San Chen

FRANCHISE DISCLOSURE DOCUMENT

Chicha San Chen Corporation
dba San Chen

A California Corporation
1401 21ST ST, STE R, SACRAMENTO, CA 95811
530-232-5985
E-mail: chicha3000@teashop168.com.tw
URL: https://www.chichasanchen.com/

Chicha San Chen Corporation ("we," "us," or "our") provides the opportunity to purchase a Master Franchise, which allows the sublicensing of unit franchises for the establishment and operation of food service establishments. These establishments feature gourmet coffees and teas, coffee or tea-based beverages, bubble tea, complementary food products, coffee and tea makers, and related supplies, accessories, and gifts, all under the "San Chen" brand. Additionally, through a separate Franchise Disclosure Document, we offer the sale of single-unit San Chen franchises ("Unit Franchise") for the establishment and operation of individual San Chen Outlets.

The total investment necessary to begin operation of a San Chen franchised business will range from $359,000 to $537,000. This includes $295,000 to $430,000 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lin, Hui-Chuan at Chicha San Chen Corporation, 1401 21ST ST, STE R, SACRAMENTO, CA 95811 and telephone 530-232-5985.

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-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: August 1, 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 Exhibit C.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only San Chen 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 San Chen franchisee?	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees

even if you are losing money.

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.

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

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.

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

FRANCHISE DISCLOSURE DOCUMENT

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ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

For the sake of simplicity, this disclosure document uses terms such as "we," "us," "our," "Franchisor," or "San Chen" to refer to Chicha San Chen Corporation, the franchisor. The term "you" represents the individual, corporation, partnership, or other entity purchasing the franchise. Any terms not defined in this Disclosure Document, including various capitalized terms, can be found in the Master Franchise Agreement provided as Exhibit A to this document (the "Master Franchise Agreement").

Franchisor, Parent, and Affiliates

We do business under the name Chicha San Chen Corporation and also San Chen. Our principal business address is 1401 21ST ST, STE R, SACRAMENTO, CA 95811. We were originally incorporated under the name Chichia San Chen Corporation, but we filed a restated articles of incorporation with the Secretary of State on December 31, 2020 and amended our name as Chicha San Chen Corporation.

We have two affiliated companies: Fang Yuan F&B International Co., Ltd. (hereinafter "Fang Yuan") and Chi Chia Teashop Co., Ltd. (hereinafter "Teashop"). Fang Yuan, a Taiwan limited company established on July 13, 2016, owns the San Chen marks and authorizes us to sublicense the marks to individuals or entities in the United States for operating San Chen franchises for 10 years, from July 1, 2020, to June 30, 2030. Fang Yuan's principal business address is 2F., No. 10-3 Sec. 2, Xitun Rd., Xitun Dist. Taichung, Taiwan 40746. As of the date of this Disclosure Document, Fang Yuan owns and operates five outlets in Taiwan and franchises its system to five international franchises. Teashop, a Taiwan limited company formed on November 18, 2013, owns the Chi Cha Shau Pu marks. Teashop's principal business address is 2F., No.15, Chinghai Road, Xitun District, Taichung, Taiwan. As of the date of this Disclosure Document, Teashop owns and operates 10 Chi Cha Shau Pu outlets in Taiwan and franchises its system to 200 franchisees in Taiwan and China.

We have never offered San Chen franchises or franchises in any other line of business, except as outlined below. Through this Master Franchise Disclosure Document, we offer and sell franchises under a "Master Franchise Agreement," where the new Master Franchisee ("Master") acquires the rights to a significantly larger territory than a single-unit franchisee and has specific rights to open a certain number of San Chen outlets, either owned and operated by the Master or purchased and operated by third-party franchisees. Consequently, a Master who purchases a Master Franchise may act as a sub-franchisor (when selling to a third party), and those buying a franchise from the Master will be considered sub-franchisees. The outlets purchased from the Master will be substantially similar to the franchised businesses for the single Unit Franchise we will be selling. We have certain obligations to consult and assist you and the Unit Franchisees (including those owned by the Master or sold to third-party franchisees) in areas such as training, website usage, and other support as required under the Master Franchise Agreement and the Unit Franchise Agreement. We believe this support will not affect our ability to fulfill our obligations under the Master Franchise Agreement with you. Our obligations to consult and assist the Franchisees are outlined in the Master Franchise Agreement. Generally, our responsibilities include providing initial training, training relevant staff as clerks, and offering various client service assistance. Your obligations involve providing non-client service assistance related to operations and administrative aspects, as well as continuously marketing the sale of franchises. We require all Unit Franchisees to sign our Unit Franchise Agreement, whether they are your franchises or those sold to third-party franchisees.

Agent for Service of Process

Our agent for service of process is disclosed in Exhibit G.

Predecessor and Prior Experience

We have no predecessors. We have never offered franchises in any other line of business except as indicated in the offering for Master Franchises. Our affiliate, Chi Chia Teashop Co., Ltd, operates ten Chin Cha Shau Pu outlets in Taiwan.

The Business We Offer

We offer a franchise for sale that enables you to open and operate your unique drinks and beverages outlet (the "Beverage Outlet") under the "San Chen" trade name, or to sell the rights to open San Chen Outlets to third parties. Beverage Outlets are typically located on downtown streets, in free-standing buildings, or retail shopping centers. However, we may consider alternative sites on a case-by-case basis. You will likely need a basic office or work from your home.

The Master Franchise Agreement grants you and any third party to whom you sell the rights, the authorization to use the "San Chen" trade name, trademarks, and service marks (collectively, the Marks) in connection with the operation of the Beverage Outlet. The Beverage Outlets operate under a comprehensive design that includes, but is not limited to, beverage-making techniques and methods, various teapresso products, operational specifications and procedures, quality customer service, management and financial control, training and assistance, and advertising and promotional programs (collectively, the "System"). The System's standards, specifications, and procedures (collectively the "System Standards") are detailed in our confidential operations manual ("Manual"). We may change, improve, and further develop the System and the Manual.

We grant you the right to open your own outlet and to sell to third parties the rights for them to establish and operate a San Chen outlet under the terms of a Unit Franchise Agreement. The Master

Franchise Agreement is signed by us, you, and any principal franchisee-operators designated by us (the "Designated Operator(s)"). The Designated Operator(s) (up to two individuals, but with only one address for communication regarding the franchise) have the authority to act on your behalf in all matters related to the San Chen Beverage Outlet Franchise, including voting responsibilities. By signing the Master Franchise Agreement, you and the Designated Operator(s) agree to be individually bound by certain obligations in the Agreement, including confidentiality and non-competition covenants, and to personally guarantee your performance under the Master Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, we may require you or your Designated Operator(s) to sign additional confidentiality and non-competition agreements.

The procedures for signing the Unit Franchise Agreement and designating specific owners with certain responsibilities for the Unit Franchisee are substantially the same for the Master as described in the above paragraph.

The Development Schedule (the "Development Schedule") included in the Master Franchise Agreement specifies the dates by which you must open or sublicense each Beverage Outlet. You will sign the then-current Unit Franchise Agreement for each Beverage Outlet you develop or that a third-party franchisee opens. The number of Beverage Outlets, development area, and schedule must be agreed upon by us before executing the Master Franchise Agreement. Before executing each Agreement, we will provide you with a Disclosure Document describing the terms of our then-current Unit Franchise Agreement and other relevant information.

Although this Franchise Disclosure Document and the Master Franchise Agreement grant you the rights to sell the San Chen franchise to third parties, you cannot do so until you prepare your franchise disclosure document for third parties and obtain registration of that document and offering from the State.

Market and Competitions

(1) Operation of the Master Franchise Business

To successfully sell San Chen franchises, you will need to compete with other franchisors or master franchisees of well-known trademarks in your territory. Generally, the food and beverage franchise market is highly competitive and has been established for decades. Possessing the necessary sales skills and techniques is crucial for selling franchises. Prior experience in the food and beverage industry can be advantageous, as it will facilitate the operation of the master franchise business.

(2) Operation of the Training Outlet

Your Outlet will offer products and services to the general public throughout the year, competing with other beverage and food product service businesses. The market for these types of products and services is well-developed and highly competitive in the United States. You can expect to compete with locally-owned businesses as well as national and regional chains offering similar products. The market for tea, coffee, tapioca milk tea, coffee drinks, baked goods, and related products is well-established and intensely competitive. Beverage outlets compete on factors such as price, service, location, convenience, and food quality. Additionally, competition for suitable locations can be a challenge.

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

Applicable Regulations

We are not aware of any regulations specifically pertaining to the operation of your office facility or a beverage service business. However, in addition to laws, regulations, and ordinances applicable to businesses in general, such as the Americans with Disabilities Act of 1990 (the "ADA"), Federal and State Wage and Hour Laws, and other laws related to employment rights and the Occupational Safety and Health Act of 1970, Franchisees may need to comply with certain federal, state, and local health and sanitation regulations concerning the operation of Beverage Outlets, as well as state and local zoning and building code requirements governing the construction of Beverage Outlets. It is your responsibility to ensure that you comply with all local, state, provincial, and federal business, retail sales, zoning, and other regulations and licensing requirements, and any applicable laws and regulations, and to identify and obtain all necessary authorizations to operate your Beverage Outlet.

