations or constitute a waiver of the Franchisor's rights or remedies under this Agreement, at law, or in equity. Neither the Franchisor nor the Franchisor's designee shall be liable for any debts, losses, costs or expenses incurred in operating the Restaurant or to any of the Franchisee's creditors for any Products, materials, supplies or Services purchased by the Restaurant while the Franchisor, or its designee, manages it. The Franchisor, or the Franchisor's designee, may charge the Franchisee, and the Franchisee must pay, the Temporary Management Fee set forth in the Summary Pages for management services and the Franchisor may cease providing management services at any time. The Franchisee must also pay the Franchisor all Travel-Related Expenses for the Franchisor's personnel who provide temporary management of the Franchisee' Restaurant.

Q. The Franchisee's Hiring and Training of Employees. The Franchisee shall hire all employees of the Restaurant, be exclusively responsible for the terms and conditions of their employment, including compensation, scheduling, discipline, hiring and firing, and implement a training program for Restaurant employees in compliance with the Franchisor's requirements. The Franchisee shall maintain at all times a staff of trained employees sufficient to operate the Restaurant in compliance with the Franchisor's standards. All personnel decisions shall be made by the Franchisee, without any influence or advice from the Franchisor.

R. Participation in Internet, Websites, Intranet/Extranet Systems or Other Online Communications. The Franchisor may require the Franchisee to participate in the Franchisor's Little Sheep™ website and any intranet/extranet the Franchisor develops in accordance with the Franchisor's written standards, which the Franchisor may modify. The Franchisor may determine the content and use of the Franchisor's website and any intranet/extranet system the Franchisor develops, and shall establish the rules under which Little Sheep™ Franchisees may or must participate. The Franchisee may not register any domain name containing any of the Marks, and may not have a website or web page for the Restaurant other than the website or web page that the Franchisor shall host as part of the Franchisor's Little Sheep™ website. The Franchisor may require the Franchisee to post and update information on the Franchisor's website and web page on a regular basis, and otherwise use the Franchisee's website or web page as the Franchisor prescribes. The Franchisee must pay all costs relating to the Franchisee's use of the Franchisor's website or web page, including, costs to initially set up the Franchisee's website or web page, to customize it, to fix any problems relating solely to the Franchisee's website or web page and not the Franchisor's Little Sheep™ website, and for help desk support. The Franchisee must use website programmers that meet any standards and specifications the Franchisor establishes for any customization, maintenance, repair or help desk services related to the Franchisee's website or web page.

The Franchisor may designate Approved Suppliers from whom the Franchisee must purchase website or web page programming services. Without the Franchisor's prior written approval, the Franchisee may not link or frame the Franchisor's website or use any e-mail address which the Franchisor has not authorized for use in operating the Restaurant. The Franchisor retains all rights relating to the Franchisor's website, the Franchisee's website or web page and any intranet/extranet system the Franchisor develops, including all administrative rights and all rights to the data stored therein, and the Franchisor may alter or terminate the Franchisor's website, the Franchisee's website or web page, or any intranet/extranet system the Franchisor develop upon thirty (30) days' notice to the Franchisee. The Franchisor may access, at all times, all information and data contained on the Franchisor's website, including the Franchisee's separate website or web page that is part of the Franchisor's website, and any intranet/extranet system the Franchisor develops. The Franchisee's general conduct on the Franchisor's website, any intranet/extranet system the Franchisor develops or other online communications and specifically the Franchisee's use of the Marks or any advertising is subject to the provisions of this Agreement. The Franchisee's right to participate in the Little Sheep™ website or any intranet/extranet system the Franchisor develops, or otherwise uses the Marks or the System on the Internet shall terminate when this Agreement expires or terminates. The Franchisee must participate in all social media websites that the Franchisor requires in accordance with the Franchisor's guidelines for such social media participation, and the Franchisee must not participate in any social media websites without express permission of the Franchisor.

S. Pricing Policies. The Franchisor also may establish maximum prices and/or minimum prices to be charged by the Franchisee for certain Products and Services the Franchisee offers at the Restaurant. Except as restricted herein, the Franchisee may decide the prices of the Products and Services at its own discretion. The Franchisee shall honor and offer all loyalty programs, coupons, discounts, gift cards or gift certificates, or similar promotions the Franchisor designates. The Franchisee may not offer loyalty programs, coupons, discounts, gift cards or gift certificates, or similar promotions that are not part of a system-wide promotion or program without the Franchisor's prior approval.

T. Business Entity Guaranty. If the Franchisee is a Business Entity, the Franchisee's Owners must personally guarantee the Franchisee's performance, and shall bind themselves to the terms of this Agreement. The Personal Guaranty must be in the form of Schedule A attached to this Agreement.

U. Changes to the System. The Franchisor may make changes to any aspect of the System, including operating standards, menus, marketing, signs, equipment standards, IP, know-how, technology, and franchise formats. The Franchisee agrees, at its expense, to promptly adopt any such changes specified by the Franchisor.

V. Development of Changes to the System. The Franchisor may develop additional changes to the System. The Franchisor reserves the right to consult with Little Sheep™ Franchisees' customers while doing so. The Franchisor is not required to implement any suggestions that the Franchisee may make to the Franchisor.

W. Annual Convention. The Franchisor has the right, but not the obligation, to host a conference or convention from time to time. If the Franchisor so requires, the Franchisee's Designated Owner and/or Manager must attend any convention that the Franchisor hosts and the Franchisee must pay the Annual Conference Fee set forth in the Summary Pages and shall be liable for all travel-related fees.

X. Mystery Shopper. The Franchisee must comply with all mystery shopper policies and programs that the Franchisor may establish from time to time, and pay any fees, costs, and expenses associated with such policies and programs.

Y. Quality Assurance. The Franchisee must comply with all quality assurance policies and programs that the Franchisor may establish from time to time and pay any fees costs and expenses associated with such policies and programs. If the Franchisor finds the actual number of Products purchased by the Franchisee defers from the actual needs of the operation, the Franchisor is entitled to issue a notice to the Franchisee, and the Franchisee shall cure the default within the time period as required in such notice.

Z. Inspections. The Franchisor reserves the right to access or authorize any other third party to access the Restaurant on the Franchisor's behalf at any time without prior notification to Franchisee to inspect the operational standards, décor, decoration, equipment, facilities, and signboard of the Restaurant. If the Franchisor finds any damage or inconformity with the specifications, standards, and procedures under the Manuals and this Agreement, then the Franchisor may issue an notice to the Franchisee, and the Franchisee shall cure the default within the time period required by such notice. The Franchisor is entitled to request that the Franchisee rectify, repair, or replace immediately any damaged or nonconformities to comply with the standards set forth by the Franchisor.

AA. Filing. The Franchisee undertakes to deliver the photocopy of its certificate of incorporation and the photocopy of other documents evidencing the establishment of the Business Entity to the Franchisor for filing upon the execution of this Agreement and deliver the photocopy of licenses of the Restaurant within 10 days after obtaining of such licenses. During the term of this Agreement, in the case of any change to the relevant company registration information (or economic organizations registration information) of the Franchisee, the Franchisee shall notify the Franchisor within ten days of such change and submit the relevant renewed registration documents to the Franchisor for filing.

10. USES OF MARKS

A. Ownership of Marks. The IP Owner is the owner of all rights, titles, and interest in and to the Marks and has granted the Franchisor the right to sublicense the Marks to Little Sheep™ Franchisees.

B. The Franchisee's Use of Marks. The Franchisee may only use the Marks in a manner which has been approved by the Franchisor. The Franchisee must use and display, as the Franchisor may require in the operation of the Restaurant, a notice in a form approved by the Franchisor indicating that the Franchisee is an "Independent Franchisee" operating under a Little Sheep™ franchise agreement. Unless otherwise authorized or required by the Franchisor, the Franchisee shall only operate and advertise the Restaurant as prescribed in the Manuals. The Franchisee shall comply fully with all marketing, promotions, and public service requirements that the Franchisor prescribes. The Franchisee's right to use the Marks is limited to such uses authorized under this Agreement and any unauthorized use shall constitute an infringement of the IP Owner's rights. The Franchisee shall not use the Marks to incur any obligations or indebtedness on behalf of the Franchisor or the IP Owner. The Franchisee shall not use the Marks as part of the name of any Business Entity. The Franchisee shall comply with the Franchisor's instructions in filing and maintaining any requisite trade name or fictitious name registrations and shall execute any documents requested by the Franchisor to obtain protection for the Marks or to maintain their continued validity and enforceability.

If litigation involving the Marks is instituted or threatened against the Franchisee, the Franchisee shall promptly notify the Franchisor and the Franchisee shall cooperate fully with the IP Owner and the Franchisor in defending such litigation. The IP Owner shall, in its sole discretion, determine whether to initiate any action or administrative proceeding arising out of such alleged use of the Marks. The IP Owner alone shall control any such litigation or administrative proceeding and settlement terms. The IP Owner may authorize the Franchisee to take the measures it deems legal and appropriate to fight against such infringement at the IP Owner's expenses. In case the Franchisee receives any compensation from such measures, the balance of such compensation, less the reasonable fees already paid by the Franchisee shall be refunded to the Franchisor. Without the prior approval or authorization of the IP Owner, the Franchisee shall not raise any objection or initiate any legal proceedings against the infringement of the Marks.

C. Other Covenants of the Franchisee. The Franchisee expressly understands and acknowledges that:

1. The IP Owner is the owner of all rights, titles, and interests in and to the Marks, and the goodwill associated with and symbolized by them.

2. The Marks are valid and serve to identify the System and the Restaurant under the System.

3. The Franchisee shall not directly or indirectly contest the validity or the ownership of the Marks.

4. The Franchisee's use of the Marks granted in this Agreement does not give the Franchisee any Ownership Interest or other interest in or to the Marks, except the non-exclusive franchise granted herein.

5. Any goodwill arising from the Franchisee's use of the Marks in operation of the Restaurant shall inure solely and exclusively to the benefit of the IP Owner.

6. Except as provided in this Agreement, the right to the Marks granted to the Franchisee is non-exclusive, and the IP Owner and the Franchisor may: (a) grant others the right to use the Marks and (b) use the Marks in connection with selling any products and services.

7. The Franchisor reserves the right to substitute different Marks for use in identifying the System and the Restaurant. The Franchisee undertakes not to use words or contents (including the translation thereof in English) identical or similar to "Little Sheep" and/or other Marks of the Franchisor or of the IP Owner in the name and trade name of the Franchisee or on the license of its Restaurants (if any).

8. The Franchisee shall not register or attempt to register any of the Marks or a domain name which includes any of the Marks.

9. The Franchisee shall notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark that is the same as or confusingly

similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The IP Owner and/or the Franchisor may commence or prosecute such action in the Franchisor's or in the IP Owner's own names and may join the Franchisee as a party to an action if the Franchisor determines it to be reasonably necessary. The Franchisor shall bear the reasonable cost of any such action, including attorneys' fees. The Franchisee must fully cooperate with the Franchisor and the IP Owner in any such litigation or administrative proceeding.

11. MANUALS

The Franchisee shall operate the Restaurant in accordance with the mandatory standards, and procedures set forth in the Manuals. The Franchisee agrees as follows:

A. the Franchisee shall, at all times, treat the Manuals and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential;

B. the Manuals shall, at all times, remain the sole property of the Franchisor or its Affiliate(s), shall be kept in a secure place in the Restaurant, and shall be returned to the Franchisor immediately upon the expiration or termination of this Agreement;

C. the Franchisor may, from time to time, revise the contents of the Manuals and the Franchisee expressly agrees to comply with all new or modified provisions. Revisions to the contents of the Manuals shall be deemed effective seven (7) days after the date of mailing, posting on the Franchisor's intranet site, or when such revisions are otherwise provided to the Franchisee, unless otherwise specified by the Franchisor;

D. the Franchisee shall, at all times, ensure copies of the Manuals are kept current and up-to-date. In the event of any dispute as to the contents of the Manuals, the terms of the Franchisor's copy of the Manuals maintained by the Franchisor at the Franchisor's headquarters shall be controlling;

E. the Franchisee shall not, at any time, without the Franchisor's prior written approval, copy, duplicate, record or otherwise reproduce the Manuals in whole or in part, nor otherwise make the same available to any person the Franchisor has not authorized to review them; and

F. the Franchisee shall at all times operate the Restaurant in full compliance with the mandatory requirements of the Manual, and all the other operational manuals, standards, requirements, bylaws, procedures and norms related to the Little Sheep™ brand, as well as the amendments to the aforementioned documents by the Franchisor from time to time. The Manual is one of the bases for the Franchisor to carry out the inspections on the Franchisee's operations and services quality and shall be deemed as an important integral part of this Agreement. In the case of any discrepancy between the Manual and the provisions hereunder, the provisions hereunder shall prevail. The Franchisor is entitled to at any time notify the Franchisee in advance of any update to the Manual, and the Franchisee shall abide by and carry out the mandatory requirements under the updated Manual. If the Franchisee violates any provision of the Manual and the Franchisee shall complete such rectification within the time period specified in the notice.

12. CONFIDENTIALITY, TRADE SECRETS AND IMPROVEMENTS

A. The Franchisee Shall Learn Proprietary Matters. The Franchisee acknowledges that the Franchisor will provide the Franchisee with access to proprietary information, techniques, and business procedures of the Franchisor for use in the operation of the Restaurant. The Franchisee acknowledges such Confidential Information was unknown to the Franchisee prior to execution of this Agreement or another Little Sheep™ franchise agreement and that the methods of the Franchisor are unique and novel to the Franchisee. Upon receipt of an invoice from the Franchisor, the Franchisee shall promptly pay the Franchisor for proprietary materials supplied to the Franchisee. If any fee is generated for the proprietary materials, the fees shall be borne by the Franchisee. The Franchisee acknowledges that the Franchisee and its principals have no ownership interest in the Confidential Information, and may only use the Confidential Information in the operation of the Restaurant in the manner set forth in this Agreement and the Manuals. The Franchisee will not divulge Confidential Information without the prior written consent of the Franchisor and the Franchisee shall not sell, assign, copy, assist or make available to anyone any information that would enable such person to substantially duplicate any portion of the System. Franchisee's Owner, Manager, and key employees must sign a Confidentiality Agreement.

B. Injunctive Relief Available to the Franchisor. The Franchisee acknowledges that any failure to comply with the requirements of this Section shall cause the Franchisor and/or the IP Owner irreparable injury. The Franchisee consents to any order for injunctive, mandatory or other extraordinary relief against any such failure to comply being obtained by the Franchisor and/or the IP Owner without the necessity for the Franchisor or the IP Owner to post security or an undertaking in damages.

C. The Franchisee's Employees Shall Not Disclose Trade Secrets. The Franchisee shall only divulge the Confidential Information to such of the Franchisee's employees who must have access to the Confidential Information in order to perform their employment obligations. The Franchisee shall obtain from each management employee, representative, and agent an agreement that such person shall not, at any time, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any Person, any of the trade secrets or Confidential Information of the Franchisor or use the Franchisor's trade secrets or Confidential Information for any purpose other than operating the Restaurant.

D. Improvements. The Franchisee shall fully and promptly disclose to the Franchisor all ideas, concepts, products, process, methods, techniques, improvements, and additions relating to the development and/or operation of a Restaurant, or any advertising or promotion ideas related to the Restaurant that the Franchisee, its Principals, agents or employees conceive or develop during the Term of this Agreement. The Franchisee, its Principals, its agents, and employees all agree that such improvements are the Franchisor's property and must sign all documents necessary to evidence the assignment of these improvements to the Franchisor without any additional compensation. The Franchisee acknowledges that the Franchisor has the perpetual right to use and authorize others to use such improvements without any obligation to pay the Franchisee royalties or other fees. The Franchisee may not introduce improvements or additions or modifications to the System without the Franchisor's prior approval.

13. TRAINING

A. Initial Training. No individual may begin working at the Restaurant without first completing all of the Franchisor's required training. The Franchisor shall train the Franchisee or its Designated Owner or Manager, and any other employees that the Franchisee may request to attend the Franchisor's initial training. Training shall take place at the Franchisor's headquarters, at another location the Franchisor designates, or online. The Franchisee's trainees must successfully complete the initial training program at least two (2) weeks before the Opening Date. The Franchisor's costs and expenses associated with providing initial training for the individuals the Franchisor designates will be covered by the Service Fee. Franchisee shall be liable for its trainees' Travel-Related Expenses. If the Franchisee requests that the Franchisor provide its initial training program to additional employees, either before the Restaurant opens or while it is operating, the Franchisee must pay the Initial Training Fee For Additional Trainees, in addition to the trainees' Travel-Related Expenses. At the Franchisor's option, any person subsequently employed as a Designated Owner or Manager of the Restaurant may be required to attend and satisfactorily complete an initial training program.

B. Additional Training Fee. If the Franchisee requests additional training and the Franchisor agrees to provide such training, the Franchisee must pay to the Franchisor the Additional Training Fee. The Franchisee is responsible for ensuring that all required individuals attend all training that is required by applicable law, or that is recommended by the Franchisor.

C. Ongoing Training. The Franchisor may require the Franchisee's Designated Owner, the Manager, and any other employees to attend, at a location designated by the Franchisor, such ongoing additional training as the Franchisor may require, which may be at least twice per calendar year, and it may charge the Franchisee the Additional Training Fee set forth in the Summary Pages for such training. The Franchisor may also provide ongoing training programs to the Franchisee and/or certain of the Franchisee's employees that the Franchisor designates, free of charge. The Franchisee is responsible for all Travel-Related Expenses incurred by the Franchisee's trainees and the Franchisor's trainers incurred as a result of ongoing training.

D. Expenses Paid by the Franchisee. The Franchisee shall pay all expenses incurred by its staff in such training programs, including transportation, lodging, meals, and wages (if any). If the Franchisee's Designated Owner or Manager fails to successfully complete the initial training programs, the Franchisee shall be in default of this Agreement.

14. ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting, and Records. The Franchisee shall maintain during the Term, and shall preserve for the time period specified in the Manuals, full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by the Franchisor in the Manuals or otherwise in writing. All reports that the Franchisee provides to the Franchisor shall be timely and accurate. The Franchisor may designate a bookkeeping Company or software that the Franchisee must use in the Restaurant.

B. Submit Reports to the Franchisor. If so required by the Franchisor, each calendar month the Franchisee shall submit to the Franchisor a Monthly Revenue Report, in the manner prescribed by the Franchisor, accurately reflecting the Franchisee's Revenues and other activities specified by the Franchisor. The Franchisee shall submit the Monthly Revenue Report and Financial Statements to the Franchisor at the times specified on the Summary Pages. The Franchisor may include information contained in Financial Statements in promotional materials and in the Franchisor's Disclosure Document, so long as the Franchisee's information used in promotional materials is included in data for a state or region, and the Franchisor does not specifically identify the Franchisee.

Reports and Financial Statements shall be signed by the Franchisee's Designated Owner and treasurer or chief financial officer, attesting the statement is true and correct. The Franchisee shall submit to the Franchisor such tax return filing(s), and any other forms, records, reports, information or data the Franchisor may request in the form and at the times and places required by the Franchisor.

C. The Franchisee's Annual Business Plan. The Franchisee must submit to the Franchisor a Business Plan each year, on the date set forth in the Summary Pages, which shall be developed in connection with the Franchisor's designated personnel.

D. The Franchisor's Right to Audit. The Franchisor or its designated agents may, at any time, with or without notice, examine or audit and copy, the Franchisee's books and Records. The Franchisor may interview the Restaurant's current and former employees, customers and suppliers. At the Franchisor's request, the Franchisee shall provide the Franchisor or its designated agent with photocopies of Records and deliver them to the address the Franchisor designates. The Franchisor may examine Records of any of the Franchisee's suppliers and the Franchisee hereby authorizes all of its suppliers to release such information to the Franchisor or to its designated agent. If any audit reveals that the Franchisee has underreported the Restaurant's Revenues by more than two percent (2%) in any report to the Franchisor, the Franchisor may at its option, charge the Franchisee for any and all costs and expenses incurred in connection with such audit. The Franchisee must pay to the Franchisor any amounts owing, immediately upon demand, together, with the Interest, from the date such amounts were due until paid. If the Franchisor or its designated agent is unable to conduct an inspection, investigation or audit because of the Franchisee's failure to cooperate, the Franchisee shall pay the Franchisor for all costs it has incurred in such attempt. Such remedy shall be in addition to any other remedies available to the Franchisor under this Agreement or otherwise. If the Franchisor's audit reveals understated payments more than twice during the Term, the Franchisor at its option, in addition to any other remedies it may have, may elect to require the Franchisee's future financial statements, as required by this Agreement, be audited at the Franchisee's expense.

E. The Franchisor's Right to Change or Modify Bookkeeping, Accounting, and Records Practices. The Franchisor may modify or change its bookkeeping, accounting, and records practices from time to time, and the Franchisee must fully integrate any new bookkeeping, accounting, and records system that the Franchisor requires within the time period specified by the Franchisor.

F. The Franchisor's Right to Use Secret Shoppers/Customer Insight Programs. The Franchisor may hire or retain Persons to make contact with the Franchisee and the Franchisee's staff and customers for the purpose of evaluating their compliance with System standards. As part of the evaluation, telephone or other conversations may be recorded and the Restaurant may be photographed. The Franchisee consents to the Franchisor and its Representatives engaging in such activities and the Franchisee agrees to require each member of its Restaurant's staff to consent to such activities. The Franchisee shall pay to the Franchisor, or its designated vendor, the costs charged by the vendor in operating the secret shopper/customer insight program for the Franchisee.

15. INSURANCE

A. Insurance Requirements. Before the Opening Date, the Franchisee must obtain the insurance coverage described in the Manuals under policies of insurance issued by the insurance carrier(s) that the Franchisor designates or, if the Franchisor does not designate a specific insurance carrier, by carriers having an A.M. Best rating of "A" or better. The Franchisee must maintain all required policies in force during the entire Term of this Agreement. Before the expiration of the term of each insurance policy, the Franchisee must furnish the Franchisor with an insurance endorsement, certificate, and such other documentation as the Franchisor designates for each policy to be maintained for the upcoming term, along with evidence of the payment of the premium for each. The Franchisee's obligation to maintain insurance coverage, as described in this Agreement, shall not be reduced in any manner by reason of any separate insurance the Franchisor maintains on its own behalf; nor shall the Franchisor's maintenance of that insurance relieve the Franchisee of any obligations under this Section 15. The Franchisor may increase or decrease the amounts of coverage required under these insurance policies as stipulated by the Manuals and may require different or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must name the Franchisor (and, if the Franchisor so requests, its Representatives, as additional insureds and must require the insurance carrier to provide the Franchisor with ten (10) days advance written notice of any material modification, termination, cancellation, or expiration of the policy. The Franchisee must obtain its insurance from an insurance carrier designated or approved by the Franchisor.

B. Insurance Procurement. If the Franchisee at any time fails or refuses to maintain any insurance coverage required by the Franchisor, or to furnish satisfactory evidence thereof, the Franchisor, at its option and in addition to any other rights and remedies available, may, obtain such insurance coverage on behalf of the Franchisee and the Franchisee must then pay the Franchisor on demand, the Insurance Procurement Fee.