ITEM 2 BUSINESS EXPERIENCE

Lin, Hui-Chuan: Chief Executive Officer

Lin, Hui-Chuan has been the Chief Executive Officer of our company since July 10, 2024. Our principal place of business is located at 1401 21st St. Ste R, Sacramento, CA 95811. In addition to her role with our company, Lin, Hui-Chuan has served as the Managing Director of Fang Yuan F&B International Co., Ltd. since July 10, 2024.

Prior to her current positions, Lin, Hui-Chuan held several key roles at Fang Yuan F&B International Co., Ltd.:

1. Chief Executive Officer from June 1, 2019, to July 9, 2024.

2. Deputy General Manager from November 20, 2015, to May 31, 2019.

Fang Yuan F&B International Co., Ltd. is headquartered at 2F., No. 10-3, Sec. 2, Xitun Rd., Xitun Dist., Taichung, Taiwan 40746.

In her roles, Lin, Hui-Chuan has had extensive management responsibilities relating to the sale and operation of franchises offered by this document.

ITEM 3 LITIGATION

In the matter of THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION v. FANG YUAN F&B INTERNATIONAL CO., LTD and CHICHA SAN CHEN CORPORATION.

On May 7, 2019, Fang Yuan offered and sold a San Chen Subfranchise to a subfranchisor. On October 1, 2020, Chicha filed an initial franchise registration application for the offer and sale of San Chen Franchises. On April 12, 2021, Chicha filed a franchise registration renewal application for the offer and sale of San Chen Franchises.

Corp. Code sections 31111 and 31114 mandate that franchisors disclose the existence, name, address, and contact information for existing outlets as of the most recent fiscal year-end in Item 20 of FDDs filed with the Department. Section 31200 stipulates that it is unlawful for any person to willfully make any untrue statement of a material fact in any application, notice, or report filed with the Commissioner under the FIL or to willfully omit any material fact required to be stated therein or fail to notify the Commissioner of any material change as required by section 31123.

We failed to disclose the existing unit franchise operated by the subfranchisor in Item 20 of the FDD, nor did we disclose the name, address, and contact information for the existing subfranchise operated by the subfranchisor in Item 20 of the FDD. The Commissioner finds that Chicha's failure to disclose the existing unit franchise in Item 20 of the FDD and the failure to disclose the name, address, and contact information of the existing subfranchisor in its FDD are omissions of material fact under the FIL, in violation of section 31200.

On February 1, 2022, we executed the Consent Order by agreeing to the following conditions: (i) Fang Yuan shall obtain approval for the Notice of Violation by providing all necessary responses and making all necessary changes to the Notice of Violation required by the Department's counsel; (ii) We will provide the Commissioner with proof of mailing of the Notice of Violation (the Report) within 30 days of the Commissioner's Order Approving the Notice of Violation; (iii) We shall attend eight (8) hours of remedial education within sixty (60) days from the Effective Date of this Consent Order, in the form of franchise law training courses offered by a seasoned franchise attorney approved by the Department; (iv) Within thirty (30) days from the Effective Date, we should provide the name and contact information of an independent monitor (Monitor) who shall have no prior familial, financial, or professional affiliation with Respondents or any of their senior management level employees, for the Commissioner's review and approval.

ITEM 4 BANKRUPTCY

We have no bankruptcy to disclose under this Item.

ITEM 5 INITIAL FEES

Initial Franchise Fee

As a prospective Master Franchisee, you are required to pay a "Master Initial Franchise Fee" amounting ~~to~~ from $250,000 to $350,000. This payment is divided into two installments: $125,000 due within 10 days after signing the Master Franchise Agreement, and the remaining balance payable 7 days before opening the first Beverage Outlet. This fee entitles you to a specific geographic area in the United States ("Development Area") and the right to establish a predetermined number of Unit Beverage Outlets under a Unit Franchise Agreement. The territory and Master Initial Franchise Fee may vary depending on the size, demographics, and other characteristics of the territory, which will be agreed upon on or before signing the Master Franchise Agreement. The Master Initial Franchise Fee is considered fully earned and non-refundable upon signing the Master Franchise Agreement, even if a portion is paid at a later date. If the Franchisor refunds the Master Initial Franchise Fee, they may retain up to 30% to offset their expenses related to the transaction. To receive a refund of the Master Initial Franchise Fee, you must sign a general release in a form and substance satisfactory to the Franchisor. All refunds are without interest.

Equipment Package

We will provide you with a list of authorized suppliers for suitable and recommended equipment. The cost of this equipment ranges from $10,000 to $15,000.

Opening Inventory

Prior to opening each Beverage Outlet, you are required to purchase an opening inventory valued at $5,000 per outlet (the "Minimum Opening Inventory") from us. A service fee of $1,000 will be levied for any purchase amount less than the Minimum Opening Inventory.

Security Deposit

A security deposit of $30,000 to $60,000 is required. In the event of a breach of the terms and conditions of the Master Franchise Agreement, the security deposit will be utilized to rectify the default or to compensate for our damages. Such breaches include:

Following any usage and deduction from the security deposit, we will notify you in writing. You are then required to restore the deposit to its original amount within 10 days of receiving the notice.

Upon termination or expiration of the Master Franchise Agreement, we will use the security deposit to cover our expenditures and damages. The remaining balance will be returned to you within 30 days of the termination or expiration of the Master Franchise Agreement. If the security deposit is insufficient to cover our expenditures or damages, you will receive written notice and must return the insufficient amount to us within 30 days of receipt.

Training Fee

We do not charge a training fee for the initial training of up to five designated personnel from the Master Franchisee, which takes place at our designated training center or on-site, at our sole discretion. Upon your request and subject to space or trainer availability, we may provide initial training for additional personnel of the Master Franchisee on a case-by-case basis for a negotiated training fee. These training fees are non-refundable and cover our cost of providing the training, including administrative costs and materials. Payment for the initial training fee for additional personnel must be made before training commences.

During the opening of the first Beverage Outlet under the Master Franchise Agreement, we will bear the entire expenditure incurred by the technical personnel assigned to assist, except for the reasonable local accommodations for our technical personnel, which are the responsibility of the Master Franchisee. If you require additional assistance and training after the first Beverage Outlet opening, we may provide further training at a rate of $400 per person per day. We estimate that your travel expenses, such as food, beverage, and lodging for the technical personnel, will amount to $200 per person per day. Please note that the initial training typically lasts 15 days without any additional follow-up training.

Refundability of Fees

The initial franchise fee, equipment, inventory, and the training fee (if necessary) are non-refundable. The security deposit is refundable after we have deducted any necessary expenses and damages.

ITEM 6 OTHER FEES

All fees disclosed in this Item do not include fees and initial investment for a unit franchise.

Type of Fee	Amount	Due Date	Remarks
Royalty[1]	1% of gross revenue	Before the tenth (10) of the subsequent calendar month	The Master Franchisee shall pay a royalty to Franchisor in the amount of one percent (1%) of the actual net sales before tax of the stores operated by Master Franchisee and Franchisee in a given month before the tenth (10th) day of the subsequent calendar month. Master Franchisee shall collect royalties from third-party unit franchisees to remit to the Franchisor. Master Franchisee will not be required to collect and remit to the Franchisor any other fees collected from unit franchisees. *See section 7.1 of Master Franchise Agreement.*
Renewal Fee[1]	$100,000	On or before you sign the renewal Master Franchise Agreement[3]	You are qualified for renewal if you pay all fees and are not in breach of any term of the Master Franchise Agreement. You have to pay us $100,000 when you request a renewal to the Master Franchise Agreement, and you must agree to open and sublicense additional ten (10) outlets in your territory. *See section 1.4 of Master Franchise Agreement.*
Seasonal Training	$4,500 per trainer	Before we perform the special training	The seasonal training is not mandatory. Master Franchisee may request franchisor for the training for new employees or beverages. The training program shall constitute a fifteen (15) day training. The location of training shall be at Master Franchisee's outlet. Master Franchisee shall pay for the trainer's flight tickets, lodging, food and

			beverages, local transportation, and application fee for the visa or working permit. Master Franchisee shall pay $4,500 for one trainer of the seasonal training. *See section 9.3 of Master Franchise Agreement.*
Additional Training and Support[4]	$4,500 per trainer	Before we perform the additional training and support	Additional Training is not mandatory. Master Franchisee may request franchisor for the training and support when it opens and operates additional outlets. The training shall constitute a fifteen (15) day training. The location of training shall be at Master Franchisee's outlet. Master Franchisee shall pay for the trainer's flight tickets, lodging, food and beverages, local transportation, and application fee for the visa or working permit. The hotel for the trainer shall at least be four stars. Master Franchisee shall pay $4,500 for one trainer of the additional training and support. *See section 9.4 of Master Franchise Agreement.*
Ongoing Raw Material Fees	Actual order	50% when placing order, and the remainder before to loading of shipment	Master Franchisee shall use the standard purchase order provided by Franchisor to order any equipment, machinery and raw materials from Franchisor. 50% of the Payment shall be made in advance upon placing such order and the full amount must be paid via wire transfer prior to loading of shipment. The delivery term starting from confirmed full payment of such purchase order by both Parties expect for any delay attributable to Force Majeure. Master Franchisee shall bear any necessary certification fees if certification for equipment and raw materials is required. *See section 10.2 of Master Franchise Agreement.*
Extra Order	$150 and	Before we ship	The minimum order quantity for sea