16. TRANSFER OF INTERESTS

The Franchisee may not make a Transfer except as permitted by this Section 16. In case of any proposed Transfer, the Franchisee or its Owners shall notify the Franchisor in writing at least sixty (60) days prior to such Transfer. Franchisor has 30 days from the date of the written notice of the proposed Transfer to approve or disapprove in writing of the Franchisee's proposed Transfer. Any Transfer or attempted Transfer without the Franchisor's prior consent or which otherwise violates the requirements in this Section 16 shall be ineffective against the Franchisor and, without limiting the Franchisor's remedies, shall constitute a material breach of this Agreement.

A. Prior Consent. Neither the Franchisee nor its Owners may affect an Asset Transfer without the Franchisor's prior written consent, which shall be conditioned on the following:

1. at the time of Asset Transfer, the Franchisee and its Owners must be in full compliance with all obligations under this Agreement and all other agreements between the Franchisee and the Franchisor and the Franchisor's Representatives;

2. the proposed transferee must have demonstrated to the Franchisor's satisfaction that it satisfies all of the Franchisor's standards;

3. the purchase price and terms of the Transfer will not, in the Franchisor's judgment, negatively impact the capability of the Restaurant to operate profitably following the Transfer;

4. the purchase and sale agreement between the Franchisee and transferee shall provide for and require that the Restaurant shall continue to operate without interruption during the Asset Transfer.

5. the transferee executes the Franchisor's then-current form of franchise agreement of the type which is to be the subject of the Transfer (which may contain different terms and conditions from this Agreement, and which may limit the term of the transferee's Franchise to the unexpired Term of this Agreement, and which shall supersede the terms of this Agreement), personal guaranty (in the format specified by the Franchisor), assignment of telephone number(s) and other collateral agreements the Franchisor may then require;

6. the transferee upgrades the Restaurant to meet the Franchisor's then-current standards for new Little Sheep™ Restaurants;

7. the transferee and its Owners provide the Franchisor with a waiver and release with respect to liability for any financial data, financial performance representations, other representations and information the Franchisee or its Representatives have provided the transferee;

8. the transferee and the transferee's Designated Owner and Manager satisfactorily complete the Franchisor's training program;

9. the Franchisee sends the Franchisor a notice requesting the Franchisor's approval of a Transfer and provides the Franchisor with a Transfer Fee; the Franchisor may further condition its approval of a Transfer on the transferor's reimbursing the Franchisor for the expenses it incurs which are related to the Transfer which exceeds the Transfer Fee;

10. the Franchisee and its Representatives and its respective Owners and Guarantors provide to the Franchisor an unconditional, general release of all claims they have against the Franchisor, and its Representatives; and

11. if the Asset Transfer encompasses the Franchisee or two (2) or more of its Owners' interest in this Agreement or in the Restaurant, they designate and appoint the Franchisee to be the Transferees' agent and attorney in fact with whom the Franchisor may deal for all purposes expressed in or contemplated by this Agreement.

B. Involuntary Asset Transfer. No involuntary Asset Transfer or partitioning of one or more of the Franchisee's Owners' interests in this Agreement, whether in connection with a bankruptcy, foreclosure, divorce or other proceeding, shall be effective against the Franchisor unless the Franchisee complies with the requirements set forth in Section A.A above.

C. Ownership Interest Transfer. Any Ownership Interest Transfer shall be subject to the Franchisor's prior written consent, which shall be conditioned on the following:

1. at the time of the Ownership Interest Transfer, the Franchisee is in full compliance with its obligations under this Agreement, and all other agreements between the Franchisor and the Franchisee and the Franchisor's Representatives;

2. each proposed Owner of the proposed transferee meets the Franchisor's criteria for qualifying as the new Franchisee and delivers a signed Personal Guaranty to the Franchisor;

3. if the Ownership Interest Transfer shall result in a change of Controlling Interest in the Franchisee, the transferee shall comply with Section A.A;

4. if the Franchisor agrees to release the Transferor from further liability under this Agreement, or to release the Franchisee's Owners from further liability under a Personal Guaranty, the Franchisee and each of its Owners shall also give the Franchisor an unconditional, general release of all claims they and the Franchisee may have against the Franchisor, and its Representatives;

5. if a Controlling Interest is transferred, the transferee shall pay the Transfer Fee; and

6. the purchase and sale agreement between the transferor and transferee shall provide for and require that the Restaurant shall continue to operate without interruption during the Asset Transfer.

The Franchisee expressly authorizes the Franchisor to investigate any potential transferee's qualifications, to analyze and critique the proposed purchase terms with the transferee, and to withhold consent to transferees or transactions which do not satisfy the Franchisor's standards. The Franchisee and its Owners waive any and all claims that actions taken by the Franchisor or its Representatives in relation to a proposed Transfer.

D. Special Transfers

1. If the Franchisee is an individual or partnership who at any time notifies the Franchisor that it wants to assign the Franchise to a Business Entity in which the Franchisee shall own one hundred percent (100%) of the Ownership Interest (and, in

the case of a partnership, a share ownership in the Business Entity apportioned the same as were the partnership interests), the Franchisor shall consent to the assignment and waive payment of a Transfer Fee or an Assignment Fee and its Right of First Refusal under Section A.E provided that before the Transfer occurs, the Franchisor has received such documentation and information concerning the Business Entity and its Owners as the Franchisor requests. The required documentation shall include, (i) a certified list of the Business Entity's Owners (designating the amount and percentage of shares or units of beneficial ownership each Owner owns), (ii) a Personal Guaranty signed by each Owner, and (iii) an express assumption by the Business Entity of the Franchisee's obligations under this Agreement.

2. If the Franchisee is a Business Entity, the Franchisor shall consent to Ownership Interest Transfers among the Franchisee's original Owners and waive its Right of First Refusal under Section A.E if the Transfer does not result in a change of a Controlling Interest. The transferor must deliver to the Franchisor such documentation and information concerning the Ownership Interest Transfer and the resulting ownership of the Franchisee as the Franchisor may request. The required documentation shall include, a Personal Guaranty signed by each Owner who has not previously executed such documents.

E. <u>Right of First Refusal</u>

1. If the Franchisee or one or more of the Franchisee's Owners wish to make a Transfer pursuant to any bona fide offer received from a third party to purchase that interest, then the proposed seller shall promptly notify the Franchisor in writing of the offer, and provide any additional information and documentation relating to the offer that the Franchisor requires. The Franchisor shall have the option, exercisable within thirty (30) days after receipt of all written documentation requested by the Franchisor describing the terms of the offer, to notify the proposed transferee that the Franchisor intends to acquire the proposed transferor's interest on the same terms and conditions that were offered by the proposed transferee.

2. Any material change in the terms of any offer before closing shall constitute a new offer subject to the Franchisor's option to purchase as in the initial offer. The Franchisor's failure to exercise the option set forth in this Section shall not constitute a waiver of any other provision of this Agreement, including the requirements of this Section. If the Franchisor exercises its option to purchase, the Franchisor shall not be liable for paying a brokerage or sales commission. If an offer provides for payment of consideration other than cash or involves certain intangible benefits, the Franchisor may elect to purchase the interest proposed for sale for the reasonable cash equivalent. If the parties cannot agree within seven (7) days on the cash equivalent of the non-cash part of the offer, the Franchisor shall designate an independent appraiser to determine such amount and his determination shall be binding on the parties. The Franchisor may set off the cost of such appraisal against the purchase price. If the offer includes items which are not assets of the Restaurant or items used in the Restaurant, at the Franchisor's option, the Franchisor may acquire only the Restaurant assets and such other items as the Franchisor selects, without any duty to purchase the other items included in the purchase offer. The

apportionment of the value of the items to be purchased by the Franchisor shall be determined by the Franchisor, subject to an evaluation by an independent appraiser under the same procedures as non-cash consideration to be evaluated.

3. The Franchisor's decision not to exercise the Right of First Refusal granted by this Section shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 166, with respect to a proposed Transfer. If the Franchisor does not exercise its Right of First Refusal on any particular offer, any material change in the terms of the offer before closing shall constitute a new offer subject to the Franchisor's same Right of First Refusal as in the case of the initial offer. The Franchisor may assign its Right of First Refusal under this Section.

F. Purchase Upon the Franchisee's Designated Owner's Death or Disability

1. This Section A.F applies only if the Franchisee (if the Franchisee is an individual) or its Designated Owner dies or suffers a Permanent Disability.

2. Upon the occurrence of an event described in Section A.F.1, the Franchisee's Principals or personal representative shall appoint an interim Designated Owner or Manager to operate the Restaurant, and within fifteen (15) days of such event notify the Franchisor of the event and indicate the Franchisee's intention of continuing to operate the Restaurant, pursuant to this Section A.F.2. During the first one hundred twenty (120) days after the death or Permanent Disability occurs, the Franchisor shall evaluate the interim management's willingness and ability to operate the Restaurant in compliance with this Agreement. By the end of the one hundred twenty (120) day evaluation period, the Franchisor shall decide whether the interim management is qualified to manage the Restaurant and become its Designated Owner or Manager, and the Franchisor shall notify the Franchisee's Owners and/or personal representative of the Franchisor's decision. As a condition of continuing the franchise relationship, the Franchisee must satisfy all requirements of this Agreement and each Owner must furnish the Franchisor with a signed Personal Guaranty, and any deficiencies in the Franchisee's compliance with the requirements of this Agreement must be cured. The Franchisor also may require the new Designated Owner or Manager to attend and satisfactorily complete the Franchisor's initial training program.

3. If any of the conditions stated in Section A.F.2 is not satisfied, or if the Franchisor decides that the interim management has not adequately demonstrated its business qualifications or commitment to the franchise relationship, the estate, its beneficiaries, the Owners, or the surviving Principals shall have one hundred twenty (120) days after delivery of the Franchisor's notice to (a) locate a new Designated Owner who is acceptable to the Franchisor or (b) sign a binding contract to sell the Restaurant or a Controlling Interest in the Franchisee to a buyer approved by the Franchisor in accordance with, and in a transaction structured to comply with, this Section 166. The proposed sale shall be subject to the Franchisor's Right of First Refusal under Section A.E.

4. If any of the Franchisee's Owners fails to sign a binding contract of sale before the one hundred twenty (120) day selling period expires, or if a contract is

signed, but the proposed sale is not concluded within thirty (30) days after the Franchisor relinquishes its option under Section A.E, the Franchisor shall have an additional option during the next thirty (30) days to purchase the interest the deceased or Permanently Disabled person held at the date of death or Permanent Disability. The purchase price for the interest shall be its fair market value, determined through negotiations or by appraisal. Unless otherwise agreed by the parties, the purchase price shall be payable in cash at closing. If the Franchisor delivers written notice of its intention to exercise the option within the thirty (30) day period, the option shall be considered effectively exercised whether or not the purchase is actually consummated within the thirty (30) day period.

5. If the parties fail to agree on a purchase price for the interest within twenty-one (21) days after delivery of the Franchisor's notice, the purchase price shall be determined by an appraiser selected by the Franchisor in accordance with the appraisal process specified in Section A.E.

G. Transfer by the Franchisor. The Franchisor and any holder of an Ownership Interest in the Franchisor may voluntarily, involuntarily, directly or indirectly sell, assign, transfer, license, sublicense, sublease, collaterally assign, grant a security, collateral or conditional interest, inter vivos transfer, testamentary disposition or other disposition of all or any part of its rights or obligations under this Agreement or any Ownership Interest in the Franchisor to any person. The Franchisee agrees not to interfere in or to attempt to interfere with a proposed Transfer by the Franchisor or by the Franchisor's Owners. Specifically, and without limitation to the foregoing, the Franchisor may sell its assets, Marks, or the System to a third party; may offer its securities privately or publicly; may merge, spin-off, acquire other business entities, or be acquired by another business entity; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, the Franchisee expressly and specifically waives any claims, demand, or damages against the Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from the Franchisor to any other party. If the Franchisor assigns its right in this Agreement, the Franchisor shall be released from all further liability under this Agreement. Nothing contained in this Agreement requires the Franchisor to offer any services or products, whether or not bearing the Marks, to the Franchisee after the Franchisor assigns its rights in this Agreement.

H. Transferred with Area Development Agreement. All Franchises established under a Development Agreement must be transferred in the same transaction to the same Transferee.

17. DEFAULT AND TERMINATION

A. By the Franchisee. If the Franchisee is in compliance with this Agreement, and the Franchisor materially breaches this Agreement and fails to cure such breach within thirty (30) days after the Franchisee delivers written notice to the Franchisor, then the Franchisee may terminate this Agreement, effective thirty (30) days after delivery to the Franchisor of proper notice. Any termination of this Agreement by the Franchisee, without complying with these requirements, shall be deemed a termination by the Franchisee without cause.

B. By the Franchisor. This Agreement shall terminate without further action by the Franchisor on notice to the Franchisee if the Franchisee or any of the Franchisee's Representatives. Fees already collected will not be refunded. If this Agreement is terminated due to the reason set forth below, without prejudice to any other liabilities the Franchisee shall assume pursuant to the relevant provisions of this Agreement, the Franchisee shall pay the Franchisor $100,000 as Liquidated Damages.

1. fails or refuses to make payments of any amounts due the Franchisor or its Representatives for Maintenance Fees, Marketing Fund Contributions, or purchases from the Franchisor or its Representatives, or fails to pay any other amounts due to the Franchisor or its Representatives, or fails to cooperate with the Franchisor or its designated agent in efforts to conduct an audit inspection or investigation and does not correct such failure or refusal within ten (10) days after written notice of such failure is delivered to the Franchisee;

2. fails or refuses to comply with any other provision of this Agreement, or any mandatory specification, standard or operating procedure prescribed in the Manuals, or otherwise in writing, and does not correct such failure within thirty (30) days;

3. violates any environmental, food safety, sanitation, data security, data retention or other applicable law, ordinance or regulation and does not immediately begin to cure the non-compliance or violation, and correct such non-compliance or violation within twenty-four (24) hours after written notice is delivered to the Franchisee;

4. fails to satisfactorily complete the initial training program as provided in Section A of this Agreement;

5. fails to begin operating the Restaurant within one-hundred and eighty (180) days after the Effective Date, unless an extension is mutually agreed upon;

6. has made any material misrepresentation or omission in their application for the Franchise or other documents or reports submitted to the Franchisor;

7. is convicted of a felony or pleads no contest to a felony, or is convicted of or pleads no contest to any other crime or offense that is likely to adversely affect the reputation of the Franchisor, the Franchisee or the System, or causes the Restaurant to suspend its operations for fifteen (15) days accumulatively;

8. makes any unauthorized use, disclosure or duplication of any portion of the Manuals, or duplicates or discloses or makes any unauthorized use of any of the Franchisor's trade secrets or Confidential Information;

9. fails to relocate to approved Premises within an approved period of time following expiration or termination of the lease for the Premises;

10. surrenders or transfers control of the operation of the Restaurant, makes an unauthorized direct or indirect Transfer, fails or refuses to assign the Franchise or the

interest in the Franchise of a deceased or disabled Designated Owner thereof as required herein, including but not limited to

a. transferring, mortgaging or pledging the Franchisee's shares, major assets related to the franchise, any rights and interests to any third party;

b. issuing new shares of the Franchisee to a party who is not the shareholder of the Franchisee upon the execution of this Agreement;

c. allowing the merger, restructuring or other material change of the Franchisee's company or entity; and

d. the Franchisee's mortgage or pledge of its rights or interests under the franchise Agreement, or major assets related to the franchise;

11. mistakenly or unintentionally underreports Revenues by two percent (2%) or more on three (3) or more occasions during any eighteen (18) month period, or by five percent (5%) or more for any period of one (1) month or greater, or intentionally underreports Revenues at any time;

12. acknowledges that the Franchisee is unable to pay its debts as they come due or commits any other affirmative act of insolvency, or files any petition or action of insolvency, or for appointment of a receiver or trustee, files a petition in bankruptcy or makes any assignment for the benefit of creditors, or fails to vacate or dismiss within sixty (60) days after filing any such proceedings commenced against the Franchisee by a third party;

13. is subject to a dismissal of a liquidation proceeding pursuant to 11 U.S.C. Section 707, dismissal of a reorganization proceeding pursuant to 11 U.S.C. Section 1112, revocation of an order of confirmation pursuant to 11 U.S.C. Section 1330(b) or dismissal of a debt adjustment proceeding pursuant to 11 U.S.C. Section 1307;

14. materially misuses or makes an unauthorized use of any Marks or commits any act which can reasonably be expected to materially impair the goodwill associated with any Marks, including any act on a website, social media, blog, micro-blog or any other electronic media that materially impairs the goodwill associated with any Marks;

15. fails to appoint a new Designated Owner within fifteen (15) days after the Franchisee's death or Permanent Disability, or within fifteen (15) days of the death or Permanent Disability of the Designated Owner;

16. loses the right to possession and use of the Premises;

17. fails to pay when due any taxes due related to the operations of the Restaurant, unless the Franchisee is, in good faith, legally contesting the Franchisee's liability for such taxes;

18. fails to obtain or retain any license or certification required by law or the Manuals for the operation of the Restaurant;

19. defaults under the terms of any other Little Sheep™ franchise agreement, Little Sheep™ area development agreement, or any other agreement with the Franchisor, its Representatives, or its Approved Suppliers and fails to cure each such default within the time specified in such agreement, if such agreement permits the default to be cured. If such a default is not curable, this Agreement shall terminate upon the Franchisee's receipt of a notice of termination;

20. fails to obtain or to maintain insurance coverage as required by Section 15;

21. fails to (a) operate the Restaurant or offer Services for three (3) or more consecutive business days on which the Franchisee was required to operate, or (b) to conduct the minimum number of hours of Services the Franchisor requires on three (3) separate days, unless the Franchisor determines, in its sole discretion, that the failure was beyond the Franchisee's control;

22. fails to use the software that the Franchisor requires or attempts to (or actually does or causes others to) reverse engineer, decompile, remove or defeat the security features, or otherwise uncover the proprietary code for the Franchisor's software;

23. if the Franchisee breaches the provisions set forth in Sections 9.L and 9.O above; and

24. In case that the Franchisee is authorized by the Franchisor to operate more than one Restaurant, if any Franchise Agreement for one of those Restaurants is terminated by the Franchisor because of the Franchisee's breach of such Franchise Contract, the Franchisor reserves the right to simultaneously terminate all the other Franchise Agreements signed for the other Restaurants without assuming any breach liabilities. Meanwhile, in the event of such termination depicted above, the Franchisee shall assume the breach liabilities according to relevant Franchise Agreement respectively.

C. Options In Lieu of Termination. In addition to the Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against the Franchisee, if the Franchisee has not cured a default under this Agreement within the twenty (20) days after receipt of a notice of default from the Franchisor, the Franchisor may, at its option:

1. enter the Premises and exercise complete authority with respect to the operation of said business until such time as the Franchisor determines that the Franchisee's default has been cured and that there is compliance with the requirements of this Agreement. The Franchisee specifically agrees that a designated representative of the Franchisor may take over, control, and operate said business, and that the Franchisee shall pay the Franchisor the Temporary Management Fee specified in the Manuals, plus all Travel-Related Expenses so long as such expenses are be required by the representative to enforce compliance herewith. The Franchisee further agrees that if, as herein provided, the Franchisor temporarily operates the Franchisee's Restaurant, the Franchisee shall indemnify and hold harmless the Franchisor and any representative of the Franchisor who

may act hereunder, respecting any and all acts and omissions which the Franchisor may perform, or fail to perform as regards to the interests of the Franchisee or third parties.

18. THE FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon Termination or Expiration of this Agreement and any other Agreement between the parties, the Franchisee must satisfy its obligations described below. The Franchisor shall refund the Franchise Deposit within ninety (90) days following the Franchisee's completion and satisfaction of its obligations hereunder.

A. Payment of Monies Owed to the Franchisor. The Franchisee agrees to pay to the Franchisor or its Representatives, within fifteen (15) days after the Termination Date or the Expiration Date, such Maintenance Fees, Marketing Fund contributions, payments for inventory, equipment, merchandise, and any of the Products or services purchased by the Franchisee from the Franchisor or its Representatives, and any other sums owed to the Franchisor by the Franchisee. If this Agreement is terminated pursuant to Section 17.B, the Franchisee shall pay the Franchisor Liquidated Damages in the amount specified on the Summary Pages as well as the Franchisor's Losses and Expenses incurred because of the Termination. The Franchisee shall also be liable to the Franchisor's Representatives for all costs and expenses (and interest) they incur in enforcing this Agreement. For the purposes of this Section 18.A, the word "enforce" includes, but is not limited to, the execution, administration, collection, enforcement, protection, and/or waiver of the terms of this Agreement.

B. Return of Manuals and Other Materials. The Franchisee agrees upon termination or expiration of this Agreement to immediately return to the Franchisor all copies of the Manuals, marketing and advertising materials, and any other materials loaned by the Franchisor.

C. Deliver Records. The Franchisee agrees upon termination or expiration of this Agreement to immediately deliver to the Franchisor in the form requested by the Franchisor, complete records of the Restaurant in the form requested by the Franchisor, Including:

1. complete financial records of the Restaurant, including the Records;

2. statements of account showing all amounts owed by or to the Franchisor or to any customers or third-party for any reason, and all amounts due to the Marketing Fund by the Franchisee;

3. a summary of all claims, lawsuits, threats of litigation, government investigations, and copies of any documents that relate to the claims, threats or investigation; and

4. all other records relating to the Restaurant which the Franchisor may request.

D. Assign Contracts. At the Franchisor's option, the Franchisee shall assign to the Franchisor or to its designee all agreements which the Franchisor requires the Franchisee to assign, which shall Include copies of all contracts, leases, options, guarantees, commitments, written or oral, which the Franchisee has, relating to the operation of the Restaurant.

The cost of providing this information shall be paid by the Franchisee. The Franchisee must cooperate fully with the Franchisor and its Representatives in providing such oral or written answers to questions relating to the Restaurant as they may request.

E. Cancel Assumed Names/Transfer Phone Numbers and E-mail Addresses. The Franchisee agrees upon termination or expiration of this Agreement to take such action that may be required to cancel all assumed names or equivalent registrations relating to use of any Marks, and at the Franchisor's option, to terminate or to transfer all telephone numbers used in the operation of the Restaurant to the Franchisor or to its designee. The Franchisor may immediately file with the Franchisee's local telephone company the Assignments of Telephone Numbers that the Franchisee has provided the Franchisor as reflected in Schedule C and may instruct the telephone company to transfer use and control of the Restaurant's telephone numbers to the Franchisor or its designee. If the Franchisee's Assignment of Telephone Numbers is no longer valid, the Franchisee shall immediately execute a new Assignment of Telephone Numbers in the form requested by the Franchisor. The Franchisee must, upon termination or expiration of this Agreement, take such action that may be required to transfer any e-mail addresses associated with Restaurant to the Franchisor and provide to the Franchisor any username or password required to maintain the e-mail accounts related to Restaurant. The Franchisee irrevocably constitutes and appoints the Franchisor and its designee as the Franchisee's agent and attorney-in-fact to effect the transfer of the Restaurant's telephone number(s) and e-mail address(es), including authority to execute and deliver on the Franchisee's behalf any transfer of service agreement the telephone company requires, and to revoke any call-forwarding or similar instructions the Franchisee has given the telephone company. The Franchisor shall have no liability to the Franchisee on account of, or arising from, any action it authorizes or takes to effect the transfer of the Restaurant's telephone number(s) or e-mail address(es) in accordance with this Section A.E. In addition, the Franchisor shall be entitled to injunctive or similar relief, without bond, against the Franchisee and any other person bound to enforce compliance with these requirements.

F. Cease Operation of the Restaurant. The Franchisee agrees upon termination or expiration of this Agreement, to cease to operate the Restaurant, and to not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former franchisee of the Franchisor.

G. Assign the Lease. Upon termination or expiration of this Agreement, the Franchisee shall, at the Franchisor's option, and without paying compensation to the Franchisee, assign to the Franchisor, or to the Franchisor's designee, the Franchisee's interest in any lease then in effect for the Premises. The Franchisor shall notify the Franchisee of its intent to exercise this option and the identity of the designee within thirty (30) days of the termination or expiration of this Agreement.

H. Cease Using Marks. Upon termination or expiration of this Agreement, the Franchisee shall immediately and permanently cease to use, by advertising, or in any manner whatsoever, any confidential methods, procedures, and techniques associated with the Franchisor and the Marks and any proprietary marks, trade dress, distinctive furnishing and layout of the Restaurant, and distinctive forms, slogans, signs, symbols, logos, devices and other IP associated with the System. In particular, the Franchisee shall cease to use all signs, advertising materials, stationery, forms, and any other articles which display the Marks.

I. Ongoing Services. Upon termination or expiration of this Agreement, the Franchisee shall comply with the Franchisor's instructions regarding any Services that the Franchisee is providing at the Restaurant.

J. The Franchisor's Option to Purchase Restaurant. If this Agreement expires or is terminated for any reason (other than the Franchisor's material breach of this Agreement), the Franchisor has the option, upon thirty (30) days' written notice from the Expiration Date or Termination Date, to purchase from the Franchisee all the tangible and intangible assets relating to the Restaurant, including the Restaurant Premises if the Franchisee owns the Restaurant Premises (excluding any unsalable inventory, cash, short-term investments and accounts receivable) and to an assignment of the lease for (1) the Premises (or, if an assignment is prohibited, a sublease for the full remaining term under the same provisions as the lease) and (2) any other tangible leased assets used in operating the Restaurant. If the landlord of the Restaurant Premises is an Affiliate of the Franchisee, the Franchisor shall have the right to assume the lease on terms generally consistent with then-current market rates for space in the immediate area surrounding the Restaurant location. The Franchisor may assign its rights hereunder to a third party.

The purchase price for the Restaurant shall be the fair market value of the purchased assets; provided that: (1) the Franchisor may exclude from the purchased assets any products or other items that were not acquired in compliance with this Agreement; and (2) the Franchisor may exclude from fair market value any provision for goodwill or similar value attributable to intangible property (such as the Marks and Confidential Information). If the parties cannot agree on fair market value within a reasonable time, the Franchisor shall designate an independent appraiser to determine the fair market value of the purchased assets. The determination of such appraiser shall be binding on the parties hereto, and the costs of such appraisal shall be divided equally between the Franchisor and the Franchisee. The purchase price, as determined above, shall be paid in cash at the closing of the purchase, which shall occur within a reasonable time, not to exceed sixty (60) days, after the fair market value is determined. At the closing, the Franchisee shall deliver documents transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to the Franchisor or its designee and such other documents the Franchisor may reasonably request to permit the Franchisor to operate the Restaurant without interruption. The Franchisor may set off against and reduce the purchase price by all amounts the Franchisee owes to the Franchisor or any of the Franchisor's Affiliates. If the Franchisor exercises its option to purchase the Restaurant, the Franchisor may, pending the closing, appoint a manager to maintain Restaurant operations.

If the Franchisor assumes the lease for the Restaurant under this Section, the Franchisee shall pay, remove or satisfy any liens or other encumbrances on the Franchisee's leasehold interest and shall pay in full all amounts due the lessor under the lease existing at or prior to assumption. The Franchisor is not liable for any obligation to the lessor that the Franchisee incurs before the date the Franchisor assumes the lease.

K. Franchisee Continues Operation. If the Franchisee continues to operate the Restaurant after the Termination Date or the Expiration Date, as applicable, the Franchisee agrees to pay the Franchisor a Holdover Fee. For each month the Franchisee continues to operate the Restaurant until the Franchisee completely ceases operation of the Restaurant; plus Liquidated

Damages in the amount of $100,000. The Franchisee further agrees to fully and timely indemnify and hold harmless the Franchisor from and against any losses which is incurred by the Franchisor due to such breach and cannot be covered by the liquidated damage (such losses shall include but are not limited to the litigation cost, attorney fee and other kinds of expenditures).

19. COVENANTS

A. Full-Time Operation of Business. The Franchisee covenants during the Term, the Franchisee, or the Franchisee's Designated Owner, and the Franchisee's Manager, shall devote full-time energy and best efforts to the management and operation of the Restaurant, and shall refrain from engaging in any Competitive Business, directly or indirectly, during the Term, except pursuant to another Little Sheep™ franchise agreement.

B. No Diversion of Business. The Franchisee's Representatives covenant that they shall not directly or indirectly, for themselves, through, on behalf of, or in conjunction with any person or legal entity divert or attempt to divert any business or customer of the Restaurant, or of any other Restaurant, to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

C. Covenant Not To Compete. The Franchisee and its Owners covenant, except as otherwise approved in writing by the Franchisor, that they shall not, for a continuous uninterrupted period commencing upon the Expiration Date or Termination Date of this Agreement, regardless of the cause for termination, and continuing for twenty-four (24) months, either directly or indirectly, for themselves, on behalf of, or in conjunction with any person, individual or Business Entity sell, promote, recommend, own, maintain, advise, help, invest in, make loans to, engage in or have any interest in any Competitive Business:

1. at the Premises; or

2. within a radius of ten (10) miles from the Restaurant or within ten (10) miles from the Restaurant location of any other Little Sheep™ Restaurant in operation at the time of expiration, termination, or transfer.

If the Franchisee fails to immediately comply with this covenant, the covenant shall extend for twenty-four (24) months from the date the Franchisee begins to comply.

D. Covenants Are Independent. The Franchisee and the Franchisor agree each of the covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 19 is held unenforceable by a court or agency having valid jurisdiction in any final decision to which the Franchisor is a party, the Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulted covenant were separately stated in and made a part of this Section 19.

E. Right to Reduce Scope. The Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Section 19, or any portion thereof, without the Franchisee's consent, effective immediately upon receipt by the Franchisee of written notice thereof. The

Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

F. Claims Are Not Defense to Covenants. The Franchisee's Representatives expressly agree that the existence of any claim they may have against the Franchisor or its Representatives, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Franchisor of the covenants in this Section 19.

G. Injunctive Relief Available to the Franchisor. The Franchisee acknowledges that any failure to comply with the requirements of this Section shall cause the Franchisor irreparable injury. The Franchisee consents to any order for injunctive or other extraordinary relief against any such failure to comply being obtained by the Franchisor without the necessity for the Franchisor to post a bond. The Franchisor may further avail itself of any legal or equitable rights and remedies under this Agreement or otherwise.

H. Non-Disparagement. To the extent permitted by applicable law, the Franchisee's Representatives expressly agree that they shall not, at any time, either orally or in writing or through any other medium, or any other form of communication, (i) disparage, defame, impugn or otherwise damage or assail the reputation, integrity or professionalism of the Franchisor's Representatives, the Franchisees of the Franchisor, or any of their Representatives, or (ii) encourage any of the Franchisor's Little Sheep™ Franchisees to abandon their franchise, not pay fees due to the Franchisor or its Affiliates, or not support the Franchisor or any of its programs in any way.

I. Identifying Business Information. The Franchisee and its Representatives agree to permit the Franchisor to disclose identifying information about the Restaurant, including information about the name, address and telephone number of the Restaurant, and any termination of the franchise relationship outlined in the Franchisor's Disclosure Document.

20. TAXES, PERMITS, AND INDEBTEDNESS

A. The Franchisee Must Pay Taxes Promptly. The Franchisee shall promptly pay, when due, all taxes levied or assessed against the Restaurant, including unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by the Franchisee in the conduct of the Restaurant. The Franchisee shall promptly pay when due all taxes assessed on the Franchisor regarding the operation of the Restaurant. If a gross receipts tax or other tax which is based on Revenues, receipts, sales, business activities or operation of the Restaurant is imposed upon the Franchisor by any taxing authority (other than a withholding tax imposed on the Franchisor by the U.S. Internal Revenue Code), then the Franchisee shall reimburse the Franchisor in an amount equal to the amount of such taxes and related costs imposed upon and paid by the Franchisor.

B. The Franchisee May Contest Tax Assessment. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall the Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises or any assets of the Restaurant.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. The Franchisee Must Notify the Franchisor of Lawsuits. The Franchisee shall notify the Franchisor in writing immediately of the commencement of any investigation, inquiry, action, suit or proceeding against the Franchisee or of the issuance of any subpoena, summons, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which arises out of, concerns, or may affect the operation, reputation or financial condition of the Restaurant, including any action or proceeding brought by the Franchisee against its employees, Owners or other persons who are associated or affiliated with the Franchisee.

B. No Fiduciary Relationship. It is understood and agreed by the Franchisee that the relationship created by this Agreement does not constitute a fiduciary relationship.

C. The Franchisee is an Independent Contractor. The Franchisee is an independent contractor and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. The Franchisee must at all times hold itself out to the public as an independent contractor operating its business pursuant to a Franchise from the Franchisor. The Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent franchisee of the Franchisor; and must place such notice of independent ownership on all business forms, business cards, stationery, advertising, signs, and other materials, as the Franchisor may specify in the Manuals. Except as otherwise expressly authorized by this Agreement, neither the Franchisee nor the Franchisor may make any express or implied agreements, warranties, guarantees or representations; or incur any debt in the name of or on behalf of the other party; or represent the relationship between the Franchisor and the Franchisee is other than that of the Franchisor and the Franchisee. The Franchisor does not assume any liability, and shall not be deemed liable, for any agreements, representations or warranties made by the Franchisee, which are not expressly authorized under this Agreement. The Franchisor shall not be obligated for any damages to any person or property, which directly or indirectly arise from or are related to the operation of the Restaurant. The Franchisee's employees are not employees of the Franchisor.

D. Indemnification. The Franchisee agrees at all times to defend at the Franchisee's expense, to indemnify and hold harmless to the fullest extent permitted by law, the Franchisor's Representatives from all Losses and Expenses incurred in connection with the Termination of this Agreement and with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, which arises out of the Restaurant, this Agreement, and the relationship between the parties, including the following:

1. the Franchisee’s infringement or any other alleged violation of any patent, trademark, or other proprietary right that is owned, licensed or controlled by the Franchisor;

2. the Franchisee’s alleged violation of any law, regulation or ordinance, or any directive or any industry standard;

3. the Franchisee’s libel, slander or any other form of defamation;

4. the Franchisee’s alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement;

5. any acts, errors or omissions of the Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, Affiliates, or representatives;

6. any Services provided by the Franchisee related to the operation of the Restaurant;

7. any injury that arises out of the products and services provided by the Franchisee; and

8. any claims brought by the Franchisee’s Representatives.

22. WAIVER

No failure of the Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by the Franchisee with any obligation or condition, and no custom practice of the parties at variance with the terms, shall constitute a waiver of the Franchisor’s right to demand exact compliance with any such terms. Waiver by the Franchisor of any particular default by the Franchisee shall not affect or impair the Franchisor’s rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, forbearance or omission of the Franchisor to exercise any power or right arising out of any breach or default by the Franchisee of any of the terms, provisions or covenants, affect or impair the Franchisor’s right to exercise same; nor shall such constitute a waiver by the Franchisor of any preceding breach by the Franchisee of any terms, covenants or conditions of this Agreement. Acceptance by the Franchisor of any payments or partial payments due to it under this Agreement shall not be deemed a waiver by the Franchisor of any preceding or succeeding breach by the Franchisee of any terms, provisions, covenants, or conditions of this Agreement, or other amounts due.

23. ENFORCEMENT

The following provisions apply to resolution of any disputes arising out of or relating to this Agreement:

A. Dispute Resolution.

1. Except for disputes related to or based on the Franchisee's Representatives use of the Marks or Confidential Information or the Franchisee's Representatives compliance with the non-compete obligations, any controversy or claim arising between the Franchisor's Representatives and the Franchisee's Representatives (and any guarantors of this Agreement) arising out of or related to the relationship of the parties hereto, this Agreement, or any other agreement between the parties or any provision of such agreement and the validity thereof, shall first be settled by internal negotiation between the parties.

a. Except as otherwise expressly set forth in this Agreement, the Parties agree that any dispute arising in connection with the interpretation of this Agreement, the performance of either Party under this Agreement, or otherwise relating to this Agreement will be treated in accordance with the procedures set forth in this Section, prior to commencement of litigation or arbitration by either Party. The dispute will be referred for resolution first to the Parties' authorized Representatives. Such procedure will be invoked by either Party presenting to the other Party a Notice of Request for Resolution of Dispute identifying the issues in dispute sought to be addressed hereunder. A telephone or personal conference of the authorized Representatives will be held within ten (10) business days after the delivery of such notice. In the event that the telephone or personal conference between the authorized Representatives does not take place or does not resolve the dispute, then either Party will have the right to commence legal proceedings to enforce this Agreement.

b. This dispute resolution clause shall survive the termination or expiration of this Agreement. This clause shall not apply to prevent the immediate filing of any suit to recover Maintenance Fees owed under this Agreement, or any suit seeking preliminary or permanent injunctive relief, specific performance, or other equitable relief, or any action at law for damage to our property interests or in equity to enjoin any harm to our goodwill, Marks, or our intangible property.

2. To the extent that any dispute cannot be resolved by internal negotiation, all disputes arising between the Franchisor's Representatives and the Franchisee's Representatives arising out of or related to the relationship of the parties hereto, this Agreement, or any other agreement between the parties or any provision of such agreement and the validity thereof, will be submitted the binding arbitration under the International Centre for Dispute Resolution ("ICDR") rules of the American Arbitration Association, or its successor, then in effect.

3. The legal seat of such arbitration proceedings will be the city and state where the Restaurant is located. The commercial arbitration will be heard by one (1) arbitrator agreed to by the Franchisor and the Franchisee. All matters relating to arbitration will be governed by the substantive law of New York and the U.S. Federal Arbitration Act and not by any state or foreign arbitration law. This Agreement shall be governed by the laws of New York, except for its laws pertaining to conflicts of laws and the New York Franchise Sales Act shall only apply if an offer or sale of a franchise is made

in New York as defined in Section 681.12.a. This Section is not to waive Franchisee's rights under state law and state registration laws.

4. The claims arbitrated may be only those arising out of this Agreement, and those claims may not be joined with those of any other party (except the parties' Representatives) or heard on a class action or consolidated basis. The parties agree that the binding effect of any decision shall be limited to the actual dispute or claim submitted to arbitration. The arbitrator must apply applicable law. No arbitration decision shall have any collateral effect with respect to any other dispute or claim.

5. All arbitration proceedings respecting this Agreement will be kept confidential and no party will disclose to any person other than those necessary to the arbitration (a) the existence of the arbitration, (b) any document, testimony or other information relating to the arbitration, or (c) any settlement or arbitral awards or orders, except to the extent that such disclosure is required by law.

6. All claims arising out of or relating to this Agreement brought by either party against the other, whether in arbitration, litigation or any other proceeding, must be commenced within one (1) year from the occurrence of the facts giving rise to such claim; otherwise such claim shall be barred. The parties recognize that this time limit may be shorter than that otherwise allowed by law.

7. Each party agrees to first notify the other party in writing of any dispute or claim arising out of or relating to this Agreement. The written notification must specify, to the fullest extent possible, the notifying party's version of facts surrounding the dispute or claim. The Franchisee agrees to use its best efforts to communicate with the Franchisor to attempt to resolve the dispute.

8. The Franchisee's Representatives and Guarantors represent and agree that the sole entity against which the Franchisee's Representatives and Guarantors may seek losses and/or damages or any remedy under law or equity for any claim arising out of or relating to this Agreement, if any, is the Franchisor or its successor or assignee. The Franchisee represents and agrees that the Franchisor's Representatives (other than the Franchisor itself) shall not be liable or named as a party in any legal proceeding commenced by the Franchisee's Representatives or Guarantors. The Franchisee's Representatives and Guarantors acknowledge that the Franchisor's Representatives have relied upon this representation, are intended beneficiaries of this representation, and where they are not the Franchisor may take legal proceedings in their own names and independently of the Franchisor in order to enforce any rights arising therefrom.

9. Notwithstanding any other provision in this Agreement, the Franchisor may send default notices to the Franchisee, and terminate or refuse to renew this Agreement without first providing notification as otherwise required by Section 24. and without the need to obtain any judicial, administrative or other resolution, ruling or award, and without incurring any responsibility derived therefrom. If the Franchisor terminates this Agreement and the Franchisee disputes the termination, the Franchisee must give notice of

the dispute within thirty (30) days after the effective date of the notice of termination or otherwise shall be deemed to have accepted the termination.

10. If an arbitrator or court enters a binding order or judgment in any litigation between the Franchisee and/or its Representatives and the Franchisor and/or its Representatives, that any part, term or provision of this Agreement or any other agreement between the parties concerning the payment of monies due, directly or indirectly to the Franchisor is in any manner or to any extent void, invalid, or unenforceable or which requires the Franchisor to materially increase its duties or to incur liabilities which exceed its previously stated interpretation of those duties, the Franchisor may terminate this Agreement immediately upon delivering notice to the Franchisee.

11. Notwithstanding any other remedy or procedure specified in this Agreement, the Franchisor may exercise any and all remedies, actions, and rights available to it at law, including specific performance, damages and losses, the right to seek preliminary or permanent injunctive or other extraordinary relief, or preventive or precautionary measures as may be available in accordance with applicable law, including the right to terminate or rescind this Agreement, without the necessity of showing actual or threatened damage, and without being required to furnish a bond or other security. The parties agree that they may seek specific performance in federal district court where the Restaurant is located.

B. Except as otherwise provided in this Agreement, the parties and their Representatives hereby waive, to the fullest extent permitted by law, the right to or a claim for any punitive, exemplary, inconsequential, or special damages against the other and agree that in the event of any dispute between them each only shall be liable to each other for actual damages which they sustain from a breach of the other party's duties. The prevailing party in any dispute resolved by arbitration or litigation may recover its attorneys' fees and costs from the dispute resolution process from the non-prevailing party(ies). The Franchisee shall be liable to the Franchisor's Representatives for the attorneys' fees, costs, and expenses (and interest) they incur in enforcing this Agreement and in successfully defending any claims or counterclaims the Franchisee's Representatives may assert against the Franchisor's Representatives. For the purposes of this Section 22.B., the word "enforce" shall have the meaning set forth in Section 17.A.

C. **THE PARTIES AND THEIR REPRESENTATIVES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY OR THEIR REPRESENTATIVES RELATING TO THE RELATIONSHIP BETWEEN THE PARTIES OR ARISING UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RIGHT OR REMEDY HEREUNDER.**

D. Notwithstanding any other provision in this Agreement, there shall be no monetary limitation on damages with respect to any claim by the Franchisor's Representatives arising out of infringement of any of the IP, unauthorized disclosure of the Franchisor's Confidential Information or trade secrets, violations of the covenant not to compete (contained in Section 19 of this Agreement) or a Transfer in violation of Section 16. The Franchisee's Representatives agree that violations of these provisions may cause irreparable harm to the Franchisor and to other Little

Sheep™ Franchisees. Accordingly, the Franchisee and the Franchisee's Representatives hereby consent to the entry of an injunction, without the necessity of the Franchisor posting a bond, or providing an undertaking in damages, which prohibits the Franchisee and the Franchisee's Representatives from engaging in such violations. The Franchisor may bring a proceeding in any court having jurisdiction in connection with any such claim, and pursue any remedy available under applicable law, including for injunctive, mandatory, or other extraordinary relief.

E. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required, or the taking of some other action not required, the prior notice or other action required by such law or rule shall be substituted for the notice of requirements in this Agreement.

F. The Franchisee agrees it shall not withhold payments of any fees or contributions or any other amounts of money owed to the Franchisor or its Representatives for any reason, on the grounds of the alleged non-performance by the Franchisor of any obligation.

G. The rights of the Franchisor or the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy, or which the Franchisor or the Franchisee is entitled by law to enforce.

H. This Agreement is binding upon the Franchisor and the Franchisee and their respective heirs, assigns, and successors in interest. Any promises made outside of the Disclosure Document and this Agreement are not enforceable. This Agreement shall become valid when executed and accepted by the Franchisor in the state where the Franchisor's headquarters is located.

I. The Recitals of Fact (Section 1) are a part of this Agreement, which together with, any other agreements or instruments referred to in this Agreement constitute the entire Agreement of the Franchisor and the Franchisee. There are no other oral or written understandings or agreements between the Franchisor and the Franchisee relating to the subject matter of this Agreement.

The headings of these several sections and paragraphs are for convenience only and do not define, limit or construe the contents of those sections or paragraphs. Except as expressly provided to the contrary, each section, part, term, and provision of this Agreement is considered severable. If for any reason, any section, part, term or provision is determined to be invalid or contrary to or in conflict with any existing or future law or regulation by a court or agency having competent jurisdiction, such determination shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and provisions of this Agreement that may remain otherwise intelligible; and the latter shall continue to be given full force and effect and to bind the Franchisor and the Franchisee. Any sections, parts, terms or provisions determined to be invalid shall be deemed deleted from this Agreement.

J. This instrument contains the entire Agreement between the Franchisor and the Franchisee relating to the rights granted and the obligations assumed. Any oral representations or modifications concerning this Agreement shall be of no force or effect excepting a subsequent modification in writing and signed by the Franchisor and the Franchisee. Nothing in this Agreement is intended to waive the Franchisee's right to rely upon representations made in the Franchisor's Disclosure Document, its exhibits and amendments.

K. This Agreement shall only become effective when it has been signed by the Franchisor. No amendment to this Agreement and no Transfer shall become effective until they have been approved by the Franchisor in writing.

24. SECURITY INTEREST

The Franchisee hereby grants the Franchisor a security interest in its Collateral in accordance with the Uniform Commercial Code of the state in which the Restaurant is located (the "**UCC**"), as security for the full and punctual payment of all of the fees and other amounts due under this Agreement, and the performance of, and compliance with, all of the terms, covenants and agreements contained in this Agreement. The Franchisee agrees that any default by the Franchisee under this Agreement which continues beyond any applicable cure period shall entitle the Franchisor to exercise any and all rights and remedies provided under the UCC with respect to any part of the Collateral, including the right to take possession of all personal property of the business subject to this Agreement without the use of judicial process (the Franchisee hereby waives all right to prior notice and a judicial hearing) and the right to require the Franchisee to assemble the same at the Restaurant or such other place as the Franchisor may designate. Any disposition of so much of the Collateral as may constitute personal property shall be considered commercially reasonable if made pursuant to a public sale which is advertised at least twice in a newspaper of local circulation in the community where the Restaurant is located. Any notice required to be given to the Franchisee pursuant to the UCC shall be considered reasonable and properly given if given in the manner and at the address provided in Section 25 at least five (5) calendar days prior to the date of any scheduled public sale. All such rights and remedies are cumulative and may be exercised either concurrently or independently of the Franchisor's other rights under this Agreement and in such order as the Franchisor may determine in its sole and absolute discretion.