and Transportation Fee	actual cost incurred	your order	shipment shall be 20 ft. container x 1 (minimum loading is 60% for dry cargo container and 50% for refrigerated container). The minimum order for air freight and combined freight shall be $10,000 respectively. If any order is less than the minimum order mandated, Master Franchisee shall be charged an extra $150 for the order. Master Franchisee shall be liable for additional fees for combined freight and pallets. If the order for raw materials does not reach the minimum quantity specified in the Agreement, Master Franchisee shall bear actual cost incurred. The actual cost includes, but not limit to, cost of transportation and labelling. Master Franchisee shall not refuse the shipment if the raw materials are shipped within first half of the term of validity.
Indemnification to violation of laws	The actual losses and expenses	When you receive the notice	Master Franchisee is obligated to thoroughly understand the relevant local laws, regulations and administrative orders as well as any amendments thereto with regard to food safety, hygiene, and importation. Master Franchisee shall provide a complete, accurate and timely report to Franchisor. The content of such report shall be clear and sufficient so that both Parties may identify whether the raw materials supplied is in compliance with the relevant local laws, regulations and administrative orders for food safety, hygiene, and importation. The report shall also include names of food additives that are prohibited and the permissible amount of food additives. In case of any violation by Franchisor of local laws, regulations and administrative orders with regard to food safety, hygiene, and

			importation attributable to Master Franchisee's report being not complete, accurate or the latest, Master Franchisee shall not seek any compensation from Franchisor and shall indemnify Franchisor for its Losses and Expenses. *See section 10.5 (a) of Master Franchise Agreement.*
Health Inspection Fees	The actual cost of inspection	Before we perform the inspection	We may dispatch personnel to your outlet and inspect beverages if we receive any notice that your outlet is providing beverages that use expired raw materials. We may request you provide samples of raw materials to a specific organization for further inspection or test. If the inspection fails our standard, we will ask you to cure the defects. You shall pay us all the fees relating to a health inspection. *See section 10.5(c) of Master Franchise Agreement.*
Breach by the unit franchisee	Actual losses and expenses	When it occurs	Master Franchisee shall procure Franchisee to comply with this Section. Any breach of this Section by Franchisee shall be deemed as breach of Master Franchisee itself and it shall pay the damages and penalty to and compensate Franchisor for its Losses and Expenses. *See section 10.7 of Master Franchise Agreement.*
Cost of testing and approval for an alternative supplier	Actual costs	When it occurs	Master Franchisee and the suppliers may request approval by submitting the request to Franchisor in writing. Master Franchisee and the supplier shall reimburse Franchisor for all costs that Franchisor incur in the testing and approval process of approval of such supplier. *See section 12.2 of Master Franchise Agreement.*
Costs, expenses, and	Actual costs and damages	When it occurs	If Master Franchisee fails to submit advertisements or promotional activities

damages associated with advertisement			and does not cure within the specified period upon Franchisor's request, Franchisor may claim against Master Franchisee for costs, expenses and damages incurred. *See section 16.3 of Master Franchise Agreement.*
Penalty for loss of confidential information	Actual losses and expenses	When it occurs	Master Franchisee shall automatically return, delete or destroy Confidential Information upon expiration, rescission or termination of this Agreement. Master Franchisee shall not personally or have any third party keep any of reproduced files, photographs, photocopies or transcriptions thereof; nor shall Master Franchisee disclose the same to any individual, juridical person, partnership, or entity within and outside of Territory. If Master Franchisee breaches this Section so that a third party steals from Master Franchisee or becomes aware of such Confidential Information, Master Franchisee shall be responsible and pay the breach penalty to and compensate Franchisor for its Losses and Expenses. *See section 21.2(b) of Master Franchise Agreement.*
Penalty for beach of the Master Franchise Agreement	$30,000	When a violation occurs	If there is any material breach of the Agreement, Franchisor may claim against Master Franchisee for a penalty in the amount of $30,000. *See section 24.2 of Master Franchise Agreement.*
De-identification Fees	$2,000 per day	When a violation occurs	Within seven (7) days after expiration, termination, or rescission of the Master Franchise Agreement, you have to remove any signs, printing, and publicity materials that bear our trademark. If you fail to remove within the period, you have to pay us $2,000 per day until the date of removal. *See section 5.1(b) of Master Franchise Agreement.*

Reimburseme nt Fees to De-identification	Actual Cost of Removal	When the Fees incurred	We may remove the signs, printing, and publicity materials after ten (10) days of expiration, termination, or rescission of the Master Franchise Agreement. You have to pay us the actual fee incurred. *See section 5.1(c) of Master Franchise Agreement.*

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

2. We may adjust the fees, since the effective date of the Master Franchise Agreement in the annual average of the consumer price index for all urban consumers ("CPI"), or the highest similar future index if these figures become unavailable.

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

ITEM 7 ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee[1,2]	$250,000 to $350,000	Lump sum	Within 10 days after you sign Master Franchise Agreement, half of the Franchise Fee needs to be paid; the balance shall be paid 10 days before opening of the first Beverage Outlet	Us
Security Deposit[1,2]	$30,000 to $60,000	Lump sum	Within 10 days after you sign Master Franchise Agreement.	Us
Equipment	$10,000 to $15,000	Lump sum	Before we ship the equipment	Us

Inventory	$5,000	Lump sum	Before you open the outlet	Us
Training expenses[2,3]	$5,000 to $10,000	As incurred	Ten (10) days after training.	Airline, travel, and lodging vendors
Point of sale system[2,5]	$1,000 to $2,000	As incurred	As arranged	Suppliers and vendors
Interior/exterior signs and graphics[2,6]	$3,000 to $5,000	As incurred	As arranged	Suppliers and vendors
Professional fees[2,7]	$25,000 to $30,000	As incurred	Before and during opening	Attorneys, accountants, and other professionals
Business licenses and permits[2,4]	$3,000 to $5,000	Lump sum	As arranged	Government agencies
Grand opening advertising and Promotion[2,9]	$5,000 to $10,000	As incurred	During the 90 days after you open	Advertisers and other suppliers
Business insurance[2,10]	$2,000 to $5,000	Lump sum	As arranged	Insurance companies
Additional Funds- 3 months[11]	$20,000 to $40,000	As incurred	As incurred	Employee, suppliers, utilities
TOTAL[11]	$359,000 to $537,000			

Notes:

1. To be eligible for signing the Master Franchise Agreement, you must fully pay the fees by the specified deadline and furnish us with credible evidence of your financial capacity to undertake the initial investment mentioned earlier. Additionally, you must grant us permission to conduct a credit check to verify your financial capability to acquire and develop the Outlet.

2. While we cannot guarantee this outcome, should your business fail to open, you may be eligible for a refund of any remaining security deposit from us and from other suppliers for unused inventory, unspent advertising, and canceled insurance. Otherwise, the payments specified in the

above table, including the Initial Master Franchise Fee, are nonrefundable.

3. The training program comprises two stages: the first stage entails ten days of training at our headquarters in Taiwan, and the second stage involves ten days of on-site training at your stores before the grand opening. The associated costs cover the training fee and travel and living expenses for you and your staff during training.

4. Please ensure you obtain the required licenses and permits to operate your business and consult local agencies or legal professionals for guidance on this matter.

5. The Point of Sale (POS) system consists of a cash register, receipt printer, computer system, and credit card processing equipment. You are required to procure the POS system from us and grant us unrestricted access to monitor your franchise's gross revenue.

6. Signage requirements such as quantity, size, type, and cost will vary significantly based on lease space, landlord stipulations, and local government regulations. The provided estimates include the average filing fees for obtaining necessary sign permits.

7. This encompasses registering your franchise business with the state agency, reviewing the unit franchise agreement executed between you and your franchisees, and handling other legal documents related to establishing San Chen franchise outlets.

8. Before executing unit franchise agreements with Franchisees, you must purchase the initial proprietary tea, fruit, and other proprietary ingredients required for making San Chen beverages (costing between $10,000 and $15,000), as well as proprietary administrative supplies such as flyers, recruitment and grand opening canvas strips, sale trial canvas strips, and advertising sign stands including promotion racks (costing between $3,000 and $5,000) from us.

9. We will offer you complimentary promotion through our unified website.

10. As an independently owned and operated franchise, you are responsible for all costs or liabilities arising from running the business. It is crucial to have adequate insurance coverage for protection. We suggest obtaining insurance from a local provider. The current recommended minimum coverage and limits of insurance include (i) general liability insurance with limits of at least $1,000,000 per occurrence and $2,000,000 aggregate, and (ii) workers' compensation insurance to meet the statutory coverage of the state where your business operates. If legally permissible, these insurance requirements can be satisfied using a combination of primary, umbrella, and excess policies. Except for workers' compensation policies, all insurance policies will list you as the insured. You must also name us, our subsidiaries, and affiliates on an additional insured endorsement form, and include employees, officers, and directors on the additional insured

forms. Premium costs will vary based on the Outlet's location and any prior claim history. The required coverage and limits are subject to change.

11. The estimates provided represent your initial startup expenses. Please note that these figures are approximate, and we cannot assure you that there will be no additional costs when starting the business. We do not finance any portion of the initial investment. Our founder and CEO's fifteen years of experience were used in determining these figures. We advise you to thoroughly review these estimates with a business consultant before deciding to purchase the franchise.

ITEM 8 RESTRICTION ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases

All Beverage Outlets must be developed and operated according to our specifications and standards. Uniformity of products sold is crucial, and you have no discretion in the products you sell. We may periodically modify the systems, menu, standards, and requirements for facilities, signage, equipment, and fixtures.

Periodically, you may need to make additional investments in the franchised business during the franchise term if changes are made, equipment or facilities wear out, become obsolete, or for other reasons, such as compliance with updated system standards or code changes.

The San Chen system has been developed through significant time, effort, and financial investment by us and our affiliates. We have acquired expertise in the system, which encompasses producing, merchandising, and selling San Chen tea, bubble tea, coffee, compatible food products, and other approved products and merchandise. Our system's distinguishing characteristics include proprietary marks, unique exterior and interior design, décor, color schemes, identification, and furnishings; special menu items; standardized operations, manufacturing, distribution, and delivery procedures; product and service quality and safety; management systems and programs; training and assistance; and marketing, advertising, and promotional programs. You must adhere to our high and uniform standards of quality, safety, cleanliness, appearance, and service. We expect these standards to evolve over time, and you must comply with these changes.

Required and Approved Suppliers

The reputation and goodwill of the San Chen system depend on offering high-quality products. All beverage products, supplies, equipment, materials, and services for your Beverage Outlet must meet our specifications, standards, and requirements. You must purchase these items from approved suppliers, including manufacturers, distributors, and other providers of goods and services.

You can anticipate that over 93.5% of the total purchases for establishing and operating the franchised business will be made from approved suppliers per our specifications. Suppliers are required to share shipping, distribution, and all other information with us, and your cooperation is mandatory.

Approval of Alternative Suppliers

You may suggest alternative suppliers, but they must demonstrate their ability to meet all specifications, standards, and requirements, and have sufficient capacity to supply franchisees' quality and delivery needs. This may include supplying all franchisees in the San Chen system. Before approving any supplier, we may consider factors such as product consistency and name brands, economies of scale, and unique benefits offered by the supplier, such as new product development capabilities. When approving a supplier, we take the San Chen system as a whole into account, meaning certain franchisees may pay higher prices than they would with an unapproved supplier. We reserve the right to withhold approval of a supplier for any reason. A list of approved suppliers is available upon request.

Our criteria for approving alternative suppliers are not available to you or your proposed suppliers. You and the supplier may request approval by submitting a written request to us. We may require samples from the supplier to be sent to us or an independent testing laboratory before approval and use. All requests will be reviewed according to our current procedures, and we will consider our available resources, which may impact the response time. The supplier must meet our current specifications, standards, and requirements, which may include signing a non-disclosure agreement and providing a guarantee or performance bond. We may change our specifications, standards, and requirements at any time, without limitation. If the proposed supplier is initially approved or rejected, we will notify you and the supplier within 60 days, depending on the products or services involved. We may withdraw our approval at any time for various reasons, such as the supplier's performance not meeting our criteria, changes to our specifications, standards, or requirements, or other factors. You or the supplier must reimburse us for all costs incurred during the testing and approval process, regardless of the supplier's approval status.

We may limit the number of potential suppliers that we consider for approval, and for some categories of products, we may designate a third party or ourselves as the exclusive supplier. We have exclusive supplier arrangements for certain categories of products or services, including purchasing, distribution, fountain and packaged beverage products, point of sale equipment, integrated point of sale back office, help desk support, and high-speed internet access.

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and fulfill other insurance-related obligations as stated in the Master Franchise Agreement.

Premiums depend on the insurance carrier's charges, terms of payment, and your history. All insurance policies must name us as an additional insured party.

Revenue from Required Purchases

In the last twelve (12) months, except as disclosed below, neither we nor any of our affiliates derived revenue, rebates, or other material consideration from required purchases or leases. Our parent company, Fang Yuan F&B International Co., Ltd., will derive revenue from required purchases or leases by San Chen subfranchisors. In 2023, Fang Yuan F&B International Co., Ltd. generated revenue of $11,344,184, of which $6,400,388, was derived from mandatory purchases and leases made by franchisees. This accounted for 56.42% of Fang Yuan F&B International Co., Ltd.'s total revenue, emphasizing the significant contribution of required purchases and leases to the company's overall earnings.

Payments to us and purchases from designated vendors and approved suppliers (i) in establishing your franchise business will range from 28% to 36% of your subfranchisee's total initial investment and (ii) in operating the Outlet will range from 23% to 27% of your total monthly expenses.

Other Requirements

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

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

Cooperatives

Currently, there are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms) for the benefit of the San Chen system. We do not provide material benefits to you (such as renewal or granting additional franchises) based on your purchase of specific products or services or use of particular suppliers.

Negotiated Prices

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

ITEM 9 FRANCHISEE'S OBLIGATION

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

Obligation		Section in Master Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	3.2	6,11
b.	Pre-opening purchases/leases	12.3-12.9	8
c.	Site development and other pre-opening requirements	3-1	6, 7, 11
d.	Initial and ongoing training	9	11
e.	Opening	3.2	11
f.	Fees	6, 7, 8	5, 6
g.	Compliance with standards and policies/ operating manual	1.1, 16.2	11
h.	Trademarks and proprietary information	1.1, 2.1, 4.1, 4.4, 4.5, 4.6, 20.1	13,14
i.	Restrictions on products/services offered	10.2	16
j.	Warranty and customer service requirements	2	11
k.	Territorial development and sales quotas	1.1, 3.1	12
l.	Ongoing product/service purchases	10.2, 12.3-12.5	8
m.	Maintenance, appearance and remodeling requirements	12.7, 13, 19.3, Appendix 2	11
n.	Insurance	10.6	6, 8
o.	Advertising	16	6,11
p.	Indemnification	10.5 (a)-(b), 24	6
q.	Owner's participation/management/staffing	Not applicable	11,15
r.	Records and reports	7.2-7.4	6
s.	Inspections and audits	7.4, 12.11, 17.4	6,11
t.	Transfer	27.2	17

u.	Renewal	1.4, Appendix 2	17
v.	Post-termination obligations	5.1, 22.2, 23, 24	17
w.	Non-competition covenants	22	17
x.	Dispute resolution	25.2, 25.3	17
y.	Compliance with anti-terrorism and other federal laws	Not applicable	Not applicable

ITEM 10 FINANCING

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

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

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

Pre-Opening Assistance

Before you open the Beverage Outlet

We will provide you with training within 90 days following your acquisition of the Master Franchise. As the Designated Operator, you and any proposed Manager (if approved by us) must attend and successfully complete our initial training program to our satisfaction. We will determine whether you or your Manager (if approved by us) have satisfactorily completed our initial training. If the training is not completed satisfactorily, we may terminate the Agreement. If at any point during the Agreement term, you fail to have a replacement Manager or successor Designated Operator attend the mandatory training and receive certification as meeting our requirements, we may impose a Support Fee of $1,000 per week, plus travel and living expenses, until the replacement successfully completes our required training. You are responsible for covering all expenses incurred by you, your Manager, and other personnel for any training program, including costs of travel, lodging, meals, and wages.

Upon executing your Agreement, we will provide you with our current written Site Selection Guidelines for your office, which may differ from those for Unit Franchisees. If you identify a site, we will approve or disapprove the site within 30 days after receiving the Location Report from you. If we cannot reach an agreement on a site, we may extend the time for you to secure a site, or we may cancel the Agreement. In the future, we may engage a commercial real estate brokerage company to assist you in finding a suitable site.

Concurrent with the execution of your Agreement, we will loan you one copy of the Manual, containing both mandatory and suggested specifications, standards, and procedures. The Manual is confidential and remains our property. We reserve the right to modify the Manual. The Table of Contents for the Manual is attached to this Document as Exhibit C.

Within 30 calendar days of executing your Agreement, we will provide you (through the Manual or otherwise) with specifications for the layout and design of your office.

Within 30 calendar days of executing your Agreement, we will provide you (through the Manual or otherwise) with a list of the equipment, products, fixtures, furnishings, supplies, and signage to be used in your office.

We will grant you a license to use our trademarks.

We will offer consultation and advice on advertising, marketing, and promotion Fund activities for the Unit Franchisees.

We are not obligated to provide any other service or assistance to you before you open for business.

We are selling or plan to sell franchises under a "Master Franchise Agreement," where the new master franchisee ("Master") will acquire rights to a substantially larger territory than a Unit Franchisee and will have specific rights to open a designated number of San Chen Beverage Outlets, either owned and operated by itself or purchased and operated by third parties. Consequently, the Master who acquires a Master License franchise will function as a sub-franchisor, with those buying a franchise from it considered sub-franchisees. These outlets purchased from the Master will be substantially similar to the Unit Franchise business.

Typical Length of Time Before Operation

We will authorize the opening of your office upon meeting the following conditions: (1) the completion of all pre-opening obligations, (2) the successful completion of pre-opening training, (3) the payment of all amounts due to us, (4) the receipt of copies of all required insurance policies (and payment of premiums) and other necessary documents by us, and (5) the approval of all required permits. The timeframe between signing the Master Franchise Agreement, payment of your initial franchise fees, and the opening of your Beverage Outlet must not exceed six months. In certain cases, at our sole discretion, we may extend the opening time by an additional three months. There may be occasions when the site is not available for several months due to factors such as construction, rebuilding, zoning variances, and other circumstances beyond both our and your control.

Our Obligations During the Operation of the Franchise Business

During the operation of the franchised business:

We will determine or approve specific equipment and suppliers for utilization in the franchised business.

Upon your request, we will offer supplementary training for you and any of your employees. All costs associated with this additional training will be your responsibility.

In the event that you fail to obtain and maintain suitable insurance coverage, we reserve the right to secure the coverage on your behalf and subsequently pass the associated costs onto you.