25. FORCE MAJEURE

A. Effect; Notice. If the performance of any obligation by any party under this Agreement is prevented or delayed by reason of Force Majeure, which cannot be overcome by use of normal commercial measures, the parties shall be relieved of their respective obligations to the extent the parties are prevented or delayed in performance during the period of Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of the Force Majeure event to the other party by electronic mail, overnight delivery of written notice, or telephone (which must be confirmed in writing), setting forth the nature thereof and an estimate as to its duration, and shall be liable for failure to give timely notice only to the extent of damage actually caused.

B. Relocation; Reconstruction. Notwithstanding the provisions of this Section, if, as a result of an event of Force Majeure, the Franchisee ceases to operate the Restaurant or loses the right to possession of the Restaurant premises, Franchisee shall apply within thirty (30) days after the event of Force Majeure for Franchisor's approval to relocate or reconstruct the Restaurant. If relocation is necessary, the Franchisor agrees to use its reasonable efforts to assist Franchisee in locating an alternative site in the same general area where Franchisee can operate a Restaurant for the balance of the term of this Agreement. If the Franchisor so assists Franchisee, Franchisee shall reimburse the Franchisor for its reasonable out-of-pocket expenses incurred as a result thereof. This provision shall not be construed to prevent Franchisee from receiving the full amount of any condemnation award of damages relating to the closing of the Restaurant; provided however, that Franchisee specifically waives and releases any claim it may have against the Franchisor for the value of any building, fixtures and other improvements on the premises, whether or not installed or paid for by the Franchisee, and Franchisee agrees to subordinate any claim it may have to Franchisor's claim for improvements. Selection of an alternative location will be subject to the site approval procedures set forth herein. Once Franchisee has obtained the Franchisor's approval to relocate or reconstruct the Restaurant, Franchisee must diligently pursue relocation or reconstruction until the Restaurant is reopened for business.

C. Supply of Products. Considering that the supply of Products is cross-border trading activity, in the event that the Franchisor or the Approved Suppliers designated by the Franchisor fail to supply Products to the Restaurant of the Franchisee due to Force Majeure or other reasons, the Franchisee hereby agrees to waive any claim for compensation against the Franchisor and the Approved Suppliers designated by the Franchisor.

26. NOTICES

All notices and consents required by this Agreement shall be written and sent to the location specified on the Summary Pages. All notices shall be given in writing in the English language. Notices shall be deemed delivered immediately if delivered by hand; by confirmed receipt if delivered by e-mail; deemed delivered in three (3) days after being placed in the mail (Certified Mail/Return Receipt Requested), postage prepaid and addressed to the party to be notified at its most current principal business address, which the recipient has provided the sender either on the Summary Pages or pursuant to the procedures specified in this Section, or on the second day after being sent by an overnight courier service (e.g. FedEx, UPS, DHL), and scheduled for next day delivery, or if sent by e-mail when receipt is acknowledged in a return e-mail by the intended recipient.

27. AUTHORITY

Except as otherwise provided, all references to the Franchisee in this Agreement is deemed to include, personally and individually, all the Franchisee's Owners, if the Franchisee is a Business Entity. All acknowledgments, promises, covenants, agreements, and obligations made or undertaken by the Franchisee are jointly and severally undertaken by them and by all signatories on behalf of the Franchisee and by all of the Franchisee's Representatives.

28. BUSINESS JUDGMENT

Notwithstanding any contrary provisions contained in this Agreement, the Franchisee's Representatives acknowledge and agree that:

A. This Agreement (and the relationship of the parties which arises from this Agreement) grants the Franchisor the discretion to make decisions, take actions or refrain from taking actions not inconsistent with the Franchisee's Representatives explicit rights and obligations hereunder that may affect favorably or adversely the Franchisee's Representatives interests;

1. the Franchisor shall use its business judgment in exercising such discretion based on its assessment of its own interests and balancing those interests against the interests, promotion, and benefit of the System and Little Sheep™ Restaurants generally (including the Franchisor, and its Representatives, and other Little Sheep™ Franchisees), and specifically without considering the Franchisee's Representatives' individual interests or the individual interests of any other particular franchisee (examples of items that shall promote or benefit the System and Little Sheep™ Franchisees' Little Sheep™ businesses generally include enhancing the value of the Marks, improving customer satisfaction, improving quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System);

2. the Franchisor shall have no liability to the Franchisee's Representatives for the exercise of its discretion in this manner; and

3. even if the Franchisor has numerous motives for a particular action or decision, so long as at least one motive is a reasonable business justification, no trier of fact in any legal action shall substitute his or her judgment for the Franchisor's judgment so exercised and no such action or decision shall be subject to challenge for abuse of discretion.

If the Franchisor takes any action or the Franchisor chooses not to take any action in its discretion with regard to any matter related to this Agreement and its actions or inaction if challenged for any reason, the parties expressly direct the trier of fact that the Franchisor's reliance on a business reason in the exercise of its discretion is to be viewed as a reasonable and proper exercise of its discretion, without regard to whether other reasons for its decision may exist and without regard to whether the trier of fact would independently accord the same weight to the business reason.

B. In granting approval, designating suppliers or setting standards, the Franchisor shall exercise its reasonable business judgment. However, in the exercise of its business judgment, the Franchisor shall not be liable to the Franchisee's Representatives, guarantors, customers, suppliers or anyone else, if the Franchisor's exercise of its business judgment results in a business loss, or if the advertising, service or software fails to meet either the Franchisor's, the Franchisee's or the customer's expectations. The Franchisor disclaims all warranties and liability for the acts or omissions of any contractors, vendors, suppliers, products or employees which the Franchisee use, purchase, retain or hire pursuant to the Franchisor's exercise of its business judgment hereunder.

29. TERRORISTS AND MONEY LAUNDERING ACTIVITIES

The Franchisee's Representatives represent and warrant to the Franchisor that none of the Franchisee's Representatives is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (text currently available at www.treas.gov/offices/enforcement/ofac/). Further, the Franchisee's Representatives represent and warrant that none of the Franchisee's Representatives has violated and agrees not to violate any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act (text currently available at http://www.tres.gov/ offices/enforcement/ofac/legal/eo/13224.pdf), or any similar law. The foregoing constitute continuing representations and warranties, and the Franchisee and its Owners shall immediately notify the Franchisor in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

30. SPECIAL REPRESENTATIONS

The Franchisee and its Owners represent as follows:

A. The Franchisee has conducted an independent investigation of the System and recognizes that the Franchisor's franchise program was established in 2018, and that the business venture contemplated by this Agreement involves business risks and that the Franchisee's success is largely dependent upon the ability of the Franchisee as an independent businessperson. The Franchisor expressly disclaims the making of, and the Franchisee acknowledges it has not received, any warranty or guaranty, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

B. The Franchisee acknowledges having received, read, and understood this Agreement, and the Franchisee acknowledges the Franchisor has accorded the Franchisee the required time and opportunity to consult with advisors about the potential benefits and risks of entering into this Agreement. The Franchisee further acknowledges that it is fluent in the English language and has been provided with a full opportunity to read and understand this Agreement (and all of its appendices and/or attachments). The Franchisee acknowledges having had the opportunity to discuss with the Franchisor each of the provisions, including the essential provisions, of this Agreement.

C. The Franchisee acknowledges receipt of a complete copy of this Agreement, the Schedules referred to, and agreements relating to, if any, and the Disclosure Document at least fourteen (14) days prior to the earlier of (1) the date on which this Agreement or any other agreement was executed and (2) any payment of any consideration by or on behalf of the Franchisee to the Franchisor or any of its associates for the grant of the Franchise.

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THE FRANCHISEE ACKNOWLEDGES THAT ITS SIGNATURE TO THIS AGREEMENT HAS NOT BEEN INDUCED BY ANY REPRESENTATION INCONSISTENT WITH THE TERMS OF THIS AGREEMENT OR INCONSISTENT WITH THE DISCLOSURE DOCUMENT GIVEN TO THE FRANCHISEE BY THE FRANCHISOR IN CONNECTION WITH THIS FRANCHISE. THIS AGREEMENT MAY BE AMENDED ONLY BY WRITTEN INSTRUMENT SIGNED BY ALL PARTIES.

THE FRANCHISOR:
Little Sheep Hong Kong Holdings Company Limited

______________________________ BY: ______________________________
WITNESS

THE FRANCHISEE:

____

______________________________ BY: ______________________________
WITNESS

______________________________ BY: ______________________________
WITNESS

______________________________ BY: ______________________________
WITNESS

EXHIBIT A
APPROVED SUPPLIES LIST

as of October 30, 2018

Category		Items	Description
Chafing Dish Flavoring	1	Mixed Spicy and Chili	For Spicy Flavor Hot Pot
	2	Original Flavor Hot Pot Seasoning	For Original Flavor Hot Pot
	3	Spicy Flavor Hot Pot Seasoning	For Spicy Flavor Hot Pot
	4	Tomato Sauce	For Tomato Flavor Hot Pot
	5	Chili Oil	For Spicy Flavor Hot Pot
	6	Temperature Concentrated Broth	For Original and Spicy Flavor Hot Pot
	7	Powder bag of standard mushroom soup base	For Mushroom Flavor Hot Pot
	8	Basic Taste Seasoning for Diced Lamb	Seasoning for Lamb Kebab
	9	Rosemary Sauce	Seasoning for Secret Lamb-Original
Logo	10	Logo	Restaurant signage
Tableware	11	Pot	The ware of Hot Pot

SCHEDULE A
GUARANTY AND ASSUMPTION OF OBLIGATIONS

DATE OF AGREEMENT: ____

Little Sheep Hong Kong Holdings Company Limited (the "**Franchisor**")

________________________ (the "**Franchisee**")

In consideration of, and as an inducement for the granting, execution, and delivery of the foregoing Franchise Agreement ("**Agreement**") between the Franchisor and the Franchisee, the each of the undersigned (herein and in the Franchise Agreement collectively called the "**Guarantor**"), hereby personally and unconditionally (1) guarantees to the Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; (2) shall be personally bound by, and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including the provisions of Sections 8, 2, 166–211; and (3) acknowledges that he is included in the term "Owner" as used in the Agreement and makes all of the covenants, representations, warranties and agreements of Owners set out in the Agreement. Each of the undersigned waives: (1) acceptance and notice of acceptance of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (4) any right it may have to require that an action be brought against the Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (1) its direct and immediate liability under this guarantee shall be joint and several; (2) it shall render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to the Franchisee or to any other person including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement; (5) the total amount of guarantee liability shall be US$ 5 million; the duration of the guarantee shall be up to the date when all of such obligations, duties and responsibilities have been fully fulfilled.

* * *

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP IN FRANCHISE, OR FRANCHISEE
______________________	%: ______________________
______________________	%: ______________________
______________________	%: ______________________
______________________	%: ______________________
______________________	%: ______________________
______________________	%: ______________________

SCHEDULE B
CONFIDENTIALITY AGREEMENT

(Between the Franchisee and the Franchisee's Managers)

This Agreement is made and entered into this ____ day of ____________, 20__, between ____________________ a _________ (the "**Franchisee**") and ________________________ ("**Manager**").

RECITALS

WHEREAS, Little Sheep Hong Kong Holdings Company Limited and its affiliates (the "**Franchisor**") has developed a system of standards, specifications, products and services, recipes, menu, methods, and procedures prescribed by the Franchisor relating to the establishment, development and operation of a Little Sheep™ Restaurant ("**Little Sheep™ Restaurant**") including methods of preparing, ordering, storing, supplying food and other products used in the operation of a Little Sheep™ Restaurant and methods of training, advertising and promotion distinctive types of retail facilities, interior and exterior layouts (including entry, exit and parking areas, grounds and landscaping, as applicable), trade dress, signs, equipment (including the POS System and Computer System) packaging, supplies, furnishings, fixtures, décor, Confidential Information, business techniques, methods and procedures, and sales promotion programs, all of which the Franchisor may modify, change, improve and further develop using the trade name, and trademark "Little Sheep™" ("**System**").

WHEREAS, Manager understands that the Franchisor is the owner of confidential information relating to the management and operation of the Little Sheep™ Restaurant and of methods of conducting marketing and promoting the Little Sheep™ Restaurant.

WHEREAS, Manager understands that as a part of its relationship with the Franchisee it will be provided information relating to the operation of the System including the standards, methods, procedures and specifications of the System, including the contents of the manuals, customer data, information about franchisees and the operation of its business, information about suppliers and pricing, business plans, marketing plans, advertising programs, market research, and all other information which is used in the Little Sheep™ Restaurant, which is derived from the Franchisor or other franchisees, and which has value to the Franchisor ("**Confidential Information**").

WHEREAS, Manager will receive valuable training and will be entrusted with Confidential Information relating to the Little Sheep™ Restaurant and relating to customers. In consideration of Manager's relationship with the Franchisee, Manager agrees to comply with the provisions stated below. Manager also agrees the restraints imposed by this Agreement are reasonable and necessary to protect the Little Sheep™ Restaurant, the Franchisor, franchisees, and the System.

WHEREAS, the Franchisee and Manager acknowledge and agree: (1) that the Franchisor is a third party beneficiary of the rights and obligations set for in this Agreement; (2) that the Franchisor will suffer irreparable harm in the event of any breach or violation of this Agreement; (3) that the Franchisor shall have the right to enforce the provisions of this Agreement in the event of any breach or violation, or threatened breach or violation, of this Agreement; and (4) that the Franchisor's appropriate remedies for breach or violation, or threatened breach or violation of this Agreement, include interim, interlocutory, and final orders granting injunctive, mandatory, or other extraordinary relief, without the need for the posting of security or an undertaking in damages.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. The Franchisee will train Manager and provide her or him with special techniques and information, including Confidential Information, which the Franchisee believes will be helpful and necessary to the performance of Manager's duties.

2. Manager will not, at any time during or after his/her employment by the Franchisee, communicate or disclose to any person or entity, or use for his/her benefit or for the benefit of any other person or entity, any Confidential Information Manager acquired during its relationship with the Franchisee.

3. Upon termination of his/her relationship with the Franchisee, Manager will return all materials, documents, lists and other items containing Confidential Information, all customer information, manuals, sales and service reports, sales and service manuals and literature, price books, samples, and any the Franchisor issued tools or control concerning customers, products or services of the Franchisee and the Franchisor.

Covenants Not to Compete

1. For so long as the undersigned is an employee of the Franchisee, and for two (2) years thereafter, in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, and in consideration for the disclosure to Manager of the Confidential Information, Manager further agrees and covenants as follows:

a. Not to sell, promote, recommend, own, maintain, advise, help, invest in, make loans to, engage in or have any interest in any Competitive Business during the term of the Franchise Agreement.

b. Not to divert or attempt to divert any business or customer of the Little Sheep™ Restaurant, or of any other Little Sheep™ Restaurant, to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Little Sheep™ trade-marks or the System.

2. Manager covenants that it shall not, for a continuous uninterrupted period commencing upon the expiration date or termination date of the Franchisee's Franchise Agreement, regardless of the cause for termination, and continuing for twenty-four (24) months, either directly or indirectly, for themselves, on behalf of, or in conjunction with any person, individual or business entity sell, promote, recommend, own, maintain, advise, help, invest in, make loans to, engage in or have any interest in any Competitive Business:

a. at the Little Sheep™ Restaurant Premises;

b. within a radius of ten (10) miles from the perimeter of the Little Sheep™ Restaurant Premises or within ten (10) miles from the Premises of any other operating Little Sheep™ Restaurant.

"Competitive Business" means a restaurant or food service business that is the same as or similar to the Little Sheep™ Restaurant in that it offers Mongolian food, or similar fare, and is operated from a quick service, fast food, or fast casual restaurant.

If the Manager fails to immediately comply with this covenant, the covenant shall extend for twenty-four (24) months from the date the Manager begins to comply.

<u>Miscellaneous</u>

1. All provisions of this Agreement, which are to be effective following termination of Manager's relationship with the Franchisee, will be effective regardless of whether such termination was voluntary or involuntary.

2. This Agreement will not become effective or be binding upon the parties until accepted by the Franchisor. This Agreement represents the entire agreement between the parties and supersedes any previous agreements between the parties, written or oral, relating to this subject matter and may be amended or modified only by a writing signed by the parties hereto.

3. This Agreement shall be construed and interpreted under the laws of the state where the Franchisee resides, and these laws shall govern the relationship of the Franchisee, the Franchisor, and the Manager as set forth in this Agreement. Any proceeding arising out of or relating to this Agreement shall be commenced in the court of competent jurisdiction in the state where the Franchisee resides, unless the parties to the dispute agree otherwise. Notwithstanding the foregoing, any proceeding brought against the Franchisee and/or the Manager for injunctive, mandatory, or other extraordinary relief may be brought in any court of competent jurisdiction.

4. If any provisions in this Agreement are held to be invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate any of the other provisions of this Agreement, it being intended that the provisions of this Agreement are severable.

5. All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

6. All notices shall be given in writing in the English language. Notices shall be deemed delivered immediately if delivered by hand; by confirmed receipt if delivered by e-mail; deemed delivered in three (3) days after being placed in the mail (Certified Mail/Return Receipt Requested), postage prepaid and addressed to the party to be notified at its most current Manager business address, or on the second day after being sent by an overnight courier service (e.g. FedEx, UPS, DHL), and scheduled for next day delivery, or if sent by e-mail when receipt is acknowledged in a return e-mail by the intended recipient.

7. Manager shall fully and promptly disclose to the Franchisee all ideas, concepts, products, process, methods, techniques, improvements, additions and customer data relating to the development and/or operation the Little Sheep™ Restaurant, or any new trade names, services marks, or other commercial symbols, or associated logos relating to the operation of the Little Sheep™ Restaurant, or any advertising or promotion ideas related to the Little Sheep™ Restaurant that the Manager, or the Manager's agents or employees conceive or develop during the term of this Agreement. Manager agrees that such improvements are the Franchisor's property and Manager agrees to sign all documents necessary to evidence the assignment of these improvements to the Franchisor without any additional compensation. Manager acknowledges that the Franchisor has the perpetual right to use and authorize others to use such improvements without any obligation to Manager or to the Franchisee for royalties or other fees. Manager may not introduce improvements or any other additions or modifications to the System without the Franchisor's prior written approval.

If directed to the Franchisee the notice shall be addressed to:

____
____
____
Attention: ____________________
Facsimile: ____________________

If directed to Manager the notice shall be addressed to:

____
____
____
Attention: ____________________
Facsimile: ____________________

8. The rights and remedies of the Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective Affiliates, successors, and assigns. The respective obligations of the Franchisee and Manager hereunder may not be assigned by the Franchisee or Manager, without the prior written consent of the Franchisor.

* * *

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISEE:

By: ______________________________________
Name: ____________________________________

MANAGER:

By: ______________________________________
Name: ____________________________________

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

(Between the Franchisor and the Franchisee's Owners)

This Agreement is made and entered into this _____ day of ____________, 20___, between Little Sheep Hong Kong Holdings Company Limited (the "**Franchisor**"), __________________ (the "**Franchisee**") and ______________________ (the "**Covenantor**").

RECITALS:

WHEREAS, Little Sheep Hong Kong Holdings Company Limited and its affiliates (the "**Franchisor**") has developed a system of standards, specifications, products and services, recipes, menu, methods, and procedures prescribed by the Franchisor relating to the establishment, development and operation of a Little Sheep™ Restaurant ("**Little Sheep™ Restaurant**") including methods of preparing, ordering, storing, supplying food and other products used in the operation of a Little Sheep™ Restaurant and methods of training, advertising and promotion distinctive types of retail facilities, interior and exterior layouts (including entry, exit and parking areas, grounds and landscaping, as applicable), trade dress, signs, equipment (including the POS System and Computer System) packaging, supplies, furnishings, fixtures, décor, Confidential Information, business techniques, methods and procedures, and sales promotion programs, all of which the Franchisor may modify, change, improve and further develop using the trade name, and trademark "Little Sheep™" ("**System**").

WHEREAS, the Franchisor has granted the Franchisee the limited right to develop, own, and operate Little Sheep™ Restaurant using the System, the Marks and the Trade Secrets for the period defined in the Franchise Agreement made and entered into on _______________, (the "**Franchise Agreement**"), by and between the Franchisor and the Franchisee; and

WHEREAS, the Franchisor and the Franchisee have agreed in the Franchise Agreement on the importance to the Franchisor and to the Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain employees, agents, independent contractors, officers, directors and interest holders of the Franchisee, or any entity having an interest in the Franchisee (the Covenantor) to have access to and to use some of all of the Trade Secrets in the management and operation of the Little Sheep™ Restaurant using the System; and

WHEREAS, the System includes, but is not limited to, certain proprietary items; uniform standards, specifications and procedures; operations; quality and uniformity of products and services offered; procedures for management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved and further developed by the Franchisor from time to time and are used by the Franchisor in connection with the operation of the System ("**Trade Secrets**"); and

WHEREAS, Trade Secrets provide economic advantages to the Franchisor and are not generally known to, and are not readily ascertainable by proper means by, the Franchisor's competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, the Franchisee has agreed to obtain from the Covenantor a written agreement protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, the Covenantor wishes to remain, or wishes to become associated with or employed by the Franchisee; and

WHEREAS, the Covenantor wishes and needs to receive and use the Trade Secrets in the course of his employment or association in order to effectively perform his services for the Franchisee; and

WHEREAS, the Covenantor acknowledges that receipt of and the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants made by the Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

A. Confidentiality Agreement

1. The Franchisor and/or the Franchisee shall disclose to the Covenantor some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, any Manuals, drawings, studies, specifications, techniques and compilations of data which the Franchisor provides to the Franchisee and/or the Covenantor shall be deemed confidential Trade Secrets for the purposes of this Agreement.

2. The Covenantor shall receive the Trade Secrets in confidence and shall, at all times, maintain them in confidence, and use them only in the course of his employment or association with the Franchisee and then only in connection with the development and/or operation by the Franchisee of the Little Sheep™ Restaurant for so long as the Franchisee is licensed by the Franchisor to use the System.

3. The Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without the Franchisor's express written permission.

4. The Covenantor shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of the Franchisee and only to the limited extent necessary to train or assist other employees of the Franchisee in the development or operation of a Little Sheep™ Restaurant using the System.

5. The Covenantor shall surrender any material containing some or all of the Trade Secrets to the Franchisee or the Franchisor, upon request, or upon termination of employment by the Franchisee, or upon conclusion of the use for which such information or material may have been furnished to the Covenantor.

6. The Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.

7. All Manuals are loaned by the Franchisor to the Franchisee for limited purposes only and remain the property of the Franchisor and may not be reproduced, in whole or in part, without the Franchisor's written consent.