The Marketing Fund and Advertising

As of the issuance date of this Franchise Disclosure Document, we have not yet established a Marketing Fund. However, we may create a Marketing Fund in the future, which we will administer and collect marketing fund fees from.

We will oversee all public relations, advertising, and promotions, exercising sole discretion over the messaging, creative concepts, materials, and media used in these programs, as well as their placement and allocation. The Marketing Fund will finance these activities. Contributions to the Marketing Fund may be allocated to traditional advertising efforts, such as website development, social media, public relations, advertising campaigns (television, radio, print, or other media), or other initiatives aimed at raising awareness of the San Chen brand.

We are not obligated to ensure equal distribution of Marketing Fund activities or funds among franchisees or all Beverage Outlets in a particular area. A brief statement regarding the availability of San Chen Beverage Outlet franchises may be included in advertising and other materials produced using the Marketing Fund, but we will not otherwise use the Marketing Fund to pay for franchise sales or solicitations.

Reasonable disbursements from the Marketing Fund will be made solely for covering expenses related to the general promotion of the Marks and the System, including the cost of creating, developing, and implementing advertising and promotional campaigns, as well as the reasonable costs of administering the Marketing Fund, such as accounting expenses and the actual costs of salaries and fringe benefits paid to our employees involved in the administration of the Marketing Fund. The Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Marketing Fund. Upon written request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Marketing Fund.

We are not required to spend all Marketing Fund contributions in the fiscal year they are received.

You are responsible for local marketing activities aimed at attracting prospective franchisees. You may develop advertising materials for your own use and at your own expense. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks or other forms of commercial identification) for any media, including the Internet, World Wide Web, or otherwise. You must first obtain our advanced written approval before engaging in any form of co-branding or advertising with other brands, products, or services.

You must adhere to the social media guidelines, code of conduct, and etiquette outlined in the Manual concerning social media activities. Any social media usage related to the Beverage Outlets must be in good taste and not linked to controversial, unethical, immoral, illegal, or inappropriate content. You will promptly modify or remove any online communication pertaining to the Beverage Outlet that does not comply with the Unit Franchise or Master Agreement or the Manual.

We reserve the right, if necessary and at our sole discretion, to establish a Franchisee Advertising Council. This council will consist of an elected body of San Chen Beverage Outlet franchisees with the purpose of providing us with input on advertising and marketing issues. The Franchise Advertising Council will operate under its own by-laws and will serve a purely advisory role, with no operational or decision-making authority. We have the power to form, modify, or dissolve any such advertising council.

Training

You will not receive training specifically tailored for operating your Master business, but rather the training that a Unit Franchisee would require, with which you should be familiar. Prior to the opening of your office, we will provide you and any Regional Manager ("Manager") with a mandatory Initial Training Program at our training facility. We do not charge a fee for the Initial Training Program if you and your manager attend training simultaneously. If the franchisee is a business entity, the Designated Owner(s) named in the Master Agreement or the Manager must successfully complete the initial training at the training center, any additional required training, and continuously comply with all training requirements to our satisfaction. Subject to availability and our approval, you may have additional employees attend the training program concurrently with you at no extra cost. However, you are responsible for all travel, lodging, food, wages, wage-related expenses, and other expenses associated with training for you and your employees.

Our Initial Training Program lasts approximately 15 days, or any other duration that we determine at our sole discretion, and consists of a combination of classroom training at our training center or another location we designate, and on-the-job training at a Beverage Outlet owned by our affiliate or another training facility we designate. The training covers fundamental aspects of establishing and operating a Beverage Outlet, including beverage-making techniques, the POS reporting system, the Computer System, forms, cost control, purchasing, inventory management and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions, and maintaining quality standards. You and/or your Manager must attend all scheduled training days and times, and must complete the Initial Training Program to our satisfaction.

We reserve the right to reduce the duration and scope of your training if you have prior experience in certain areas and you agree that the training is not necessary.

Training requirements are communicated and updated through periodic memos, publications, and manuals. The following is the Table of Contents of the Educational and Functional Training Manual as of the date of this disclosure document:

Topic	Number of Pages
Chapter 1 Brand Introduction Business: Brand Introduction	6
Chapter 1 Brand Introduction Business: Business Philosophy	7
Chapter 2 Clothing and Service: Appearance and Dress Code	10
Chapter 2 Clothing and Service: Service Essentials	12
Chapter 3 Checkout Counter Recognition and Teaching: Procedure at Check Out Counter	14
Chapter 3 Checkout Counter Recognition and Teaching: Drink Item Introduction	18
Chapter 3 Checkout Counter Recognition and Teaching: Beverage Serving Process	21
Chapter 3 Checkout Counter Recognition and Teaching: The Assessment Forms Dedicated to Checkout Counters	25
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Leaves Knowledge	32
Chapter 4 Tea Brewing Knowledge and Teaching: The Introduction of Teapresso Machines	33
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Utensils	33
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Process	34
Chapter 4 Tea Brewing Knowledge and Teaching: Cleaning Process After Tea Brewing	35
Chapter 4 Tea Brewing Knowledge and Teaching: Teapresso Machine Backwash	36
Chapter 4 Tea Brewing Knowledge and Teaching: Teapresso Machine Handles Cleaning Process	37
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Assessment Forms	38
Chapter 5 Kitchen Knowledge: Utensil Introduction	41
Chapter 5 Kitchen Knowledge: Material Introduction	42

Chapter 5 Kitchen Knowledge: Material Storage Location	42
Chapter 5 Kitchen Knowledge: Material Conditioning	42
Chapter 5 Kitchen Knowledge: Material Expiries	46
Chapter 5 Kitchen Knowledge: Material Preparation Registration Forms	46
Chapter 5 Kitchen Knowledge: Kitchen Assessment Forms	47
Chapter 6 Bar Counter: Utensil Introduction	51
Chapter 6 Bar Counter: Beverage Preparing Process	52
Chapter 6 Bar Counter: Drink Making Process	52
Chapter 6 Bar Counter: The Maintenance Method of Quantitative Fructose Dispenser Machine	54
Chapter 6 Bar Counter: Bar Counters Assessment Forms	57
Chapter 7 Tasting Knowledge: Utensil Introduction	60
Chapter 7 Tasting Knowledge: Tea Leaves-Qingxin Oolong Tea	60
Chapter 7 Tasting Knowledge: On-Site Brewed Tea Integrated with Designated Terminology and Phrases	62
Chapter 7 Tasting Knowledge: On-Site Brewing Designated Terms and Phrases Procedure Q&A	66
Chapter 7 Tasting Knowledge: Tasting Assessment Forms	67
Annex I: Chi Cha San Chen-Lishan Oolong Tea	68
Annex II: Product and Sales Planning	74
Total Pages	76

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

Training Program

Topics	Hours of Classroom Training	Hours of On the Job Training	Location
Brand Introduction, Philosophy, and Dress Code	8	0	Taichung, Taiwan
Greeting, Drink Serving, Order, Operation of Point of Sale System, Confirmation after Ordering, and Beverage Pickup Procedure	6	2	Taichung, Taiwan
Introduction to the Base Tea, Honey, Fruit Tea, Milk, Toppings, and All-Star Products (Part 1)	6	2	Taichung, Taiwan
Introduction to the Base Tea, Honey, Fruit Tea, Milk, Toppings, and All-Star Products (Part 2)	6	2	Taichung, Taiwan

Introduction to the Base Tea, Honey, Fruit Tea, Milk, Toppings, and All-Star Products (Part 3)	6	2	Taichung, Taiwan
Introduction to Packing and Serving of Beverages	6	2	Taichung, Taiwan
Introduction to Knowledge of Tea Leaves, Teapresso Machines, Tea Brewing Utensils, Tea Brewing Process, Cleaning Process after Brewing, Cleaning and Washing to Teapresso (Part 1)	8	0	Taichung, Taiwan
Introduction to Knowledge of Tea Leaves, Teapresso Machines, Tea Brewing Utensils, Tea Brewing Process, Cleaning Process after Brewing, Cleaning and Washing to Teapresso (Part 2)	8	0	Taichung, Taiwan
Introduction to Knowledge of Tea Leaves, Teapresso Machines, Tea Brewing Utensils, Tea Brewing Process, Cleaning Process after Brewing, Cleaning and Washing to Teapresso (Part 3)	0	8	Taichung, Taiwan
Introduction to Utensil, Raw Materials, Storage, Preparation of Registration Forms (Part 1)	8	0	Taichung, Taiwan
Introduction to Utensil, Raw Materials, Storage, Preparation of Registration Forms (Part 2)	4	4	Taichung, Taiwan
Introduction to Maintenance Method of Quantitative Fructose Dispenser Machine (Part 1)	8	0	Taichung, Taiwan
Introduction to Maintenance Method of Quantitative Fructose Dispenser Machine (Part 2)	4	4	Taichung, Taiwan
Introduction to Maintenance Method of Quantitative Fructose Dispenser Machine	6	2	Taichung, Taiwan
Introduction to Operating behind Bar Counters	4	4	Taichung, Taiwan
On-site Operational Training Preparation of Cold Drinks and Hot Drinks; Customer Service at an Operational Outlet	0	120	CA
Total	88	152	

The training program detailed above is effective as of the date of this disclosure document. Initial classroom training in Taiwan is typically provided within 60 days before your outlet opens and is usually scheduled no more frequently than monthly. All classroom training takes place in Taichung City, Taiwan, or another training center designated by us. All on-the-job training occurs at our training center, which is equipped with the necessary machines, apparatus, and devices. The on-site operational training takes place at your outlet in California.

The instructional material consists of relevant handouts and information sourced directly from the Manual. Currently, our principal instructors are experienced staff members of our Training Department, who have at least three years of experience in the subject matters being taught.

We do not charge for the first stage of training for up to five of your employees. After the training programs, there will be a performance evaluation designed to test your employees' required knowledge. Based on our experience, all trainees who attend the entire training program typically pass the evaluation. If any trainees fail the evaluation, you must send other trainees to complete the training. For each additional trainee, you will need to pay us a training fee of $4,500. You must also cover all travel and living expenses for the individuals you send to training.

The second stage of on-site training will be conducted at your outlet before the business opens. This stage of training is free for you and lasts for 15 days. You are responsible for covering the actual costs of the trainers' flight tickets, hotels, local transportation, and food.

The successful completion of training by your employees to our satisfaction is a prerequisite for opening an Outlet to the public. If your designated employees fail to complete initial training satisfactorily, you have the option of sending a replacement approved by us to the initial training. We will issue a Certificate of Completion upon successful completion of the training.

After the Beverage Outlet is opened, and upon reasonable notice, we may require the attendance of your designated personnel at training courses, seminars, conferences, or other programs, other than Initial Training or mandatory meetings, which we deem relevant or appropriate to the operation of the Franchised Business. You specifically agree in the Master Franchise Agreement that only persons we train or those under your supervision will have overall responsibility for the operation of the Outlet and conduct of the Franchised Business, and that you will send your employees to us for additional training if we request it. We may, at our discretion, charge you an additional training fee of $4,500 for one trainer from us. In general, we will not initiate additional training unless we receive requests from you or customer complaints regarding poor quality of goods and services provided at the Outlets.

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

We may periodically conduct an annual conference, convention, or training session. If we do, we will determine its duration, curriculum, and location. Attendance of at least one of your employees at these meetings will be mandatory.

ITEM 12 TERRITORY

The Master Franchise is for a territory agreed upon under the Master Franchise Agreement, and the Territory does not encompass non-traditional venues. You will be granted an exclusive Territory, ensuring you will not face competition from other franchisees, outlets we own, or other distribution channels or competitive brands under our control.

The minimum Territory granted to you will encompass a population of at least 5 million. We will not approve the relocation of your Master Franchise territory, as it would impact other Master Franchisees or Unit Franchisees' Territories, which we cannot alter solely based on our decision.

You will not receive any rights of first refusal or similar rights to acquire additional franchises. We grant you a Territory specified under the Agreement. The continuation of territorial exclusivity is not contingent upon achieving specific sales volume, market penetration, or other factors. We will not alter your Territory. However, certain requirements under the Agreement must be met, and we reserve the right not to renew the Agreement if you fail to meet these requirements. We cannot modify your territorial rights under any circumstances. Once the Territory is agreed upon under the Agreement, we will not have the right to unilaterally modify, change, or alter it.

Upon signing a Unit Franchise Agreement with Subfranchisees, the terms shall stipulate that you and your affiliates may not open, franchise, or license the operation of San Chen outlets within the Subfranchisees' exclusive territory. This protected territory will also apply to your own outlet.

We will not solicit or accept orders from consumers within your Territory. Neither we nor our affiliates reserve the right to use other distribution channels, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your Territory using our principal trademarks.

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

We prohibit you from soliciting or contacting potential Unit Franchisees outside your Territory, and all outlets must be within your exclusive Territory. You are not allowed to use other distribution channels, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Territory.

Neither we nor our affiliate operate any franchise business under another trademark.

ITEM 13 TRADEMARKS

We grant you the right to operate under the name "San Chen." You may also use other current or future trademarks. The term "trademark" refers to trade names, trademarks, service marks, and logos used to identify your business and the Beverage Outlets. The following Marks are registered by us on the Principal Register of the United States Patent and Trademark Office.

Mark	Registration/ Serial No.	Registration or Application/Filing Date
San Chen (Word Mark)	Registration No 6025313	Registration Date March 31, 2020
(Design Mark)	Registration No 6025312	Registration Date March 31, 2020

You are licensed to operate and identify the outlet under the principal trademark "San Chen," "Chi Cha San Qian," logotype displayed on the cover of this disclosure document, and other current or future trademarks.

On February 19, 2019, we filed the principal trademark "San Chen" with the United States Patent and Trademark Office (USPTO) for registration on the Principal Register in classes 30, 35, and 43, serial number 88307356. The trademark was registered on March 31, 2020, with registration number 6025313.

On February 12, 2019, we filed another trademark "Chi Cha San Qian" with the USPTO for registration on the Principal Register in classes 30, 35, and 43, serial number 88307352. The trademark was registered on March 31, 2020, with registration number 6025312.

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

You must adhere to our guidelines when using the marks. You may not use our principal trademark as part of a corporate name or with modifying words, designs, or symbols, except for those we license to you. You may not use the trademarks in connection with the sale of any unauthorized product or service or in any manner that we have not authorized in writing.

We reserve the right to control any administrative proceedings or litigation involving a trademark licensed to you. You must promptly notify us if you become aware of any alleged infringement, unfair competition, unauthorized third-party use, or challenge to your use of the trademarks. We will promptly take the action we deem appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition, or similar claims regarding the trademarks. However, we have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Master Franchise Agreement.

If you learn that any unauthorized third party is using our trademarks or any variant thereof, you must promptly notify us. We will determine whether or not to take any action against the third party.

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

Except for our parent company's proprietary rights in the marks, there are no infringing uses or previous superior rights known to us that can materially affect your use of the marks in this state or any other state where the franchised business is to be located.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You are not granted the right to use any item protected by a patent or copyright; however, you are permitted to use the proprietary information contained in the Manual. The Manual is described in Item 11, which also outlines the limitations on its use by you and your employees.

We have no registered copyrights or pending patent applications that are material to the franchise. Nevertheless, we claim copyrights on certain forms, advertisements, promotional materials, software source code, and other confidential information as defined below.

At present, there are no effective determinations by the Copyright Office (or any court) regarding any of the copyrighted materials. No agreements are in effect that significantly limit our right to use or license the copyrighted materials. Additionally, there are no known infringing uses that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or you in connection with any copyrights.

In general, our proprietary information includes "Confidential Information" as defined in Section 21.1 of the Master Franchise Agreement. Some of this information is contained in our Manual and encompasses, among other things, all current and future information related to the operation of the Beverage Outlet or the System. This includes (i) manuals, training, techniques, processes, policies, procedures, systems data, and know-how regarding the development, marketing, operation, and franchising of the Beverage Outlets, (ii) designs, specifications, and information about products and services, and (iii) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We disclose to you the Confidential Information needed for the operation of a San Chen Beverage Outlet, and you may learn additional information during the term of your franchise. We hold all rights to the Confidential Information, and your only interest in it is the right to use it under your Master Franchise Agreement.

Both during and after the term of your Master Franchise Agreement, you must use the Confidential Information solely for the operation of your business, maintain its confidentiality, refrain from making or distributing (or allowing to be made or distributed) any unauthorized copies of any portion of the Confidential Information, and adhere to all prescribed procedures for preventing unauthorized use or disclosure of the Confidential Information.

We reserve the right to use and authorize others to use all ideas, techniques, methods, and processes relating to the Beverage Outlet that you or your employees conceive or develop.

Furthermore, you agree to fully and promptly disclose all ideas, techniques, and other similar information relating to the franchise business that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas without compensation or other obligation.

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

You may appoint a Regional Manager or a Manager (collectively referred to as "Manager"), who has successfully completed our training program and meets our current standards, to assist in the direct, day-to-day supervision of your business operations.

You are solely responsible for hiring and managing your employees, establishing their employment terms, and ensuring their compliance with any training or other requirements set by us. You must keep us informed, in writing, about any Manager involved in the operation of your business and provide their contact information.

You and your employees must adhere to the confidentiality provisions outlined in Item 14. You are required to execute a personal guarantee concurrently with the signing of the Master Franchise Agreement. If you are a legal entity with more than one owner, all owners, shareholders, partners, joint ventures, the franchisee's spouse, and any other person who directly or indirectly owns a 10% or greater interest in the franchised business must also execute a personal guarantee.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sake and sell, only and all those products and services, and deal only with those suppliers, that we authorize or require, and have authorized (Item 8). We do not expect that you will have few if nay products to sell. Failure to comply with your purchasing restrictions may result in the termination of your Master Franchise Agreement.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time.