B. Covenants Not To Compete

1. During the term of the Franchise Agreement, Covenantor shall not engage directly or indirectly (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor or otherwise) in any business that offers Competitive Services.

2. For a period of two (2) years commencing on the date the Franchise Agreement expires or terminates for any reason, Covenantor will not, directly or indirectly:

(1) have any direct or indirect interest as the owner of any Competitive Business located or operating in the Non-Compete Area (as defined below);

(2) divert or attempt to divert any business or customer of Little Sheep™ Restaurants to any business that offers Competitive Services or otherwise take any action injurious or prejudicial to the goodwill associated with the Franchisor's trademarks and the Concept.

For purposes of this Agreement, the "Non-Compete Area" is comprised of the geographic area located within: (a) a ten (10) mile radius of Restaurant location; and (b) within a ten (10) mile radius of any Little Sheep™ Restaurant in operation or under construction on the Franchise Agreement terminates expires. "Competitive Business" means a restaurant or food service business that is the same as or similar to the Little Sheep™ Restaurant in that it offers Mongolian food, or similar fare, and is operated from a quick service, fast food, or fast casual restaurant.

If Covenantor refuses voluntarily to comply with the foregoing obligations, the two (2)-year period will be extended by the period of noncompliance. Covenantor acknowledges that Covenantor possesses skills and abilities of a general nature and has other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive Covenantor of Covenantor's personal goodwill or ability to earn a living.

C. Miscellaneous

1. The Franchisee shall make all commercially reasonable efforts to ensure that the Covenantor acts as required by this Agreement.

2. The Covenantor agrees that in the event of a breach of this Agreement, the Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, notwithstanding anything in Section B above, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, the Franchisor shall be entitled to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies which are

made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. The Covenantor agrees to pay all expenses (including costs and reasonable attorneys' fees) incurred by the Franchisor and the Franchisee in enforcing this Agreement.

4. Any failure by the Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by the Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by the Covenantor.

5. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or arbitrator having valid jurisdiction in any unappealed final decision to which the Franchisor is a party, the Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement. The Franchisor may, in its sole discretion, reduce of the scope of any covenant set forth in this Agreement without the Franchisee or Covenantor's consent, effectively immediately upon receipt by Covenantor of written notice thereof. Covenantor agrees to comply forthwith with any covenant as so modified, which shall be enforceable.

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

8. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, overnight courier service, e-mail, or facsimile to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to the Franchisor, the notice shall be addressed to:

Little Sheep Hong Kong Holdings Company Limited
Address: 20/F, TAI HUNG FAI (TSUEN WAN) CENTRE,
55 CHUNG ON STREET, TSUEN WAN, HONG KONG
Telephone: __________________
E-mail Address: ____________________________

With a copy to:

____
____
____
Attention: ________________

If directed to the Franchisee, the notice shall be addressed to:

____
____
____
Attention: ________________

If directed to the Covenantor, the notice shall be addressed to:

____
____
____
Attention: ________________

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices sent by overnight courier service shall be deemed given three (3) business days after the time of sending. Any notices sent by e-mail or facsimile shall be deemed given upon sending, provided that the Covenantor acknowledges receipt. Any change in the foregoing addresses shall be effected by giving fifteen (15) days' written notice of such change to the other parties.

9. The rights and remedies of the Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective successors and assigns. The respective obligations of the Franchisee and the Covenantor hereunder may not be assigned by the Franchisee or the Covenantor without the prior written consent of the Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:
Little Sheep Hong Kong Holdings Company Limited

ATTEST:

By: __________________________
Name: ________________________
Title: ________________________

____
Witness

FRANCHISEE:

By: ___________________________
Name: _________________________
Title: __________________________

____
Witness

COVENANTOR:

By: ___________________________
Name: _________________________

____
Witness

SCHEDULE C
ASSIGNMENT OF TELEPHONE NUMBER(S)

This Assignment relates to:

Name of the Franchisee: ____

Address of Restaurant: ____

Telephone Number(s) and other identifiers: Telephone numbers (___) _______________;
(___) (___) _________________________; IP addresses ____________________________;
VOIP identifier ______________________; usernames ______________________________

Telephone Company: ____

For valuable consideration, the Franchisee identified above (the "**Franchisee**") assigns and Transfers to Little Sheep Hong Kong Holdings Company Limited (the "**Franchisor**") all of the Franchisee's rights and interests in each and all of the telephone numbers listed above (the "**Numbers**").

The Franchisee authorizes the Franchisor to file this Assignment with the telephone company that issued the Numbers for the purposes of establishing the Franchisor's claim to and right to designate the user of the Numbers.

The Franchisee irrevocably constitutes and appoints the Franchisor as the Franchisee's agent and lawyer-in-fact for the purposes of (i) signing and delivering any Transfer of Service Agreement or comparable document the telephone company requires to Transfer the rights in the Numbers from the Franchisee to the Franchisor or its designee, and (ii) canceling and revoking any call-forwarding or similar instructions the Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign the Franchisee's name and otherwise to act in the Franchisee's name, place and stead.

The Franchisee agrees to reimburse the Franchisor the full amount of any local service and long distance charges the telephone company requires that the Franchisor pays to obtain the Numbers, together with interest as provided in the parties' Franchise Agreement.

The Franchisee represents and warrants to the Franchisor that the Franchisee obtained the Numbers in his, her or its own name, and that the Franchisee is the person of record the telephone company shall recognize as registered user or "owner" of the Numbers.

THE FRANCHISEE:

____

By: ___________________________________
Name: _________________________________
Title: _________________________________
Date: _________________________________

SCHEDULE D
LEASE RIDER

This Lease Rider is executed as of this _____ day of _________, 20__, by and between ______________________ (the "**Franchisee**") and ______________________, ("**Landlord**") as a Rider to the lease (as amended, renewed, and/or extended from time to time, "**the Lease**") for the Premises located at __________________________________ (the "**Premises**"), State of _____________________ (the "**Location**") dated as of ______________________.

WHEREAS, the Franchisee has executed or intends to execute a franchise agreement (the "**Franchise Agreement**") with Little Sheep Hong Kong Holdings Company Limited (the "**Franchisor**"), for the operation of a Little Sheep™ Restaurant (the "**Restaurant**") at the Location, and as a requirement thereof, the Lease for the Location must include the provisions contained in this Rider; and

WHEREAS, Landlord and the Franchisee agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and the Franchisee hereby agree as follows:

1. The Location only may be used for the operation of a Little Sheep™ Restaurant.

2. Landlord shall deliver to the Franchisor a copy of any notice of default or termination of the Lease at the same time such notice is delivered to the Franchisee, but no later than thirty (30) days before a termination of the Lease would become effective.

3. The Franchisor shall have the right, but not the obligation, upon giving written notice of its election to the Franchisee and Landlord, to enter the Premises to cure any breach of the Lease, and if so stated in the notice, to also succeed to the Franchisee's rights, title, and interests thereunder.

4. Notwithstanding anything to the contrary contained in the Lease, the Franchisee shall have the absolute right to sublet, assign or otherwise transfer its interest in the Lease to the Franchisor or its Affiliate, or to a company with which the Franchisee or the Franchisor may merge or consolidate, without Landlord's approval, written or otherwise, without any increase in rent, without a material change in any other terms of the Lease, and without execution of a guarantee of the Franchisor's obligations (if any) under the assigned Lease.

5. The Franchisee shall, if requested by the Franchisor, assign to the Franchisor, and Landlord hereby irrevocably and unconditionally consents to such assignment, all of the Franchisee's rights, title, and interest to and under the Lease upon any termination, or if no subsequent Franchise Agreement is executed, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without execution of a Subsequent Franchise Agreement; and (b) the Franchisor notifies the Franchisee and Landlord in writing that the Franchisor assumes the Franchisee's obligations under the Lease.

6. The Lease may not be modified, amended, renewed or extended in any manner or assigned by the Franchisee without the Franchisor's prior written consent. The Premises may not be altered or modified in any way without the Franchisor's prior written consent. Moreover, without the Franchisor's prior written consent, the Location may not be sublet, subdivided or used for any purpose other than for the operation of the Restaurant.

7. The Franchisee and Landlord acknowledge and agree that the Franchisor shall have no liability or obligation whatsoever under the Lease unless and until the Franchisor assumes the Lease in writing pursuant to Paragraphs 3, 4 or 5 above. The Franchisor shall assume all of the Franchisee's obligations under the Lease from and after the date of assignment, but shall have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.

8. If the Franchisor assumes the Lease, as above provided, the Franchisor may further assign the Lease to another person or entity to operate a Little Sheep™ Restaurant at the Location, subject to Landlord's consent which consent shall not be unreasonably withheld or delayed. No such consent shall be required if the Lease is assigned or sublet to another Little Sheep™ Franchisee. Landlord agrees to execute such further documentation to confirm its consent to the assignments permitted under this Rider as the Franchisor may request.

9. If the Franchise Agreement expires or is terminated, Landlord shall exercise its right to terminate the Lease and/or to exercise its other remedies under the Lease, unless the Lease is assumed by the Franchisor or its designee within thirty (30) days of the termination or expiration of the Franchise Agreement.

10. If the Lease expires or is terminated for any reason, the Franchisor may enter the Premises and remove any signs or other articles bearing any trade names, logos, trade-marks that are part of the System and de-identify the leased Premises as a Little Sheep™ Restaurant (including removing any Little Sheep™ trade dress features and/or fixtures), without legal process and without being guilty of trespass.

11. Landlord and the Franchisor may rely upon any notice from either of them regarding the status of the Lease or of the Franchise Agreement; they shall have no duty to perform any independent investigation to verify the Franchisee's rights under the Lease or the Franchise Agreement; and, the Franchisee agrees to indemnify and hold the Franchisor harmless from any and all claims arising out of the Lease and the reliance upon the Franchisor's or Landlord's representations regarding the Franchisee's status, the status of the Franchisor or the status of the Franchise Agreement.

12. Landlord shall make available to the Franchisor all information which it collects or produces related to sales of the Restaurant and the way in which the Restaurant is operated. The Franchisee consents to Landlord providing all such information to the Franchisor.

13. Copies of any and all notices required or permitted hereby or by the Lease shall also be sent to the Franchisor at ____, Attn: President or such other address as the Franchisor shall specify by written notice to Landlord.

14. Under the Franchise Agreement, any lease or any modification or renewal of the Lease for the Location of the Restaurant is subject to the Franchisor's approval. Accordingly, the Lease is contingent upon such approval.

LANDLORD:

____

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

THE FRANCHISOR:
Little Sheep Hong Kong Holdings
Company Limited

____

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

THE FRANCHISEE:

____

By: ____________________________
Name: __________________________
Title: ___________________________
Date: ___________________________

<u>SCHEDULE E</u>
SECURITY AGREEMENT

This security agreement (hereinafter "**Security Agreement**") is made as of **__________**, between "**Debtor**"), and Little Sheep Hong Kong Holdings Company Limited ("**Secured Party**").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby grants to Secured Party a security interest in present and after acquired personal property of the Debtor including in all accounts; accounts receivable; contract rights; leases; furniture; furnishings; equipment (including motor vehicles); fixtures; machinery; accessories; movable trade fixtures; goods held for sale or being processed for sale in Debtor's business, including all supplies, finished goods and all other items customarily classified as inventory; building improvement and construction materials; chattel paper; instruments; documents; letters of credit; all funds on deposit with any financial institution; commissions; and including the proceeds and products therefrom and any and all substitutions, replacements, additions and accessions thereto and any rebate/award program (or similar incentive programs) to which Debtor may be entitled pursuant to any franchise agreement entered into with Secured Party, together with all such rights and property hereafter acquired by Debtor; and all general intangibles (collectively, the "**Collateral**") as well as all parts, replacements, substitutions, profits, products and cash and non-cash proceeds of the foregoing Collateral (including insurance and condemnation proceeds payable by reason of condemnation of or loss or damage thereto) as security for (i) the prompt payment of any promissory notes executed by Debtor in favor of Secured Party, and any renewals, compromises, extensions, modifications, accelerations or other changes in the time for performance or other terms thereof (the "**Notes**"), and (ii) performance under any franchise agreements between Debtor and Secured Party, as the same may be amended (the "**Franchise Agreements**"), and (iii) all other agreements between Debtor and Secured Party. The Collateral shall not include consumer goods. The Security Interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the security interest, Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

<u>SECTION 1 -- DEBTOR'S OBLIGATIONS</u>. Debtor agrees to the following:

(a) Debtor will properly maintain and care for the Collateral and will not remove the Collateral from the Premises (as defined in the Franchise Agreement).

(b) Debtor will notify Secured Party in writing prior to any change in Debtor's place of business;

(c) Debtor has not executed and will not execute as debtor thereunder any security agreement or financing statement covering any of the Collateral except with Secured Party, nor will Debtor charge, pledge or encumber the Collateral, or allow any lien to be placed against the Collateral, whether voluntary or involuntary;

(d) Debtor represents and warrants to Secured Party that the Collateral shall not become collateral for any other obligations previously incurred, nor collateral under any other security agreement(s) previously executed by Debtor; and

(e) Debtor will not sell, contract for sale or otherwise dispose of any of the Collateral except in the ordinary course of business.

SECTION 2 -- DEFAULTS. Debtor shall be in default under this Security Agreement upon the occurrence of any of the following events or conditions (an "**Event of Default**"):

(a) the failure by Debtor to pay any amount when due under the terms and provisions of the Notes (after applicable grace periods, if any); or

(b) debtor's breach of any term, provision, warranty or representation set forth herein or in the Franchise Agreements, or in any other agreement between Debtor and Secured Party; or

(c) the making of any levy on, or seizure or attachment of, any of the Collateral, if such levy, seizure or attachment is not set aside within fifteen (15) days thereafter; or

(d) the dissolution, termination of existence or insolvency of Debtor; the appointment of a receiver of all or any part of the property of Debtor; an assignment for the benefit of creditors by Debtor; the calling of a meeting of creditors of Debtor; or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor or any guarantor, surety or endorser for Debtor; or

(e) any guarantor, surety or endorser for Debtor defaulting in any obligation or material liability to Secured Party, if such default is not cured within five (5) days thereafter.

SECTION 3 -- REMEDIES AFTER DEFAULT.

(a) In the event of the occurrence of an Event of Default, Secured Party, in addition to all other rights and remedies given Secured Party under any and all agreements by and among Secured Party, Debtor and/or Debtor's guarantors, or otherwise by law, may do one or more of the following, without notice to or demand upon Debtor:

1) declare all obligations secured hereby immediately due and payable;

2) enforce the security interest given hereunder and otherwise exercise the rights of a secured creditor provided under the laws of the province in which the Restaurant is located;

3) require Debtor to assemble the Collateral and make it available to Secured Party; and/or

4) subject to applicable law, enter any office of Debtor and take possession of the Collateral and of the records pertaining to the Collateral.

(b) Secured Party may apply the proceeds of any disposition of Collateral available for satisfaction of Debtor's indebtedness, which shall include the reasonable expenses of such sale, in any order of preference which Secured Party, in its sole discretion, chooses. Debtor shall remain liable for any deficiency.

SECTION 4 -- INSURANCE PROCEEDS. So long as no default exists hereunder, the proceeds of fire and casualty insurance covering the Collateral may be utilized by Debtor for the repair and restoration of Debtor's facilities, subject to such procedures as Secured Party may reasonably require to assure the application of any such insurance proceeds for such purpose and completion of such repair and restoration.

SECTION 5 -- DUTIES OF SECURED PARTY. Secured Party's duties or responsibilities with reference to the Collateral shall be limited solely to the duties and responsibilities set forth in this Security Agreement and Secured Party shall not be responsible in any way for the condition, depreciation or maintenance of the Collateral other than as set forth herein. Debtor shall pay when due all taxes, charges, liens and assessments against the Collateral.

SECTION 6 -- MISCELLANEOUS.

(a) Performance of Debtor's Obligations. Simultaneously with the payment in full of all of Debtor's obligations under the Notes and performance of all outstanding obligations under the Franchise Agreements, all liens, encumbrances and security interests created by this Security Agreement shall be null and void.

(b) Waiver. Any waiver, express or implied, of any provision of this Security Agreement and any delay or failure by Secured Party to enforce any provision of this Security Agreement shall not preclude Secured Party from enforcing any such provision thereafter.

(c) Governing Law. This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the procedural and substantive laws of the state in which the Debtor's Restaurant is located.

(d) Remedies. All rights and remedies provided herein are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

(e) Financing Statement. Concurrently herewith, Secured Parties shall file a financing statement and financing change statements as necessary in the personal property security registrar of the province in which the Restaurant's Location is located as may be necessary to preserve, protect and perfect the security interest created hereby. Debtor waives any statutory requirement for notice of registration of any financing statement or financing change statement. Debtor will execute such other documents as Secured Party may reasonably require to perfect its security interest in the Collateral.

(f) Notices. In the event either party desires to give notice to the other with regards to this Security Agreement, such notice shall be in writing and may be hand delivered, express mailed, or sent by certified or registered mail. Notices mailed as provided herein shall be deemed to be given two (2) days after they are sent. Such notices shall be sent to the address provided for such party in the Franchise Agreement, unless a party gives notice of a change of its respective address.

(g) Attorneys' Fees. In the event either party commences litigation against the other with respect to this Security Agreement, or its interpretation or enforcement, the prevailing party shall be entitled to reasonable attorneys' fees and court costs.

(h) Successors in Interest. This Security Agreement shall inure to the benefit of, and be binding upon, the successors in interest of the parties hereto and their permitted assignees.

(i) Amendments. This Security Agreement may only be amended by a writing executed by both of the parties hereto.

(j) Entire Agreement. The foregoing constitutes the entire agreement between the parties, all representations or understandings, whether oral or written, having been incorporated herein or otherwise superseded hereby.

(k) Facsimiles. Facsimile or electronic copies of this Security Agreement shall be deemed to have the same force and effect as the original and, as such, shall be fully binding on all parties.

THE PERSON SIGNING THIS AGREEMENT ON BEHALF OF THE DEBTOR REPRESENTS AND WARRANTS THAT HE OR SHE IS A DULY APPOINTED OFFICER OR OTHERWISE HAS BEEN AUTHORIZED TO BIND THE FRANCHISEE TO THE TERMS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement effective as of the date first written above.

DEBTOR

By: ________________________________
Name:
Title: **Authorized Person**

SECURED PARTY

By: ________________________________
Name:
Title: **Authorized Person**

EXHIBIT B
[INTENTIONALLY OMITTED]

EXHIBIT C
SERVICE AGREEMENT

Service Agreement

Party A: Little Sheep Hong Kong Holdings Company Limited

Registered Office: 20/F, TAI HUNG FAI (TSUEN WAN) CENTRE, 55 CHUNG ON STREET, TSUEN WAN, HONG KONG

TEL: 0086-21-22150117

Mailing Address: 9F, Middle Tower, Huaning Plaza, 300 Xuanhua Rd., Changning Dist., Shanghai, China

Party B:

Contact Information: ____

Mailing Address: ____

Party B is interested in opening and operating Little Sheep hot pot restaurant(s) ("Restaurant(s)") as a franchisee and has requested the help of Party A in making preliminary arrangements for the location, outfitting of and operation of a Restaurant. The Parties' objective is to execute a Little Sheep Area Development Agreement ("Area Development Agreement") or Franchise Agreement. Party B is preparing for the new Restaurant and requests Party A to provide pre-opening support service. NOW, THEREFORE, the Parties agree as follows:

I. Opening services to be made available by Party A to Party B

1.1 Party A will provide Party B with menu of key products, detailed Material about relevant products, information about operating standards, an instruction manual for store signage, new Restaurant design review, opening training and practical operation training.

1.2 Party B shall ensure the legal operation of the Restaurant by checking whether Party A's design and operating standard comply with applicable local laws, regulations and policies. Party B shall inform Party A of any discrepancy between guidelines and standards provided by Party A and/or its affiliate and local laws, regulations or policies, and make changes to relevant provisions thereof necessary to comply with local laws, regulations and policies after discussion with Party A.

II. Service Fee:

2.1 In consideration of services to be provided by Party A, Party B shall make a payment of $50,000 service fee to the following account designated by Party A within 5 days after the execution of this Agreement. Party B shall pay any withholding taxes imposed on the payment so that the net amount received by Party A is $50,000.

Account name: Little Sheep Hong Kong Holdings Company Limited

Opening bank: HSBC HK

Account number: 047752662838

SWIFT code: HSBCHKHHHKH

2.2 If the Parties fail to reach a consensus on matters in connection with the franchise and sign either the Area Development Agreement, the Franchise Agreement or both within the period required by Party A, they agree that the service fee already paid by Party B shall be refunded by Party A to Party B after the amount actually incurred by Party A for services already provided by Party A is deducted. Meanwhile, Party B agrees to indemnify Party A from and against any and all costs, losses, claims, damages and liabilities (including paid cost, compensation to any third party, legal fees and disbursements, loss of anticipated profits and special, indirect or consequential damages) resulting directly or indirectly from or arising out of any new store opening preparation (including but not limited to company registration, employee recruitment, restaurant renting and decoration, etc.).

III. Miscellaneous:

3.1 Party B shall ensure that Party B and its employees, agents and other relevant personnel will keep design guidelines, operating guidelines and other documents and information strictly confidential and will not disclose anything thereof in any way to a third party. All documents shall be used only for the specified purpose.

3.2 This Agreement shall be governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China. Either party has the right to submit any dispute arising out of or in connection with this Agreement to the Hong Kong International Arbitration Center ("HKIAC") in the Hong Kong SAR of the PRC for arbitration in accordance with the then effective arbitration rules of the HKIAC. The arbitration proceedings shall be conducted in English. The arbitration award shall be final and binding upon both parties.

Signature:

Party A: Little Sheep Hong Kong Holdings Company Limited

Signature: ____

Party B: ____

Signature: ____

EXHIBIT D

CONFIDENTIALITY AGREEMENT

Confidentiality Agreement

This Agreement is made and entered into by and between

Party A: Little Sheep Hong Kong Holdings Company Limited

Address: 20/F, TAI HUNG FAI (TSUEN WAN) CENTRE, 55 CHUNG ON STREET, TSUEN WAN, HONG KONG

and

Party B: ____

Address: ____

Party B intends to establish a directly or indirectly controlled company in ___________, and applies to Party A for developing, opening and operating a Little Sheep hot pot restaurant by the said company in ___________ by means of franchising. Party A and Party B are negotiating about the above matters concerning the franchise. Party B has requested that Party A provide relevant information about the Little Sheep restaurants and their operation for Party B's reference for assessment. Party A agrees to provide relevant information. Therefore, in respect of the confidentiality obligations that Party B shall assume for the information provided by Party A and relevant information of Party A made known to Party B in the course of negotiation and communication between Party A and Party B on the franchise relationship, it is agreed by the parties as follows:

1. The Confidential Information herein means any documents and information relating to the brand Little Sheep and Party A which is provided by Party A to Party B and obtained by Party B in the communication with Party A, including but not limited to kitchen plans, lists of equipment, company brand introduction, menu, information about suppliers, restaurant organizational structure, job descriptions, staff training materials, LOGO use specifications and other information that Party A considers to be confidential and which generally is not known by any third parties/the public. The Confidential Information shall be used solely for Party B's assessment of the said franchise opportunity.

2. Confidential Period: Unless the aforesaid Confidential Information loses its nature of confidentiality, Party B shall not disclose the Confidential Information to any third party at any time.

3. Party B hereby undertakes and warrants to Party A that Party B and its employees shall:

    i) assume strict confidentiality obligations for the Confidential Information, and shall not, without the prior written consent of Party A, disclose to any third parties or the public in any way, nor use any Confidential Information for any purpose other than that which is specified herein.

ii) only disclose the Confidential Information to the employees of Party B who have a need to know such information and have agreed to perform the obligations of Party B hereunder. Any breach by such employees shall be deemed breach by Party B of the confidentiality obligations hereunder, and Party B shall assume to Party A all the liabilities for breach.

iii) protect the Confidential Information of Party A according to the standards not less than those Party B uses for protection of his/their own Confidential Information, and Party B shall take all reasonable measures to protect the Confidential Information.

4. If it is necessary for Party B to disclose the Confidential Information to third-party consultants or representatives authorized or engaged by Party B in respect of the aforesaid franchising, Party B shall ensure that such consultants or representatives agree to assume all the confidentiality obligations of Party B hereunder. Any disclosure or release by such consultants or representatives of the Confidential Information shall be deemed breach by Party B of the confidentiality obligations hereunder, and Party B shall assume to Party A all the liabilities for breach.

5. Party B shall, upon the request of Party A, return to Party A or destroy in Party A's presence, the Confidential Information and any carriers thereof, and shall not keep any originals, photocopies or copies thereof.

6. Party B understands and acknowledges that any unauthorized disclosure or use of the Confidential Information will cause damage to Party A which is difficult to estimate or irreparable. In case of any unauthorized disclosure or use of the Confidential Information by Party B (including any employees of Party B, or third-party consultants or representatives authorized or engaged by Party B) in breach of the confidentiality obligations hereunder, Party B shall, in addition to indemnification for any and all losses of Party A arising therefrom, also immediately take measures to stop such unauthorized use and prevent from further disclosure of the Confidential Information, and, upon the request of Party A, take other reasonable remedies, and Party A shall have the right to terminate other contracts/agreements being performed by the parties, without taking any liability.

7. The Agreement shall be governed by the laws of the Hong Kong Special Administrative Region of the People's Republic of China. The parties shall have the right to submit any dispute arising out of or in connection with this Agreement to the Hong Kong International Arbitration Center ("HKIAC") in the Hong Kong SAR of the PRC for arbitration in accordance with the then effective arbitration rules of the HKIAC. The arbitration proceedings shall be conducted in English.

8. The Agreement is made effective by and between the parties as of _________________, 20______. The Agreement is made out in duplicate, with each party holding one respectively.

For and on behalf of

Party A: Little Sheep Hong Kong Holdings Company Limited

Party B: ______________________
____

Authorized Representative:

____

Date: ________________________

Authorized Representative:

____

Date: ______________________

EXHIBIT E

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Total Pages: 128 pages

EXHIBIT F
LIST OF STATE ADMINISTRATORS

CALIFORNIA Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: (866) 275-2677	**NEW YORK** NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222 (212) 416-6042 Fax
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department 600 East Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director, Department of Business Regulation, Securities Division John O. Pastore Complex–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9585
INDIANA Indiana Securities Commissioner Securities Division 302 West Washington Street, Room E111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760

MINNESOTA	WISCONSIN
Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way North Tower – Suite 400 Madison, Wisconsin 53705 (608) 266-1064

EXHIBIT G
AGENTS FOR SERVICE OF PROCESS

CALIFORNIA Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: (866) 275-2677	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department 600 East Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director, Department of Business Regulation, Securities Division John O. Pastore Complex–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9585
INDIANA Indiana Secretary of State 302 West Washington Street, Room E018 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Division of Securities and Retail Franchising State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	**WASHINGTON** Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760

MINNESOTA	WISCONSIN
Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way North Tower – Suite 400 Madison, Wisconsin 53705 (608) 266-1064

EXHIBIT H

FINANCIAL STATEMENTS

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Financial year 2023 and 2022

Financial Statements

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Financial Statements
December 31, 2023 and 2022

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Allpro

All Ways Progressive

蘇州眾勤會計師事務所

Allpro Certified Public Accountants

苏州工业园区苏州大道西2号 国际大厦10楼

ADD:10F International Building, 2 Suzhou Ave West

Suzhou Industrial Park, Jiangsu, China

FAX: +86 512 6762 2885 Postcode: 215021

TEL: +86 512 6762 2098 6762 2899

Independent Auditors' Report

The Board of Directors

Little Sheep Hong Kong Holdings Company Limited:

We have audited the financial statements of Little Sheep Hong Kong Holdings Company Limited (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income/ (loss), comprehensive income/ (loss), changes in stockholders' 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 the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

In performing an audit in accordance with GAAS, we: (continued)

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Suzhou Allpro Certified Public Accountants Co., Ltd.

CICPA

CICPA

Suzhou, The People's Republic of China

May 30th, 2024

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Balance Sheets

December 31, 2023 and 2022

	Note	2023	2023	2022
		US$	HK$	HK$
Assets				
Current assets:				
Cash and cash equivalents	Note(1)(f)	1,154,783	9,020,584	15,043,333
Accounts receivable, net	Note(1)(h), Note(3)	37,559	293,392	567,843
Inventories, net	Note(1)(g)	269,809	2,107,616	533,509
Amount due from related parties	Note(10)	7,234,328	56,510,955	51,408,017
Total current assets		**8,696,479**	**67,932,547**	**67,552,702**
Property, plant and equipment, net	Note(1)(i), Note(4)	143	1,121	1,121
Total assets		**8,696,623**	**67,933,668**	**67,553,823**

The accompanying notes form an integral part of the financial statements.

Legal representative:

Date:

Finance Manager: Jane.

Date:

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Balance Sheets

December 31, 2023 and 2022

	Note	2023	2023	2022
		US$	HK$	HK$
		Note (1)(d)		
Liabilities and owner's equity				
Current liabilities				
Accounts payable and other current liabilities	Note(5)	267,879	2,092,537	1,629,226
Amount due to related parties	Note(10)	3,876,848	30,283,996	30,219,904
Total current liabilities		**4,144,727**	**32,376,533**	**31,849,130**
Other liabilities	Note(6)	452,028	3,531,019	4,074,279
Total liabilities		**452,028**	**35,907,552**	**35,923,409**
Owner's equity				
Share capital	Note(8)	2,304,295	18,000,000	18,000,000
Additional paid-in capital	Note(9)	530,099	4,140,867	4,140,867
Retained earnings		1,265,474	9,885,249	9,489,547
		4,099,868	**32,026,116**	**31,630,414**
Total liabilities and owner's equity		**8,696,623**	**67,933,668**	**67,553,823**

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED 小肥羊香港控股有限公司

The accompanying notes form an integral part of the financial statements.

Legal representative: Feng

Date:

Finance Manager: Jan.

Date:

Little Sheep Hong Kong Holdings Company Limited

Statements of Income/(Loss)

For the year ended December 31, 2023

	Note	2023	2023	2022
		US$	HK$	HK$
		Note (1)(d)		
Revenues				
Franchise fees and income	Note(1)(h), (2)	672,808	5,255,643	6,467,345
Revenues from transactions with franchisees and a fellow subsidiary	Note (1)(h), (2)	78,188	610,767	1,325,367
Total revenues		**750,996**	**5,866,410**	**7,792,712**
Costs and Expenses, Net				
Franchise expenses		(233,906)	(1,827,160)	(1,832,560)
Expenses from transactions with franchisees and a fellow subsidiary		(92,787)	(724,807)	(1,053,726)
General and administrative expenses		(424,559)	(3,316,440)	(3,220,334)
Closures and impairment expenses,		32,955	257,426	(263,765)
Other income/(expenses), net		28,783	224,837	60,757
Total costs and expenses, net		**689,514**	**(5,386,144)**	**(6,309,628)**
Operating Profit I (Loss)		**61,482**	**480,266**	**1,483,084**
Interest income		3,277	25,599	1,440
Income/(Loss)Before Income Taxes		**64,759**	**505,865**	**1,484,524**
Income tax provision		(14,103)	(110,163)	(274,894)
Net Income I (Loss)		**50,656**	**395,702**	**1,209,630**

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED 小肥羊香港控股有限公司

The accompanying notes form an integral part of the financial statements.

Legal representative:

Finance Manager:

Date:

Date:

Little Sheep Hong Kong Holdings Company Limited
Statements of Comprehensive Income/(Loss)
For the year ended December 31, 2023

	Note	2023	2023	2022
		US$	HK$	HK$
		Note (1)(d)		
Net Income I (Loss)		**50,656**	**395,702**	**1,209,630**
Other comprehensive income, net of tax of nil		-	-	-
Comprehensive Income/(Loss)		**50,656**	**395,702**	**1,209,630**

The accompanying notes form an integral part of the financial statements.

Legal representative:

Date:

Finance Manager:

Date:

Little Sheep Hong Kong Holdings Company Limited

Statements of Changes in Stockholders' Equity

For the year ended December 31, 2023

		Share capital	Additional paid-in capital	Retained earnings	Total owner's equity
Balance at December 31, 2021	HK$	18,000,000	4,140,867	8,279,917	30,420,784
Net income		-	-	1,209,630	1,209,630
Balance at December 31, 2022	HK$	18,000,000	4,140,867	9,489,547	31,630,414
Net income				395,702	395,702
Balance at December 31, 2023	HK$	18,000,000	4,140,867	9,885,249	32,026,116
Balance at December 31, 2023	US$ Note(1)(d)	2,304,295	530,099	1,265,474	4,099,868

The accompanying notes form an integral part of the financial statements.

Legal representative:

Date:

Finance Manager: Jan.

Date:

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED 小肥羊香港控股有限公司

Little Sheep Hong Kong Holdings Company Limited

Statement of Cash Flow Statement

For the year ended December 31, 2023

	Note	2023	2023	2022
		US$ Note (1) (d)	HK$	HK$
Cash flows from operating activities				
Net income /(loss)		50,656	395,702	1,209,630
Adjustments to reconcile net income / (loss) to cash generated from/(used in) operating activities:				
Allowance for doubtful account		(32,955)	(257,426)	263,765
Changes in operating assets and liabilities:				
Changes in inventories		(201,512)	(1,574,107)	849,464
Changes in accounts receivables		68,089	531,877	(518,700)
Changes in amount due from related parties		(653,260)	(5,102,938)	2,489,534
Changes in accounts payable and other current liabilities		59,311	463,311	534,459
Changes in amount due to related parties		8,205	64,092	(226,059)
Changes in other liabilities		(69,546)	(543,260)	(1,755,204)
Net cash generated from /(used in) operating activities		**(771,011)**	**(6,022,749)**	**2,846,889**
Cash and cash equivalents				
Beginning of year		1,925,793	15,043,333	12,196,444
End of year		1,154,783	9,020,584	15,043,333
Supplemental disclosures of cash flow information:				
Cash paid for income taxes		14,103	110,163	274,894

The accompanying notes form an integral part of the financial statements.

Legal representative:

Finance Manager: Jan.

Date:

Date:

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to Financial Statements
December 31, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Description of Business

Little Sheep Hong Kong Holdings Company Limited("Litle Sheep Hong Kong") was incorporated in Hong Kong.The Company engages in franchising restaurants under Little Sheep concept in Hong Kong and other countries and regions,excluding mainland China.

On September 11, 2020, the Company's subsidiary, Little Sheep Tsuen Wan Company Limited completed the deregistration.

(b) Basis of Presentation

These financial statements have been prepared in accordance with U.S.generally accepted accounting principles (GAAP).

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.Actual results could differ from those estimates.Significant items subject to such estimates and assumptions include the useful lives of fixed assets;allowances for doubtful accounts; and the valuation allowance of deferred tax assets and inventory.

(d) Foreign Currency

Our functional currency for the operating entities in Hong Kong is the Hong Kong dollar ("HK$"),the currency of the primary economic environment in which we operate.

(1) Summary of significant accounting policies (continued)

(e) Currency translation for Financial Statements Presentation

Translations of balances in the balance sheet, statement of income/(loss), comprehensive income/(loss), changes in stockholders' equity, and cash flows from HKS into US dollar ("US$") as of and for the year ended December 31, 2023 are solely for the convenience of the readers and are calculated at the rate of US$1.00=HK$7.8115, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2023. The US$ convenience translation is not required under U.S.GAAP and all US$ convenience translation amounts in the accompanying financial statements are unaudited.

(f) Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.Cash and cash equivalents include HK$ 9,020,584 and HK$15,043,333 of current deposits at December 31, 2023 and 2022.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value.Cost is determined using the first-in,first-out method (FIFO)for all inventories.

(h) Revenue recognition

The Company's revenue primarily include Franchise fees and Income and Revenues from Transactions with Franchisees and a fellow subsidiary.

<u>Franchise Fees and Income</u>

Franchise fees and income primarily include upfront fees,such as initial fees and renewal fees,and continuing fees.The company has determined that the services it provides in exchange for upfront fees and continuing fees are highly interrelated with the franchise right.The company recognizes upfront fees received from a franchisee as revenue over the term of the franchise agreement or the renewal agreement because the franchise rights are accounted for as rights to access our symbolic intellectual property in accordance with ASU No.2014-09,Revenue from Contracts with Customers (Topic 606) ("ASC 606").The franchise agreement term is generally 4 or 10 years. The company recognizes continuing fees,which are fixed annually over the year or based upon a percentage of franchisee sales as those sales occur.

(1) Summary of significant accounting policies (continued)

Revenues from Transactions with Franchisees and a fellow subsidiary

Revenues from transactions with franchisees and a fellow subsidiary consist primarily of sales of food and paper products to a fellow subsidiary and other services provided to franchisees.

The Company centrally purchases food and paper products from suppliers and then sells and delivers them to a fellow subsidiary.The performance obligation arising from such transactions is considered distinct from the franchise agreement as it is not highly dependent on the franchise agreement and the customer can benefit from the procurement service on its own.We consider ourselves the principal in this arrangement as we have the ability to control a promised good or service before transferring that good or service to the fellow subsidiary.Revenue is recognized upon transfer of control over ordered items,generally upon delivery to a fellow subsidiary.

Other services provided to franchisees consist primarily of pre-opening support activities. Other services provided are highly interrelated to franchise right,so we do not consider them to be individually distinct and therefore account for them under ASC 606 as a single performance obligation and recognize revenue over the term of the franchise agreement.

Contract Liabilities

Contract liabilities at December 31, 2023 and 2022 were as follows:

Contract liabilities	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Current			
-Deferred revenue related to upfront fees	20,172	157,575	61,002
-Deferred revenue related to continuing fees	130,888	1,022,434	651,619
Subtotal	151,060	1,180,009	712,621
Non-current			
-Deferred revenue related to Upfront fees and pre-opening services fees	293,010	2,288,848	2,727,017
Total	444,071	3,468,857	3,439,638

Contract liabilties consist of deferred revenue related to upfront fees,continuing fees and pre-opening services fees.Deferred revenue that we expect to recognize as revenue in the next 12 months is included in Accounts payable and other current liabilties,and the remaining balance is included in other liabilities on the balance sheet

(1) Summary of significant accounting policies (continued)

Accounts Receivable

Accounts receivable mainly consist of franchise fees and income from franchisees,and are generally due within 10 days of the period in which the corresponding sales occur and are classified a accounts receivable on the balance sheets.Upon adoption of ASC 326 starting from January 1, 2020, our provision of credit losses for accounts receivable is based upon the current expected credit losses("CECL') model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience,adjusted for relevant factors impacting collectability and forward-looking information indicative of external market conditions.While we use the best information available in making our determination,the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control.Accounts receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted,are written off against the allowance for doubtful accounts.Write-offs for 2022 and 2021 approximated HK$5,240 and HK$73,539,respectively.The Company does not have any off-balance-sheet credit exposure related to its customers.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization.Depreciation and amortization is calculated on a straight-line method over the estimated useful lives of the company machinery and equipment,which is 5 years.

(j) Income taxes

Income taxes are accounted for under the asset and liability method.Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.Recognized income tax positions are measured at the largest amount thatis greater than 50% likely of being realized. Additionally,in determining the need for recording a valuation allowance against the carrying amount of deferred tax assets,we consider the amount of taxable income and periods over which it must be earned,actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income.Where we determine that it is more likely than not that all or a portion of an asset will not be realized,we record a valuation allowance

(1)Summary of significant accounting policies (continued)

(k)Fair value measurement

The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possihle.The Company determines fair value based on assumptions that market participants would use in pricing an asset or liabilty in the principal or most advantageous market. When considering market paricipant assumptions in fair value measurements,the following fair value hierarchy distinguishes between observable and unobservable inputs,which are categorized in one of the following levels.

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabiities accessible to the reporting entty at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liabilty,either directly or indirectly,for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liabilty used to measure fair value to the extent that observable inputs are not avallabie,thereby allowing for situations in which there is ittle, if any,market activity for the asset or liabilty at measurement date.

(l)Recently Adopted Accounting Pronouncements and New Accounting Pronouncements Not Yet Adopted

In December2019, the FASB issued ASU 2019-12, Income Tax (Topic 740), Simplifying the Accounting for Income Taxes ("ASU2019-12"), which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra period tax allocation,the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences.The guidance also simplifies the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill.The Company adopted the standard on January 1, 2021 and such adoption did not have a material impact on the Company's financial statements.

In October 2020, the FASB issued ASU 2020-08,Codfication Improvements to Subtopic 310-20,Receivables—Nonrefundable Fees and Other Costs(ASU 2020-08"), which clarifies that an entity should reevaluate for each reporting period whether a callable debt security is within the scope of certain guidance in ASC 310-20 that was issued in ASU 2017-08, Receivables—Nonrefundable Fees and Other Costs(Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The Company adopted the standard on January 1,2021 and such adoption did not have a material impact on the Company's financial statements.

(1)Summary of significant accounting policies (continued)

In November 2021,the FASB issued ASU 2021-10, Govemment Assistance (Topic *832)—Disclosures by Business Entities about Government Assistance ("ASU 2021-10").* It requires issuers to make annual disclosures about government assistance,including the nature of the transaction, the related accounting policy,the financial statement line tems affected and the amounts applicable to each financial statement line item,as well as any significant terms and conditions,including commitments and contingencies. The Company adopted the standard on January 1,2022 and such adoption did not have a material impact on the Company's financial statements.

In March 2022, the FASB issued ASU 2022-02 Financial Instrument—Credit Losses ("ASU 2022-02"),amending ASC 310 to eliminate the recognition and measurement guidance for a troubled debt restructuring for creditors that have adopted ASC 326 and requiring them to make enhanced disclosures about loan modifications for borrowers experiencing financial difficulty.The guidance also requires entities to present gross write-offs by year of origination in their vintage disclosures.The Company will adopt this standard in 2023 and do not expect the adoption of this standard will have a material impact on the Company's financial statements.

(2)Revenues

	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Franchise fees and income	672,808	5,255,643	6,467,345
Revenues from transactions with franchisees and a fellow subsidiary	78,188	610,767	1,325,367
Total revenues	**750,996**	**5,866,410**	**7,792,712**

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to financial statements
December 31, 2023 and 2022

The following tabledisaggregates total net sales from external customers by geographic location.Net sales by geographic region are based on the location to where the product was shipped for the year ended December 31,2023 and 2022:

	2023	2023	2022
	US$	HK$	HK$
	Note(1)(d)		
Total revenue by geographic region:			
Japan	360,391	2,815,196	2,393,264
Mongolia	-	-	1,868,542
Hong Kong	112,963	882,412	1,165,165
Others	277,642	2,168,802	2,365,741
Total revenues	750,997	5,866,410	7,792,712

4 single customers accounted for more than 10%of the Company's sales in 2023 or 2022,or accounts receivable at December 31, 2023 or 2022.

Customer	2023	2023	2022
	US$	HK$	HK$
	Note(1)(d)		
Customer 1	360,391	2,815,196	2,393,264
Customer 2	112,963	882,412	1,868,542
Customer 3	68,155	532,392	1,165,530
Customer 4	35,038	273,700	1,165,165

(3)Accounts Receivable, net

	2023	2023	2022
	US$	HK$	HK$
	Note(1)(d)		
Accounts Receivable, gross	39,041	304,972	836,848
Allowance for doubtful accounts	(1,482)	(11,580)	(269,005)
Accounts receivable, net	37,559	293,392	567,843

Notes to financial statements
December 31,2023 and 2022

(4)Property,plant and equipment,net

	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Machinery and equipment	8,381	65,468	65,468
Accumulated depreciation and amortization	(8,237)	(64,347)	(64,347)
Property, lant nd quipment, net	143	1,121	1,121

Depreciation and amortization expense associated with property, plant and equipment was nil for the year ended December 31, 2023. No impairment charges were recorded in 2023.

(5) Accounts payable and other current liabilities

		2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Accrued compensation and benefits		19,939	155,754	147,990
Contract liabilities	Note 1 (h)	151,060	1,180,009	712,621
Other		96,879	756,774	768,615
Total		267,879	2,092,537	1,629,226

(6)Other liabilities

		2023 US$	2023 HK$	2022 HK$
Contract liabilities	Note 1 (h)	293,010	2,288,848	2,727,017
Long-term deposits		159,018	1,242,171	1,347,262
Total		452,028	3,531,019	4,074,279

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
香港控股有限公司

(7)Income taxes

Little Sheep Hong Kong is registered and conducts business in Hong Kong. The Two-Tier Profits Tax Regime introduced by the Hong Kong SAR Government applies to corporations by lowering the tax rate for the first HK$2 million of assessable profits. The first HK$2 million of profits will be taxed at one-half of the current tax rate of 8.25% and the remaining profits will continue to be taxed at the existing 16.5% tax rate. Little Sheep Hong Kong is not eligible for 8.25% tax band as this concession has been taken elsewhere in the group to which the company belongs.

No provision for Hong Kong Profits Tax has been made in the financial statements as Little Sheep Hong Kong was in accumulated tax losses position for the years ended December 31, 2023 and 2022.

The income tax provision for the year ended December 31, 2023 and 2022 represents the overseas withholding income tax,which is calculated at local tax rate for overseas franchise income.

The reconciliation between actual tax expense charged to profit or loss and accounting profit / (loss)at applicable tax rate is set forth below:

	2023	2023	2022
	US$	HK$	HK$
	Note(1)(d)		
Income/(Loss) before taxation	64,759	505,865	1,484,524
Notional tax on income /(loss) before taxation	10,685	83,468	244,947
Tax effect of non-deductible expenses	50	390	44,386
Tax effect of non-taxable income	(5,978)	(46,699)	(13,117)
Overseas withholding income tax	14,103	110,163	274,894
Deductible withholding income tax	(2,327)	(18,177)	(45,358)
Effect of deductibie temporary differences not recognised or non-recognition of tax losses	(2,430)	(18,982)	(230,858)
Actual tax expense charges to profit or loss	14,103	110,163	274,894

The details of deferred tax assets calculated at Hong Kong Profit Tax standard rate of 16.5% are set forth below:

	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Operating losses and tax credit carry forwards	91,071	711,404	679,539
Gross deferred tax assets	91,071	711,404	679,539
Deferred tax asset valuation allowances	(91,071)	(711,404)	(679,539)
Net deferred tax assets	-	-	-

The valuation allowance for deferred tax assets as of January 1, 2023 and 2022 was HK$ 679,539 and HK$908,385, respectively. The net change in the total valuation allowance was an decrease of HK$228,846, respectively. The valuation allowance as at 31 December 2023 was primarily related to stated net operation loss carryforwards that, in the judgement of management, are not more likely than not to be realized.