You must refrain from any merchandising, advertising or promotional practice that is unethical or may be injurious to our business and/or other franchised business or to the goodwill associated with the Marks.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Master Franchise Agreement	Summary
a.	Length of the franchise term	Section 1.1	The term is 10 years from the date the Master Franchise Agreement is signed.
b.	Renewal or extension of term	Section 1.4 (b)	The renew term is 5 years from the end of the existing term of the Agreement.
c.	Requirements for renewal or extension	Section 1.4 (a)	(a) If you intend to renew the Master Franchise Agreement upon expiration of the term, you shall notify us in writing your intent for renewal 1 year prior to the expiration of the term. We will negotiate the terms and conditions for renewal based on the then effective criteria (as indicated in the Appendix 2 hereto). If we agree to the terms and conditions for renewal, we need to execute an amendment and restatement attached to this Master Franchise Agreement in writing before taking effect.

d.	Termination by franchisee	Sections 24.1(a) and 24.1(d)	(1) If we cease operation, closes business, applies for dissolution or liquidation, declares bankruptcy, merges with another entity, divides into separate entities, or transfers main business; or variation in the control rights of shareholder, you may terminate the Master Franchise Agreement; (2) If we are in material breach or non-performance of any of the provision of the Master Franchise Agreement and failure to cure the breach and does not cure the default within thirty (30) calendar days from the date we received your written notice to cure, you may terminate the Master Franchise Agreement.
e.	Termination by franchisor without cause	None	
f.	Termination by franchisor with cause	Sections 24.1(a), 24.1 (b), and 24.1 (c)	(1) If you cease operation, closes business, applies for dissolution or liquidation, declares bankruptcy, merges with another entity, divides into separate entities, or transfers main business; or variation in the control rights of shareholder, we may terminate the Master Franchise Agreement; (2) If you breach Section 4, Section 10, Sections 12.3 and 12.4, Section 13 causing death or serious injury of personnel, Sections 19.1 and 19.2 or concealment or inducement of Franchisor to mistakenly believe the net sales, and breach of Sections 21 and 22 or other breaches that cause us to be subjected to investigation conducted by government authority or judicial agency, we may terminate the Master Franchise Agreement; (3) If you breach any other provision of the Master Franchise Agreement and fails to cure the breach within the time specified by us in writing (including via e-mail), or if you breaches any provision of the Master Franchise Agreement for a total of three times during a calendar year, we may terminate the Master Franchise Agreement.
g.	“Cause” defined – curable defaults	Sections 1, 2, 3, 5, 6, 7, 8, 9, 11, 14, 15, 16, 17, 18, and 20	The notice of renewal is not received 25 months prior to the expiration of the term, you violate any laws and regulations without tell us, you select the site for outlets without acquiring our approval, you do not

			remove all signs that bears our franchise logo after termination or expiration of the term, you are in delay of paying Master Franchise fee, royalty, security deposit, training fees, you do not send the required trainees to receive first stage and second stage training, you do not notify us that the contact person or address is changed, you do not apply necessary license or receive approvals from government, you do not acquire or prior notice to sell other goods, you advertise without out approval, you fail to provide audit documents within the specified period of time, you fail to provide market survey data to us, or you fail to correct or remove free riding trademark.
h.	"Cause" defined – non-curable defaults	Sections 4, 10, 12, 13, 19.1, 19.2, 21, and 22	Infringement to our intellectual property rights, damage to our franchise image, purchase equipment or raw materials from unapproved suppliers, you decorate the outlet without apply the franchise's CIS, you use the POS system that is not approved by us, you do not grant us unlimited access to the POS system to verify your gross sale, you reveal confidential manuals and information to any other third parties, or compete with our franchise business during the term or after termination or expiration of the Master Franchise Agreement.
i.	Franchisee's obligations on termination or non- renewal	Section 5.1	You should not personally or have any third-party use our Intellectual Property beyond the scope and purpose of operating beverage stores within Territory, upon expiration of the Master Franchise Agreement, termination, or rescission of the Master Franchise Agreement. You should cease using and shall dismantle and remove at your own expense together with written evidence to us. You should not use or make any Licensed Products after the termination of the Master Franchise Agreement. You shall return any and all art designs (including but not limited to any diagram, drawing or three-dimensional models) within 7 days and you should not keep any copies or electronic files.
k.	"Transfer" by franchisee–	Section 27.2(a)	Assignment and transfer of the San Chen franchise means that the assignor and transferor assign and

	defined		transfer of contact, assets, ownership, and right to operate the San Chen franchise to the assignee and transferee.
l.	Franchisor's approval of transfer by Master Franchisee	Section 27.2(b)	Without our prior written consent, you shall not assign, transfer, license, lease, loan, use, trust, pledge, encumbrances or dispose of to any third party.
m.	Conditions for franchisor approval of transfer	Section 27.2(c)	New assignee or transferee shall have comparable experience as a Master Franchisee, receive qualified training program, and sign the new Master Franchise Agreement with the Franchisor.
n.	Franchisor's right of first refusal to acquire franchisee's business	None	
o.	Franchisor's option to purchase franchisee's business	None	
p.	Death or disability of franchisee	Section 27.13	If you are deceased or disable to operate the San Chen franchise business, the Master franchise right shall be assigned by estate to approved buyer within six (6) months after the incident occurs.
q.	Non-competition covenants during the term of the franchise	Section 22.2	You shall not, during the term of the Master Franchise Agreement and for a period of two (2) years after the expiration, rescission, or termination of the Master Franchise Agreement or the sale of any Store or any interest therein, either directly or indirectly, by yourself or on behalf of any person, own, manage, operate, maintain, engage in, consult with or have any interest in any "Competitive Business" within the Territory other than one expressly authorized by the Master Franchise Agreement or any other written agreement between you and us.
r.	Non-competition covenants after the franchise is terminated or expires	Section 22.2	You shall not, during the term of the Master Franchise Agreement and for a period of two (2) years after the expiration, rescission, or termination of this Agreement or the sale of any Store or any interest therein, either directly or indirectly, by yourself or on

			behalf of any person, own, manage, operate, maintain, engage in, consult with or have any interest in any “Competitive Business” within the Territory other than one expressly authorized by the Master Franchise Agreement or any other written agreement between you and us.
s.	Modification of the Master Franchise Agreement	Section 27.14	The Master Franchise Agreement cannot be modified or changed except by a written instrument signed by you and us.
t.	Integration and merger clause	Section 27.10	The Master Franchise Agreement and the documents referred to will be the entire, full and complete agreement between you and us concerning the subject matter of the San Chen franchise, which supersedes all prior agreements.
u.	Dispute resolution by arbitration or mediation	Sections 25.2 and 25.3	(1) Mediation- before any dispute is submitted to mediation, we need to confer first at our headquarter in order to solve the dispute and reach a settlement. If we are not able to reach any settlement, we should submit the dispute to a non-binding mediation in California. If we are not able to agree upon the mediator’s proposal or solution to the dispute, we need to send the dispute to arbitration. (2) The arbitration shall be conducted in California by the American Arbitration Association. The arbitrator decision is binding and final. No punitive damage is allowed by the arbitration. The section is subject to state laws.
v.	Choice of forum	Sections 25.2 and 25.3	Arbitration proceedings must take place in California. Any mediation proceeding will take place at a mutually agreed location or California. Any litigation proceedings will be filed in an appropriate court in California. The section is subject to state laws.
w.	Choice of law	Section 25.1	The Federal Arbitration Act (9 U.S.C. §1 *et seq.*) governs the arbitration of disputes under the Master Franchise Agreement. Otherwise, the laws of California and the Uniform Arbitration Act governs the Master Franchise Agreement. The section is subject to state laws.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Executive Officer, Lin, Hui-Chuan, Chicha San Chen Corporation, 1401 21ST ST, STE R, SACRAMENTO, CA 95811; the Federal Trade Commission; and the appropriate state regulatory agencies.

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	1	1	0
	2022	1	4	+3
	2023	4	12	+8
COMPANY-OWNED*	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
TOTAL	2021	1	1	0

OUTLETS	2022	1	4	+3
	2023	4	12	+8

*Any outlets shown in these tables are with regard to our Master Franchise Outlets not our Unit franchisees which as shown in the Unit Franchise Disclosure Document.

TABLE 2

TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2021 to 2023

STATE	YEAR	NUMBER OF TRANSFERS
TOTAL OUTLETS	2021	0
	2022	0
	2023	0

TABLE 3

STATUS OF FRANCHISE 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
CA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
GA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
IL	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
MA	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
NV	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
NY	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

	2023	0	1	0	0	0	0	1
OR	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
PA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TX	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
UT	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
WA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTAL	2021	1	0	0	0	0	0	1
	2022	1	3	0	0	0	0	4
	2023	4	8	0	0	0	0	12

TABLE 4

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2021 TO 2023

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
TOTAL	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	UNIT FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
TOTAL	0	2	0

A list of the names, addresses and telephone numbers of our current Unit Franchisee as of the Issuance Date of this Disclosure Document is attached as Exhibit E.

As list of the names, address and telephone numbers of our Unit Franchisees who have had a franchise terminated canceled, not renewed or otherwise voluntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this Master Franchise Disclosure Document, is attached as Exhibit F.

Because all unit franchisees will sign our Unit Franchise Agreement (including those you own), you will have no direct contractual relationship with franchisees. Your business will be to negotiate the sale of franchises and assist them with certain start up and operation matters.

Confidentiality Clauses

In the last fiscal years, none of our Franchisees have entered any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchise Organizations

There are not trademark-specific franchise organizations.

If you buy the franchise offered in this Disclosure Document, your contact information may be disclosed to other buyers when you leave the franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document, as Exhibit C, are our audited Financial Statements as of December 31, 2023, 2022, and 2021. Our fiscal year end is December 31.

In addition to the audited Financial Statements, Exhibit C also includes unaudited Financial Statements covering the period from January 1, 2024, to July 31, 2024. These unaudited statements provide a more recent snapshot of our financial performance. However, unlike audited statements, they have not been subjected to an independent external audit and may not have the same level of scrutiny and verification.

ITEM 22 CONTRACTS

The following agreement are attached to this Disclosure Document

Exhibit A Master Franchise Agreement
Exhibit B Form of General Release
Exhibit G State Specific Addendum

ITEM 23 RECEIPTS

Our and your copies of the Master Franchise Disclosure Document Receipt are located on the last two pages of this Disclosure Document, as Exhibit I.