(8)Share Capital

Holders of ordinary shares are entitled to one vote per share,and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

(9)Additional paid-in capital

In January 2018, the Company sold the business of a restaurant to a fellow subsidiary of Yum China Holding Inc., the ultimate parent company of the Company with consideration of HK$5,342,063. The amount of consideration exceeding the carrying amount of the net assets of the transferred restaurant was recognized in additional paid-in capital.

(10)Related parties transaction

During the year,the Company entered into the following material related parties transactions:

	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Purchase of goods from a fellow subsidiary	25,642	200,303	213,188
Sales of goods to a fellow subsidiary	77,187	602,944	915,771
Franchise fees paid/payable to immediate holding company	233,906	1,827,159	1,832,560
Franchise fees and income from a Fellow subsidiary	35,777	279,469	249,394
Service fees paid/payable to immediate holding company	225,069	1,758,129	1,852,318

The outstanding balances at the end of the reporting period are as follows:

	2023 US$ Note(1)(d)	2023 HK$	2022 HK$
Amount due from related parties	7,234,328	56,510,955	51,408,017
Amount due to related parties	3,876,848	30,283,996	30,219,904

As of December 31, 2023 and 2022, the amount due from related parties is unsecured, interest-free and receivable on demand.

As of December 31, 2023 and 2022, the amount due to related parties is unsecured, interest-free and repayable on demand.

(11)Fair Value Disclosures

As of December 31, 2023 and 2022, the carrying values of cash and cash equivalents, financial assets and financial liabilties approximated their fair values.

(12)Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through May 30, 2024, the date at which the financial statements were avallable to be issued. The Company has determined that there are no other items to disclose.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Financial Statements
December 31, 2022 and 2021

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

Financial Statements December 31,

2022 and 2021

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Independent Auditors' Report

The Board of Directors
Little Sheep Hong Kong Holdings Company Limited:

We have audited the financial statements of Little Sheep Hong Kong Holdings Company Limited (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income / (loss), comprehensive income / (loss), changes in stockholders' 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 the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of

KPMG

Independent auditors' report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

In performing an audit in accordance with GAAS, we:

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

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

KPMG Huazhen LLP

Shanghai, China

18 JUL 2023

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Balance Sheets
December 31, 2022 and 2021

		2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Assets				
Current assets:				
Cash and cash equivalents	(Note (1)(f))	1,928,262	15,043,333	12,196,444
Accounts receivable, net	(Note (1)(h), (3))	72,786	567,843	312,908
Inventories, net	(Note (1)(g))	68,385	533,509	1,382,973
Amount due from related parties	(Note (10))	6,589,504	51,408,017	53,897,551
Total current assets		8,658,937	67,552,702	67,789,876
Property, plant and equipment, net	(Note (1)(i), (4))	144	1,121	1,121
Total assets		**8,659,081**	**67,553,823**	**67,790,997**

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Balance Sheets
December 31, 2022 and 2021

		2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and other current liabilities	(Note (5))	208,835	1,629,226	1,094,767
Amount due to related parties	(Note (10))	3,873,602	30,219,904	30,445,963
Total current liabilities		4,082,437	31,849,130	31,540,730
Other liabilities	(Note (6))	522,242	4,074,279	5,829,483
Total liabilities		4,604,679	35,923,409	37,370,213
Stockholders' equity:				
Share capital	(Note (8))	2,307,249	18,000,000	18,000,000
Additional paid-in capital	(Note (9))	530,778	4,140,867	4,140,867
Retained earnings		1,216,375	9,489,547	8,279,917
Total stockholders' equity		4,054,402	31,630,414	30,420,784
Total liabilities and stockholders' equity		**8,659,081**	**67,553,823**	**67,790,997**

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Statements of Income / (Loss)
Year ended December 31, 2022 and 2021

		2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Revenues				
Franchise fees and income	(Note (1)(h), (2))	828,987	6,467,345	5,760,083
Revenues from transactions with franchisees and a fellow subsidiary	(Note (1)(h), (2))	169,886	1,325,367	1,284,556
Total revenues		998,873	7,792,712	7,044,639
Costs and Expenses, Net				
Franchise expenses		(234,898)	(1,832,560)	(1,857,679)
Expenses from transactions with franchisees and a fellow subsidiary		(135,067)	(1,053,726)	(1,319,609)
General and administrative expenses		(412,784)	(3,220,334)	(3,499,502)
Other operating (costs and expenses) / income		(33,810)	(263,765)	68,298
Other income / (expenses), net		7,788	60,757	(907,663)
Total costs and expenses, net		(808,771)	(6,309,628)	(7,516,155)
Operating Profit / (Loss)		190,102	1,483,084	(471,516)
Interest income		185	1,440	68
Income / (Loss) Before Income Taxes		190,287	1,484,524	(471,448)
Income tax provision		(35,236)	(274,894)	(328,574)
Net Income / (Loss)		155,051	1,209,630	(800,022)

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Statements of Comprehensive Income / (Loss)
Year ended December 31, 2022 and 2021

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Net Income / (Loss)	155,051	1,209,630	(800,022)
Other comprehensive income, net of tax of nil	-	-	-
Comprehensive Income / (Loss)	155,051	1,209,630	(800,022)

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Statements of Changes in Stockholders' Equity
Year ended December 31, 2022 and 2021

		Share capital	Additional paid-in capital	Retained earnings	Total equity
Balance at December 31, 2020	HK$	18,000,000	4,140,867	9,079,939	31,220,806
Net loss		–	–	(800,022)	(800,022)
Balance at December 31, 2021	HK$	18,000,000	4,140,867	8,279,917	30,420,784
Net Income		–	–	1,209,630	1,209,630
Balance at December 31, 2022	HK$	18,000,000	4,140,867	9,489,547	31,630,414
Balance at December 31, 2022	US$ (Note (1)(d))	2,307,249	530,778	1,216,375	4,054,402

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Statements of Cash Flows
Year ended December 31, 2022 and 2021

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Cash flows from operating activities:			
Net income / (loss)	155,051	1,209,630	(800,022)
Adjustments to reconcile net income / (loss) to cash generated from / (used in) operating activities:			
Allowance for doubtful account	33,810	263,765	(68,298)
Changes in operating assets and liabilities:			
Changes in inventories	108,885	849,464	(4,838)
Changes in accounts receivables	(66,487)	(518,700)	60,951
Changes in amount due from related parties	319,110	2,489,534	(7,850,834)
Changes in accounts payable and other current liabilities	68,507	534,459	(17,706)
Changes in amount due to related parties	(28,976)	(226,059)	37,370
Changes in other liabilities	(224,984)	(1,755,204)	(258,876)
Net cash generated from / (used in) operating activities	364,916	2,846,889	(8,902,253)

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Statements of Cash Flows
Year ended December 31, 2022 and 2021

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Net increase / (decrease) in cash and cash equivalents	364,916	2,846,889	(8,902,253)
Cash and cash equivalents:			
Beginning of year	1,563,346	12,196,444	21,098,697
End of year	1,928,262	15,043,333	12,196,444
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	35,236	274,894	328,574

See accompanying notes to financial statements.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to Financial Statements
December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Description of Business

Little Sheep Hong Kong Holdings Company Limited ("Little Sheep Hong Kong") was incorporated in Hong Kong. The Company engages in franchising restaurants under Little Sheep concept in Hong Kong and other countries and regions, excluding mainland China.

On September 11, 2020, the Company's subsidiary, Little Sheep Tsuen Wan Company Limited completed the deregistration.

(b) Basis of Presentation

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; and the valuation allowance of deferred tax assets and inventory.

(d) Foreign Currency

Our functional currency for the operating entities in Hong Kong is the Hong Kong dollar ("HK$"), the currency of the primary economic environment in which we operate.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to financial statements
December 31, 2022 and 2021

(1) Summary of significant accounting policies (continued)

(e) Currency translation for Financial Statements Presentation

Translations of balances in the balance sheet, statement of income / (loss), comprehensive income / (loss), changes in stockholders' equity, and cash flows from HK$ into US dollar ("US$") as of and for the year ended December 31, 2022 are solely for the convenience of the readers and are calculated at the rate of US$1.00=HK$ 7.8015, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2022. The US$ convenience translation is not required under U.S. GAAP and all US$ convenience translation amounts in the accompanying financial statements are unaudited.

(f) Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include HK$ 15,043,333 and HK$ 12,196,444 of current deposits at December 31, 2022 and 2021.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method (FIFO) for all inventories.

(h) Revenue recognition

The Company's revenue primarily include Franchise fees and Income and Revenues from Transactions with Franchisees and a fellow subsidiary.

Franchise Fees and Income

Franchise fees and income primarily include upfront fees, such as initial fees and renewal fees, and continuing fees. The company has determined that the services it provides in exchange for upfront fees and continuing fees are highly interrelated with the franchise right. The company recognizes upfront fees received from a franchisee as revenue over the term of the franchise agreement or the renewal agreement because the franchise rights are accounted for as rights to access our symbolic intellectual property in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). The franchise agreement term is generally 4 or 10 years. The company recognizes continuing fees, which are fixed annually over the year or based upon a percentage of franchisee sales as those sales occur.

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to financial statements
December 31, 2022 and 2021

(1) Summary of significant accounting policies (continued)

Revenues from Transactions with Franchisees and a fellow subsidiary

Revenues from transactions with franchisees and a fellow subsidiary consist primarily of sales of food and paper products to a fellow subsidiary and other services provided to franchisees.

The Company centrally purchases food and paper products from suppliers and then sells and delivers them to a fellow subsidiary. The performance obligation arising from such transactions is considered distinct from the franchise agreement as it is not highly dependent on the franchise agreement and the customer can benefit from the procurement service on its own. We consider ourselves the principal in this arrangement as we have the ability to control a promised good or service before transferring that good or service to the fellow subsidiary. Revenue is recognized upon transfer of control over ordered items, generally upon delivery to a fellow subsidiary.

Other services provided to franchisees consist primarily of pre-opening support activities. Other services provided are highly interrelated to franchise right, so we do not consider them to be individually distinct and therefore account for them under ASC 606 as a single performance obligation and recognize revenue over the term of the franchise agreement.

Contract Liabilities

Contract liabilities at December 31, 2022 and 2021 were as follows:

Contract liabilities	**2022** US$ (Note (1)(d))	**2022** HK$	**2021** HK$
Current			
- Deferred revenue related to upfront fees	7,819	61,002	194,476
- Deferred revenue related to continuing fees	83,525	651,619	425,258
Subtotal	91,344	712,621	619,734
Non-current			
- Deferred revenue related to upfront fees and pre-opening services fees	349,550	2,727,017	4,411,166
Total	440,894	3,439,638	5,030,900

Contract liabilities consist of deferred revenue related to upfront fees, continuing fees and pre-opening services fees. Deferred revenue that we expect to recognize as revenue in the next 12 months is included in Accounts payable and other current liabilities, and the remaining balance is included in other liabilities on the balance sheets.

(1) Summary of significant accounting policies (continued)

Accounts Receivable

Accounts receivable mainly consist of franchise fees and income from franchisees, and are generally due within 10 days of the period in which the corresponding sales occur and are classified a accounts receivable on the balance sheets. Upon adoption of ASC 326 starting from January 1, 2020, our provision of credit losses for accounts receivable is based upon the current expected credit losses ("CECL') model. The CECL model requires an estimate of the credit losses expected over the life of accounts receivable since initial recognition, and accounts receivable with similar risk characteristics are grouped together when estimating CECL. In assessing the CECL, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical credit loss experience, adjusted for relevant factors impacting collectability and forward-looking information indicative of external market conditions. While we use the best information available in making our determination, the ultimate recovery of recorded receivables is also dependent upon future economic events and other conditions that may be beyond our control. Accounts receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts. Write-offs for 2022 and 2021 approximated HK$ 5,240 and HK$ 73,539, respectively. The Company does not have any off-balance-sheet credit exposure related to its customers.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line method over the estimated useful lives of the company machinery and equipment, which is 5 years.

(j) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Additionally, in determining the need for recording a valuation allowance against the carrying amount of deferred tax assets, we consider the amount of taxable income and periods over which it must be earned, actual levels of past taxable income and known trends and events or transactions that are expected to affect future levels of taxable income. Where we determine that it is more likely than not that all or a portion of an asset will not be realized, we record a valuation allowance.

(1) Summary of significant accounting policies (continued)

(k) Fair value measurement

The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels.

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(l) Recently Adopted Accounting Pronouncements and New Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Tax (Topic 740), Simplifying the Accounting for Income Taxes* ("ASU2019-12"), which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also simplifies the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted the standard on January 1, 2021 and such adoption did not have a material impact on the Company's financial statements.

In October 2020, the FASB issued ASU 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs* ("ASU 2020-08"), which clarifies that an entity should reevaluate for each reporting period whether a callable debt security is within the scope of certain guidance in ASC 310-20 that was issued in ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities.* The Company adopted the standard on January 1,2021 and such adoption did not have a material impact on the Company's financial statements.

(1) Summary of significant accounting policies (continued)

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832) — Disclosures by Business Entities about Government Assistance* ("ASU 2021-10"). It requires issuers to make annual disclosures about government assistance, including the nature of the transaction, the related accounting policy, the financial statement line items affected and the amounts applicable to each financial statement line item, as well as any significant terms and conditions, including commitments and contingencies. The Company adopted the standard on January 1,2022 and such adoption did not have a material impact on the Company's financial statements.

In March 2022, the FASB issued ASU 2022-02 *Financial Instrument—Credit Losses* ("ASU 2022-02"), amending ASC 310 to eliminate the recognition and measurement guidance for a troubled debt restructuring for creditors that have adopted ASC 326 and requiring them to make enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. The guidance also requires entities to present gross write-offs by year of origination in their vintage disclosures. The Company will adopt this standard in 2023 and do not expect the adoption of this standard will have a material impact on the Company's financial statements.

(2) Revenues

	2022 US$ (Note (1)(d))	**2022** HK$	**2021** HK$
Franchise fees and income	828,987	6,467,345	5,760,083
Revenues from transactions with franchisees and a fellow subsidiary	169,886	1,325,367	1,284,556
Total revenues	998,873	7,792,712	7,044,639

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED
Notes to financial statements
December 31, 2022 and 2021

The following table disaggregates total net sales from external customers by geographic location. Net sales by geographic region are based on the location to where the product was shipped for the year ended December 31, 2022 and 2021:

	2022 US$ (Note (1)(d))	**2022** HK$	**2021** HK$
Total revenue by geographic region:			
Japan	306,770	2,393,264	2,678,042
Mongolia	239,511	1,868,542	1,000,875
Hong Kong	149,351	1,165,165	1,332,702
Others	303,241	2,365,741	2,033,020
Total revenues	998,873	7,792,712	7,044,639

4 single customers accounted for more than 10% of the Company's sales in 2022 or 2021, or accounts receivable at December 31, 2022 or 2021.

Customer	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Customer 1	306,770	2,393,264	2,678,042
Customer 2	239,511	1,868,542	1,000,875
Customer 3	149,398	1,165,530	778,691
Customer 4	149,351	1,165,165	1,332,702

(3) Accounts Receivable, net

	2022 US$ (Note (1)(d))	**2022** HK$	**2021** HK$
Accounts Receivable, gross	107,267	836,848	318,148
Allowance for doubtful accounts	(34,481)	(269,005)	(5,240)
Accounts receivable, net	72,786	567,843	312,908

(4) Property, plant and equipment, net

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Machinery and equipment	8,392	65,468	65,468
	8,392	65,468	65,468
Accumulated depreciation and amortization	(8,248)	(64,347)	(64,347)
Property, plant and equipment, net	144	1,121	1,121

Depreciation and amortization expense associated with property, plant and equipment was nil for the year ended December 31, 2022. No impairment charges were recorded in 2022.

(5) Accounts payable and other current liabilities

		2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Accrued compensation and benefits		18,969	147,990	146,810
Contract liabilities	Note 1(h)	91,344	712,621	619,734
Other		98,522	768,615	328,223
Total		208,835	1,629,226	1,094,767

(6) Other liabilities

		2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Contract liabilities	Note 1(h)	349,550	2,727,017	4,411,166
Long-term deposits		172,692	1,347,262	1,418,317
Total		522,242	4,074,279	5,829,483

(7) Income taxes

Little Sheep Hong Kong is registered and conducts business in Hong Kong. The Two-Tier Profits Tax Regime introduced by the Hong Kong SAR Government applies to corporations by lowering the tax rate for the first HK$2 million of assessable profits. The first HK$2 million of profits will be taxed at one-half of the current tax rate of 8.25% and the remaining profits will continue to be taxed at the existing 16.5% tax rate. Little Sheep Hong Kong is not eligible for 8.25% tax band as this concession has been taken elsewhere in the group to which the company belongs.

No provision for Hong Kong Profits Tax has been made in the financial statements as Little Sheep Hong Kong was in accumulated tax losses position for the years ended December 31, 2022 and 2021.

The income tax provision for the year ended December 31, 2022 and 2021 represents the overseas withholding income tax, which is calculated at local tax rate for overseas franchise income.

The reconciliation between actual tax expense charged to profit or loss and accounting profit / (loss) at applicable tax rate is set forth below:

	2022 US$ (Note (1)(d))	**2022** HK$	**2021** HK$
Income / (Loss) before taxation	190,287	1,484,524	(471,448)
Notional tax on income / (loss) before taxation	31,397	244,947	(77,789)
Tax effect of non-deductible expenses	5,689	44,386	59,434
Tax effect of non-taxable income	(1,681)	(13,117)	(11)
Overseas withholding income tax	35,236	274,894	328,574
Deductible withholding income tax	(5,814)	(45,358)	(54,215)
Effect of deductible temporary differences not recognised or non-recognition of tax losses	(29,591)	(230,858)	72,581
Actual tax expense charged to profit or loss	35,236	274,894	328,574

The details of deferred tax assets calculated at Hong Kong Profit Tax standard rate of 16.5% are set forth below:

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Operating losses and tax credit carry forwards	87,104	679,539	908,385
Gross deferred tax assets	87,104	679,539	908,385
Deferred tax asset valuation allowances	(87,104)	(679,539)	(908,385)
Net deferred tax assets	-	-	-

The valuation allowance for deferred tax assets as of January 1, 2022 and 2021 was HK$ 908,385 and HK$ 762,065, respectively. The net change in the total valuation allowance was an decrease of HK$ 228,846 and increase of HK$ 146,320, respectively. The valuation allowance as at 31 December 2022 was primarily related to stated net operation loss carryforwards that, in the judgement of management, are not more likely than not to be realized.

(8) Share Capital

Holders of ordinary shares are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

(9) Additional paid-in capital

In January 2018, the Company sold the business of a restaurant to a fellow subsidiary of Yum China Holding Inc., the ultimate parent company of the Company with consideration of HK$ 5,342,063. The amount of consideration exceeding the carrying amount of the net assets of the transferred restaurant was recognized in additional paid-in capital.

(10) Related parties transaction

During the year, the Company entered into the following material related parties transactions:

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Purchase of goods from a fellow subsidiary	27,327	213,188	226,059
Sales of goods to a fellow subsidiary	117,384	915,771	1,056,852
Franchise fees paid/payable to immediate holding company	234,898	1,832,560	1,857,679
Franchise fees and income from a fellow subsidiary	31,967	249,394	275,850

The outstanding balances at the end of the reporting period are as follows:

	2022 US$ (Note (1)(d))	2022 HK$	2021 HK$
Amount due from related parties	6,589,504	51,408,017	53,897,551
Amount due to related parties	3,873,602	30,219,904	30,445,963

As of December 31, 2022 and 2021, the amount due from related parties is unsecured, interest-free and receivable on demand.

As of December 31, 2022 and 2021, the amount due to related parties included a funding from the intermediate holding company of HK$ 30,219,904, which is unsecured, interest-free and repayable on demand.

(11) Fair Value Disclosures

As of December 31, 2022 and 2021, the carrying values of cash and cash equivalents, financial assets and financial liabilities approximated their fair values.

(12) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through July 7, 2023, the date at which the financial statements were available to be issued. The Company has determined that there are no other items to disclose.

UNAUDITED FINANCIAL STATEMENTS
AS OF APRIL 11, 2024

THE FOLLOWING FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year	23	总帐期间号 GL Period No	12
生成报告时间:	2024-04-11 09:38:56	分类账类型 Ledger Type	AA,GP

项目 Account Description	期末数 Cumulative Amount	年初数 Balance Forward
76239 小肥羊香港控股有限公司		
流动资产 Current assets		
货币资金 Cash at bank and on hand	9,020,584.16	15,043,332.85
交易性金融资产 Financial assets held for trading	0.00	0.00
应收票据 Notes receivable	0.00	0.00
应收账款 Accounts receivable	242,713.35	476,791.87
预付款项 Advances to suppliers	0.00	0.00
应收利息 Interest receivable	0.00	0.00
应收股利 Dividends receivable	0.00	0.00
其他应收款 Other receivables	29,023,315.81	23,922,324.20
存货 Inventories	2,107,616.56	533,508.74
合同资产 Contract assets	0.00	0.00
持有代售资产 Assets held for sale	0.00	0.00
一年内到期的非流动资产 Current portion of non-current assets	0.00	0.00
其他流动资产 Other current assets	0.00	0.00
流动资产合计 Total current assets	**40,394,229.88**	**39,975,957.66**
非流动资产 Non-current assets		
可供出售金融资产 Available-for-sale financial assets	0.00	0.00
持有至到期投资 Held-to-maturity investments	0.00	0.00
长期应收款 Long-term receivables	0.00	0.00
长期股权投资 Long-term equity investments	0.00	0.00
投资性房地产 Investment properties	0.00	0.00
固定资产 Fixed assets	1,120.52	1,120.52
在建工程 Construction in progress	0.00	0.00
工程物资 Construction materials	0.00	0.00
固定资产清理 Fixed assets pending for disposal	0.00	0.00
使用权资产 Right-of-use Asset	0.00	0.00
无形资产 Intangible assets	0.00	0.00
开发支出 Development costs	0.00	0.00
商誉 Goodwill	0.00	0.00
长期待摊费用 Long-term prepaid expenses	0.00	0.00
递延所得税资产 Deferred tax assets	-711,403.62	-788,080.77
其他非流动资产 Other non-current assets	0.00	0.00
非流动资产合计 Total non-current assets	**-710,283.10**	**-786,960.25**
资产总计 TOTAL ASSETS	**39.683.946.78**	**39.188.997.41**

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year 23 总帐期间号 GL Period No 12

生成报告时间: 2024-04-11 09:38:56 分类账类型 Ledger Type AA,GP

项目 Account Description	期末数 Cumulative Amount	年初数 Balance Forward
流动负债 Current liabilities		
短期借款 Short-term borrowings	0.00	0.00
交易性金融负债 Financial liabilities held for trading	0.00	0.00
应付票据 Notes payable	0.00	0.00
应付账款 Accounts payable	3,053,490.07	2,734,210.70
预收款项 Advances from customers	0.00	0.00
合同负债 Contract liabilities	1,178,237.50	1,250,832.47
应付职工薪酬 Employee benefits payable	155,753.90	147,990.40
应交税费 Taxes payable	0.00	0.00
应付利息 Interest payable	0.00	0.00
应付股利 Dividends payable	0.00	0.00
其他应付款 Other payables	297,337.56	768,615.20
一年内到期的非流动负债 Current portion of non-current liabilities	352,054.95	53,178.96
其他流动负债 Other current liabilities	0.00	0.00
流动负债合计 Total current liabilities	**5,036,873.98**	**4,954,827.73**
非流动负债 Non-current liabilities		
长期借款 Long-term borrowings	0.00	0.00
应付债券 Debentures payable	0.00	0.00
长期应付款 Long-term payables	1,242,170.90	1,347,261.13
租赁负债 Lease liabilities	0.00	0.00
专项应付款 Special payable	0.00	0.00
预计负债 Provisions	0.00	0.00
递延所得税负债 Deferred tax liabilities	-711,403.62	-788,080.76
其他非流动负债 Other non-current liabilities	2,096,210.59	2,083,145.73
非流动负债合计 Total non-current liabilities	**2,626,977.87**	**2,642,326.10**
负债合计 Total liabilities	**7,663,851.85**	**7,597,153.83**
所有者权益 Owners' equity		
实收资本 Paid-in capital	18,000,000.00	18,000,000.00
资本公积 Capital surplus	0.00	0.00
盈余公积 Surplus reserve	0.00	0.00
未分配利润 Undistributed profits	14,020,094.93	13,591,843.58
外币报表折算差额 Difference on translation of foreign currency financial statements	0.00	0.00
归属于母公司所有者权益合计 Total equity attributable to equity holders of the company	**32,020,094.93**	**31,591,843.58**
少数股东权益 Minority interest	0.00	0.00
所有者权益合计 Total owners' equity	**32,020,094.93**	**31,591,843.58**
负债及所有者权益总计 TOTAL LIABILITIES AND OWNER'S EQUITY	**39,683,946.78**	**39,188,997.41**
资产=负债+所有者权益	**0.00**	**0.00**

Legal representative: Principal in charge of accounting: Head of accounting department:

企业负责人: 主管会计工作的负责人: 会计机构负责人:

R5586JJT4J

利润表

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year: 23 总账期间号 GL Period NO: 12

生成报告时间: 2024-04-11 09:39:11 分类账类型 Ledger Type: AA,GP

经营单位:

说明	本期数 Current Period	上期数 Last Period	本年累计数 Current Year Cumulate	上年累计数 Last Year Cumulate
76239 小肥羊香港控股有限公司				
一、营业收入 Revenue	**497,517.77**	**421,613.47**	**5,296,015.87**	**6,635,303.16**
减：营业成本 Less: Cost of sales	95,746.69	94,374.90	1,141,815.10	1,201,557.41
营业税金及附加 Taxes and surcharges	0.00	0.00	0.00	0.00
销售费用 Selling and distribution expenses	0.00	0.00	0.00	0.00
管理费用 General and administrative expenses	322,986.09	326,787.02	4,055,067.97	3,996,329.15
财务费用-净额 Financial expenses – net	-274,632.23	-155,990.18	-483,924.32	9,802.16
资产减值损失 Asset impairment losses	63,427.47	0.00	68,580.33	-7,037.12
信用减值损失 Credit impairment losses	-202,048.05	0.00	-257,426.11	263,765.36
加:公允价值变动收益 Add: Profit arising from changes in fair value	0.00	0.00	0.00	0.00
投资收益 Investment income	0.00	0.00	0.00	0.00
其中：对联营企业和合营企业的投资收益 Including: Share of profit of associates and joint ventures	0.00	0.00	0.00	0.00
资产处置收益	0.00	0.00	0.00	0.00
其他收益	0.00	0.00	0.00	0.00
二、营业利润 Operating profit	**492,037.80**	**156,441.73**	**771,902.90**	**1,170,886.20**
加：营业外收入 Add: Non-operating income	0.00	17,218.30	98,780.51	72,000.00
减：营业外支出 Less: Non-operating expenses	0.00	332,269.45	332,269.45	0.00
三、利润总额 Total profit	**492,037.80**	**-158,609.42**	**538,413.96**	**1,242,886.20**
减：所得税费用 Less: Income tax expenses	14,671.34	25,667.16	110,162.61	274,894.33
四、净利润 Net profit	**477,366.46**	**-184,276.58**	**428,251.35**	**967,991.87**
其中：同一控制下企业合并中被合并方在合并前实现的净利润 Including: Net profit of the party acquired in a business combination involving enterprises under common control before the combination date	0.00	0.00	0.00	0.00
归属于母公司所有者的净利润 Attributable to equity holders of the Company	477,366.46	-184,276.58	428,251.35	967,991.87
少数股东损益 Minority interest	0.00	0.00	0.00	0.00
五、其他综合收益 Other comprehensive income				
六、综合收益总额 Total comprehensive income	**477,366.46**	**-184,276.58**	**428,251.35**	**967,991.87**
归属于母公司所有者的综合收益总额 Attributable to equity holders of the Company	477,366.46	-184,276.58	428,251.35	967,991.87
归属于少数股东的综合收益总额 Minority interest	0.00	0.00	0.00	0.00

Legal representative: Principal in charge of accounting: Head of accounting department:

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year	24	总帐期间号 GL Period No	03
生成报告时间:	2024-04-11 09:37:49	分类账类型 Ledger Type	AA,GP

项目 Account Description	期末数 Cumulative Amount	年初数 Balance Forward
76239 小肥羊香港控股有限公司		
流动资产 Current assets		
货币资金 Cash at bank and on hand	9,074,475.69	9,020,584.16
交易性金融资产 Financial assets held for trading	0.00	0.00
应收票据 Notes receivable	0.00	0.00
应收账款 Accounts receivable	872,632.85	242,713.35
预付款项 Advances to suppliers	0.00	0.00
应收利息 Interest receivable	0.00	0.00
应收股利 Dividends receivable	0.00	0.00
其他应收款 Other receivables	28,109,315.71	29,023,315.81
存货 Inventories	1,962,138.44	2,107,616.56
合同资产 Contract assets	0.00	0.00
持有代售资产 Assets held for sale	0.00	0.00
一年内到期的非流动资产 Current portion of non-current assets	0.00	0.00
其他流动资产 Other current assets	0.00	0.00
流动资产合计 Total current assets	**40,018,562.69**	**40,394,229.88**
非流动资产 Non-current assets		
可供出售金融资产 Available-for-sale financial assets	0.00	0.00
持有至到期投资 Held-to-maturity investments	0.00	0.00
长期应收款 Long-term receivables	0.00	0.00
长期股权投资 Long-term equity investments	0.00	0.00
投资性房地产 Investment properties	0.00	0.00
固定资产 Fixed assets	1,120.52	1,120.52
在建工程 Construction in progress	0.00	0.00
工程物资 Construction materials	0.00	0.00
固定资产清理 Fixed assets pending for disposal	0.00	0.00
使用权资产 Right-of-use Asset	0.00	0.00
无形资产 Intangible assets	0.00	0.00
开发支出 Development costs	0.00	0.00
商誉 Goodwill	0.00	0.00
长期待摊费用 Long-term prepaid expenses	0.00	0.00
递延所得税资产 Deferred tax assets	-711,403.62	-711,403.62
其他非流动资产 Other non-current assets	0.00	0.00
非流动资产合计 Total non-current assets	**-710,283.10**	**-710,283.10**
资产总计 TOTAL ASSETS	**39.308.279.59**	**39.683.946.78**

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year	24	总帐期间号 GL Period No	03
生成报告时间:	2024-04-11 09:37:49	分类账类型 Ledger Type	AA,GP

项目 Account Description	期末数 Cumulative Amount	年初数 Balance Forward
流动负债 Current liabilities		
短期借款 Short-term borrowings	0.00	0.00
交易性金融负债 Financial liabilities held for trading	0.00	0.00
应付票据 Notes payable	0.00	0.00
应付账款 Accounts payable	2,768,872.65	3,053,490.07
预收款项 Advances from customers	0.00	0.00
合同负债 Contract liabilities	727,300.69	1,178,237.50
应付职工薪酬 Employee benefits payable	102,389.60	155,753.90
应交税费 Taxes payable	0.00	0.00
应付利息 Interest payable	0.00	0.00
应付股利 Dividends payable	0.00	0.00
其他应付款 Other payables	155,491.53	297,337.56
一年内到期的非流动负债 Current portion of non-current liabilities	481,155.37	352,054.95
其他流动负债 Other current liabilities	0.00	0.00
流动负债合计 Total current liabilities	**4,235,209.84**	**5,036,873.98**
非流动负债 Non-current liabilities		
长期借款 Long-term borrowings	0.00	0.00
应付债券 Debentures payable	0.00	0.00
长期应付款 Long-term payables	1,130,681.95	1,242,170.90
租赁负债 Lease liabilities	0.00	0.00
专项应付款 Special payable	0.00	0.00
预计负债 Provisions	0.00	0.00
递延所得税负债 Deferred tax liabilities	-711,403.62	-711,403.62
其他非流动负债 Other non-current liabilities	2,539,405.69	2,096,210.59
非流动负债合计 Total non-current liabilities	**2,958,684.02**	**2,626,977.87**
负债合计 Total liabilities	**7,193,893.86**	**7,663,851.85**
所有者权益 Owners' equity		
实收资本 Paid-in capital	18,000,000.00	18,000,000.00
资本公积 Capital surplus	0.00	0.00
盈余公积 Surplus reserve	0.00	0.00
未分配利润 Undistributed profits	14,114,385.73	14,020,094.93
外币报表折算差额 Difference on translation of foreign currency financial statements	0.00	0.00
归属于母公司所有者权益合计 Total equity attributable to equity holders of the company	**32,114,385.73**	**32,020,094.93**
少数股东权益 Minority interest	0.00	0.00
所有者权益合计 Total owners' equity	**32,114,385.73**	**32,020,094.93**
负债及所有者权益总计 TOTAL LIABILITIES AND OWNER'S EQUITY	**39,308,279.59**	**39,683,946.78**
资产=负债+所有者权益	**0.00**	**0.00**

Legal representative:	Principal in charge of accounting:	Head of accounting department:
企业负责人:	主管会计工作的负责人:	会计机构负责人:

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利润表

(All amounts in Rmb Yuan unless otherwise stated) (除特别注明外，金额单位为人民币元)

财务年度 Fiscal Year: 24　总账期间号 GL Period NO: 03

生成报告时间: 2024-04-11 09:36:27　分类账类型 Ledger Type: AA,GP

经营单位:

说明	本期数 Current Period	上期数 Last Period	本年累计数 Current Year Cumulate	上年累计数 Last Year Cumulate
76239 小肥羊香港控股有限公司				
一、营业收入 Revenue	**541,190.74**	**397,755.16**	**1,378,811.18**	**1,346,281.47**
减：营业成本 Less: Cost of sales	298,039.00	108,091.31	497,808.32	289,494.05
营业税金及附加 Taxes and surcharges	0.00	0.00	0.00	0.00
销售费用 Selling and distribution expenses	0.00	0.00	0.00	0.00
管理费用 General and administrative expenses	512,884.18	102,174.92	937,458.00	1,068,909.58
财务费用-净额 Financial expenses – net	-2,980.05	-3,303.65	-10,012.41	-1,935.00
资产减值损失 Asset impairment losses	-142,944.80	0.00	-142,944.80	5,152.86
信用减值损失 Credit impairment losses	-5,796.26	0.00	-5,796.26	395,265.75
加:公允价值变动收益 Add: Profit arising from changes in fair value	0.00	0.00	0.00	0.00
投资收益 Investment income	0.00	0.00	0.00	0.00
其中：对联营企业和合营企业的投资收益 Including: Share of profit of associates and joint ventures	0.00	0.00	0.00	0.00
资产处置收益	0.00	0.00	0.00	0.00
其他收益	0.00	0.00	0.00	0.00
二、营业利润 Operating profit	**-118,011.33**	**190,792.58**	**102,298.33**	**-410,605.77**
加：营业外收入 Add: Non-operating income	0.00	0.00	0.00	0.00
减：营业外支出 Less: Non-operating expenses	0.00	0.00	0.00	0.00
三、利润总额 Total profit	**-118,011.33**	**190,792.58**	**102,298.33**	**-410,605.77**
减：所得税费用 Less: Income tax expenses	8,007.53	0.00	8,007.53	12,276.28
四、净利润 Net profit	**-126,018.86**	**190,792.58**	**94,290.80**	**-422,882.05**
其中：同一控制下企业合并中被合并方在合并前实现的净利润 Including: Net profit of the party acquired in a business combination involving enterprises under common control before the combination date	0.00	0.00	0.00	0.00
归属于母公司所有者的净利润 Attributable to equity holders of the Company	-126,018.86	190,792.58	94,290.80	-422,882.05
少数股东损益 Minority interest	0.00	0.00	0.00	0.00
五、其他综合收益 Other comprehensive income				
六、综合收益总额 Total comprehensive income	**-126,018.86**	**190,792.58**	**94,290.80**	**-422,882.05**
归属于母公司所有者的综合收益总额 Attributable to equity holders of the Company	-126,018.86	190,792.58	94,290.80	-422,882.05
归属于少数股东的综合收益总额 Minority interest	0.00	0.00	0.00	0.00

Legal representative:　Principal in charge of accounting:　Head of accounting department:

EXHIBIT I.1
LIST OF FRANCHISEES

List of Current Little Sheep Locations

Franchisee	Address	Telephone
William Woo Vine Retail Group, LLC	1 American Dream Way A320 East Rutherford, NJ 07073	

List of Former Little Sheep North American Locations

***None*.**

EXHIBIT I.2
LIST OF THREE LAMB NORTH AMERICAN LOCATIONS

List of Current Three Lamb Locations

None.

List of Former Three Lamb North American Locations

None.

EXHIBIT J

STATE-SPECIFIC DISCLOSURES

CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE, www.littlesheep.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of New York. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement requires binding arbitration. The arbitration will occur in the City and State where the Restaurant is located with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Section 31512.1 - Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

EXHIBIT K
<u>STATE-SPECIFIC AGREEMENT AMENDMENTS</u>

<u>CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT</u>

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. To the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).
>
> The Franchise Agreement requires application of the laws of New York. This provision may not be enforceable under California law.
>
> The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.
>
> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.
>
> The Franchise Agreement requires binding arbitration. The arbitration will occur in the City and State where the Restaurant is located with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
>
> The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy:
>
> Any provision of a franchise agreement, franchise disclosure document, acknowledgement,

questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.

(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:	FRANCHISEE:
________________________________	________________________________
By: ____________________________	By: ____________________________
Its:	Its:
Date: ____________________________	Date: ____________________________

EXHIBIT L

LITTLE SHEEP FRANCHISEE COMPLIANCE CERTIFICATION

California Prospective Franchisees: California franchisees should not complete this Statement. If any California franchisee completes this Statement, it is against California public policy and will be void and unenforceable, and we will destroy, disregard, and will not rely on such Statement.

As you know, Little Sheep Hong Kong Holdings Company Limited (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a Little Sheep Restaurant (the "Restaurant"). Please review each of the following questions and statements carefully and provide honest and complete responses to each. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

a.	______________, 20__ Initials _____________	The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a Little Sheep Hotpot Restaurant.
b.	______________, 20__ Initials _____________	The date on which I received the Franchisor's Franchise Disclosure Document ("FDD").
c.	______________, 20__ Initials _____________	The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
d.	______________, 20__ Initials _____________	The date on which I signed the Franchise Agreement.

2. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to them?

   Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

   Yes _____ No _____

   If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

   ____
   ____
   ____

4. Do you understand that the Franchise Agreement may contain a number of provisions that, unless prohibited by applicable law, may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations??

Yes _____ No _____

5. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

____
____
____
____

8. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating an educational tutoring business?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your franchised Restaurant will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has anyone speaking on the Franchisor's behalf made any statement or promise to you concerning the revenues, profits or operating costs of a Little Sheep Hotpot Restaurant operated by the Franchisor or its franchisees that is different from the information contained in the FDD?

Yes _____ No _____

11. Has anyone speaking on the Franchisor's behalf made any statement or promise to you about the amount of money you may earn in operating the Restaurant that is different from the information

contained in the FDD?

Yes _____ No _____

12. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the total amount of revenue your Restaurant will or may generate that is different from the information contained in the FDD?

Yes _____ No _____

13. Has anyone speaking on the Franchisor's behalf made any statement or promise regarding the costs you may incur in operating your Restaurant that is different from the information contained in the FDD?

Yes _____ No _____

14. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating an educational tutoring business as a franchised business?

Yes _____ No _____

15. Has anyone speaking on the Franchisor's behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance the Franchisor will provide to you (for example, concerning advertising, marketing, training and support) that is different from the information contained in the FDD?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

18. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?

Yes _____ No _____

19. Do you understand that the Franchise Agreement and any state applicable state addenda contains the entire agreement, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes _____ No _____

20. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them

below.) If you have answered "no" to each of questions 10-17, then please leave the following lines blank.

____
____
____
____
____
____
____
____

21. I signed the Franchise Agreement and Addenda (if any) on ____________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

22. During my negotiations and evaluations leading up to my decision to franchise, I communicated with the following individuals from Little Sheep Hong Kong Holdings Company Limited or its affiliates, or independent brokers:

	Name	Address
1.	____________________	____________________
2.	____________________	____________________
3.	____________________	____________________
4.	____________________	____________________

[Insert additional names and addresses below if needed]

<u>For California Prospective Franchisees</u>: You are not required to sign this Franchisee Compliance Certification.

ALL REPRESENTATIONS REQUIRING PROSPECTIVE FRANCHISEES TO ASSENT TO A RELEASE, ESTOPPEL OR WAIVER OF LIABILITY ARE NOT INTENDED TO NOR SHALL THEY ACT AS A RELEASE, ESTOPPEL OR WAIVER OF ANY LIABILITY INCURRED UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

FRANCHISE APPLICANT

____
Signed
____

Printed Name

________________________________ , 20___

EXHIBIT M
FORM OF RELEASE

GENERAL RELEASE

(*Form only; subject to change, NOT TO BE EXECUTED AT THE SAME TIME AS THE FRANCHISE AGREEMENT*)

For and in consideration of the Agreements and covenants described below, Little Sheep Hong Kong Holdings Company Limited ("Franchisor") and ____________________________ ("Franchisee") enter into this Release of Claims (the "Agreement").

RECITALS

A. Franchisor and Franchisee entered into a Little Sheep Hotpot Franchise Agreement dated _____________, _____.

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions noted below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENTS

1. **Consideration**. [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Franchisee.** Except as may be prohibited by applicable law, and in consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for itself, its heirs, successors and assigns, affiliates, directors, officers and shareholders, and any other party claiming an interest through them (collectively and individually referred to as the "Franchisee Parties") release and forever discharge Franchisor, its predecessors, successors, assigns, affiliates, directors, officers, shareholders, and employees (collectively and individually referred to as the "Franchisor Parties") of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which you may now or in the future own or hold, that in any way relate to the Franchise Agreement or the business relationship between the parties (collectively, "Claims"), for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisee Parties do not release the Franchisor Parties from any obligations arising by virtue of this Agreement and the Franchisor Parties' failure to comply with those obligations.

5. **Release of Claims by Franchisor.** Except as noted in this Section 5, and subject to your compliance with the terms and conditions of this Agreement, Franchisor Parties hereby release and forever discharge Franchisee Parties from any and all Claims, for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise

laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisor Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and of the Franchisee Parties' failure to comply with those obligations. Further, the Franchisor Parties do not release the Franchisee Parties from any Claims related to Franchisee's (i) indemnification obligations under Section 21.D of the Franchise Agreement, (ii) non-disparagement obligations under Section 19.H of the Franchise Agreement, and (iii) post-termination non-compete obligations under Section 19.C of the Franchise Agreement, each of which remain in full force and effect and are incorporated by reference in this Agreement.

6. **Acknowledgement.** The releases of Claims outlined in Section 4 and Section 5 are intended by the Franchisor Parties and the Franchisee Parties (collectively, the "Parties) to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Parties against the other Party regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Parties' respective intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. The Parties further acknowledge and agree that no violation of this Agreement shall void the releases contained in this Agreement.

7. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

8. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

9. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

10. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state where the Franchisee's Little Sheep Restaurant is located. The parties agree that any action brought in any court, whether federal or state, shall be brought only within such state and in the judicial district in which Franchisee's Restaurant is located. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

11. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____________, 20__

LITTLE SHEEP HONG KONG HOLDINGS COMPANY LIMITED

By ____

Its ____

Dated: _____________, 20__

FRANCHISEE

By ____

Its ____

State Effective Dates

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

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

State	Effective Date
California	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 N
<u>RECEIPT</u>

RECEIPTS
(to be retained by prospective franchisee)

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 Little Sheep Hong Kong Holdings Company Limited offers you a franchise, it must provide this Disclosure Document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or

(b) Under New York and Iowa law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days (14 calendar days for Iowa) before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale, or

(c) Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Little Sheep Hong Kong Holdings Company Limited 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The Franchisor is Little Sheep Hong Kong Holdings Company Limited, located at 20/F, Tai Hung Fai (Tsuen Wan) Centre, 55 Chung On Street, Tsuen Wan, Hong Kong China. Its telephone number is: (852) 3750 8651.

Issuance date: July 5, 2024

The franchise seller is: Will Chen, Little Sheep Hong Kong Holdings Company Limited, at located at 9F Middle Tower, Huaning Plaza, 300 Xuanhua Road, Changning District, Shanghai, China; (852) 3750 8651 by phone; and RSC_FD_LS@YumChina.com by email.

Any additional individual franchise sellers involved in offering the franchise are:______________________________________ ______________________________. Little Sheep Hong Kong Holdings Company Limited authorizes the respective state agencies identified on Exhibit G to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated July 5, 2024. This disclosure document included the following exhibits:

A. Franchise Agreement
B. [Intentionally Omitted]
C. Service Agreement
D. Confidentiality Agreement
E. Table of Contents for Manuals
F. List of State Administrators
G. Agents for Service of Process
H. Financial Statements
I.1 List of Franchisees
I.2 List of United States Little Sheep restaurant locations
J. State-Specific Disclosures
K. State-Specific Agreement Amendments
L. Franchisee Compliance Certification
M. Form of Release
N. State Effective Dates
O. Receipts (2 copies)

____
Date Received

____
Prospective Franchisee

____
Name (please print)

Address: ______________________________

____

RECEIPTS
(copy for franchisor)

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M. Form of Release
N. State Effective Dates
O. Receipts (2 copies)

____
Date Received

____
Prospective Franchisee

____
Name (please print)

Address: ______________________________

____