MASTER FRANCHISE AGREEMENT

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SAN CHEN

EXHIBIT A

MASTER FRANCHISE AGREEMENT

This Master Franchise Agreement (together with all appendixes hereto, this "Agreement") is made and effective on ______________ ("effective date") by and between _____________________, a ___________ limited company, with its principal place of business at _________________________________ ("franchisor"); and _______________, a _________________ company, with its principle place of business at ____("Master Franchisee").

Franchisor and Master Franchisee are hereinafter referred to individually as "party" and collectively as "parties".

RECITALS

Whereas the franchisor intends to grant the Master Franchisee an right to license a third party ("Franchisee") to open an outlet under its proprietary trademark or to open and operate its outlet, and allow the Master Franchisee to open its own outlet, the parties agree as follows:

1. Subject, Scope, and Term of Authorization

1.1 Scope of License

Subject to the terms and conditions of this agreement, the Franchisor agrees to grant the Master Franchisee commencing from ____________ to _____________ ("term"), in a total of **ten (10) years**, limited to the purpose of licensing franchise or operation outlets under the proprietary trademark within ____________ ("territory"), the right to use the trademarks specified in Appendix 1 of this agreement and the "Brand Identity System and Design Specification Manual" ("Brand Manual"). The Brand Manual includes the Corporate Identity System ("CIS") design, standards of use, supporting colors, images, and packaging materials examples. The Master Franchisee may use Franchisor's trade secret, technology, know-how, deco, and layout of outlets. The Master Franchisee may only use the trademarks within the term and territory for the operation of the beverage business. The Master Franchisee shall not use the trademarks on any other goods or services, collaborate with other brands, or conduct a cross-industry alliance without the franchisor's prior written consent. All products that bear the Franchisor's trademarks shall acquire the Franchisor's prior written consent before production.

1.2 Scope of License

Franchisor retains the exclusive right to unilaterally amend or revise the Brand Manual, as well as the scope of any trade secrets, technologies, and know-how provided, at any given time. Such amendments or revisions shall fall within the ambit of the license hereby granted. Upon receiving written notification from Franchisor, which may be conveyed via email, the Master Franchisee is obligated to implement and adapt to these changes within a period of six (6) months from the date of receipt of such notice. These modifications may encompass, but are not limited to, alterations in store layout, décor, slogans, signage, color schemes, corporate symbols, formulas, mixing ratios, and packaging, all aimed at preserving the uniformity of the Franchisor's brand identity and quality standards. It is the responsibility of Master Franchisee to incur all costs associated with implementing these changes.

1.3 Master Franchisee's Obligation

Master Franchisee shall perform the obligation mandated in this Agreement and operate the franchise business in its operation. The Master Franchisee shall not transfer any rights or obligations to others. The Master Franchisee warrants that its shareholders are the beneficial owners who hold ultimate and complete rights. None of its shareholders is under control of, or subject to the exercise of any person or a nominal owner for the benefit of any other person. The Master Franchisee agrees to cooperate with and provide necessary documentation to the franchisor to verify its ultimate ownership.

1.4 Renewal of Term

The Agreement shall not be renewed under any circumstances. If Master Franchisee intends to continue to operate the master franchise business, a new Master Franchise Agreement shall be executed again between Franchisor and Master Franchisee. All the terms and conditions thereof shall be re-negotiated for the New Master Franchise Agreement.

2. Intellectual Property Rights

2.1 Licensed Scope

Franchisor represents and warrants that during the term the granted trademark, copyright, patent, secret, technology, and know-how are lawfully obtained and may be licensed to the Master Franchisee.

2.2 Master Franchisee's Warranty

The Master Franchisee represents and warrants that none of the execution, delivery, or performance of this agreement, on and after the effective date hereof, constitute any of the following event:

(a) Violate any laws or regulations, or any judgments or orders from a court or governmental body; and

(b) Violate any of its articles of incorporation, resolutions of shareholders or board of directors or its bylaws; and

(c) Violate or breach any material contracts or agreements to which it is a party, or which may restrain its assets.

3. Licensing

3.1 License Right

Subject to the terms under the Term, Franchisor agrees to grant the Master Franchisee the right in the territory. If the Master Franchisee fails to fulfill the expansion plan set forth in Appendix 3 (the "expansion plan") and, after meetings of the Parties at least twice in a year, the Master Franchisee still fails to achieve the adjusted goal of the expansion plan (if any) indicated by the Franchisor, the franchise right shall be terminated immediately after Franchisor sent the notice to Master Franchisee.

3.2 Store Site

If Master Franchisee finds an available site for opening a store, it shall immediately notify Franchisor the address of site, necessary information, and the lease or purchase agreement or similar evidence (collectively "site information"). Within ten (10) calendar days of receiving the site information, Franchisor shall approve or disapprove Master Franchisee's selection in writing. Master Franchisee shall not begin construction or operation of the business without franchisor's prior written consent.

3.3 Change of Site

Master Franchisee shall not change the approved site of any store without the prior written consent of

Franchisor under Section 3.2. To avoid any doubt, this Agreement does not grant to Master Franchisee the right to operate any store or to offer or sell Franchisor's products or services outside the exclusive territory.

3.4 Approval for Construction

Master Franchisee shall obtain all permits, licenses, certifications for zoning, land use planning, construction, decoration, and operation of a store at its expenses. Master Franchisee shall abide by the federal and state laws, regulations, and rules. Upon the request of Master Franchisee, Franchisor may provide a fee quote on reasonable assistance it may provide to the design or construction. Without a payment and agreement, Franchisor will not provide any assistance.

3-1. Rights and Obligations on Master Franchisee

3-1.1 Sub-franchise Right

Franchisor hereby confers upon Master Franchisee the right to sub-license the rights bestowed under Section 1 to any third party (hereinafter referred to as "Franchisee"), with the stipulation that the scope and duration of such sub-license shall not surpass the rights provided by the Franchisor. The prerogative to exercise this sub-franchising right is contingent upon the Master Franchisee's establishment and operational commencement of three (3) outlets.

3-1.2 Master Franchisee's Consent

Master Franchisee's prior written consent is required, if the Franchisee intends to assign or transfer any of its rights and obligations to any third party. Master Franchisee shall obtain a prior written consent from Franchisor before it gives the consent to Franchisee's transfer or assignment.

3-1.3 Unit Franchise Agreement

Before Master Franchisee allows Franchisee to open and operate an outlet, Master Franchisee shall enter into a complete written Unit Franchise Agreement with Franchisee. No right shall be granted to Franchisee in oral or written form, memorandum, letter of intent, email or in any way whatsoever unless a Unit Franchise Agreement is dully executed hereunder.

3-1.4 Unit Franchise Agreement's Mandatory Clause

The Unit Franchise Agreement shall at least consist of the following terms:

(a) Franchisee shall maintain the corporate image of Franchisor as well as to maintain the consistency of corporate image of Franchisor as the main purpose of performance of the Unit Franchise Agreement; and

(b) Franchisee shall personally perform the terms of the Unit Franchise Agreement and operate the franchise business on its own. Without the prior written consent of Master Franchisee, Franchisee shall not assign any rights or obligations of the unit franchise agreement to any third party. If the Franchisee is a company or business entity, it shall warrants that the shareholders are the record and beneficial owners of the shares of the company who hold ultimate and complete rights as true shareholders; none of its shareholders is under control of, subject to exercise of any person or a nominee owner for the benefit of any other person; and

(c) Clauses equivalent to Section 4.3, Section 5, Section 7.2, Section 9.1, Section 10, Sections 12.3 to 12.10, Sections 13.2 to 13.5, Sections 15.1 to 15.3, Section 16.1, Sections 17.1 to 17.3, Section 18, Sections 19.1 to 19.3, Section 20.1, Sections 21.1 and 21.2, Section 22 and Section 23; and

(d) Franchisor may claim directly against Franchisee if Master Franchisee fails to exercise its rights against Franchisee . In case of any breach of the Unit Franchise Agreement, Franchisor may demand Master Franchisee or Franchisee to cure such breach within a specified period or to cease such conduct or terminate the Unit Franchise Agreement. Master Franchisee shall provide a draft Unit Franchise Agreement to Franchisor for its review in advance, and the executed agreement shall be made in writing the same as the version approved by Franchisor (a copy of such executed agreement shall be provided to Franchisor); any modification, amendment to, or termination of Unit Franchise Agreement shall be made in a foregoing manner. If Franchisor does not raise any objection within fifteen (15) calendar days after receiving the Unit Franchise Agreement, the draft agreement shall be deemed approved by Franchisor.

3-1.5 Nullification of Unit Franchise Agreement

If Master Franchisee enters into Unit Franchise Agreement without full compliance with this Section 3-1 or in violation of any provisions thereof, the Unit Franchise Agreement shall be null and void.

3-1.6 Franchisee's Breach of Unit Franchise Agreement

Any breach of the Unit Franchise Agreement by Franchisee shall be deemed as breach by Master Franchisee of the Master Franchise Agreement. If any breaches occur, Franchisor may demand Master Franchisee or Franchisee to cure such breach within a specified period, to cease such conduct, or terminate the agreement and purchase order. Additionally, Franchisor may continually claim for any penalty or compensation for such breach, including but not limited to, all damages, courts costs, attorneys' fees and operational loss (collectively "Losses and Expenses").

4. Ownership of Rights

4.1 Intellectual Property Rights

During the Term of this Agreement, Franchisor solely owns the intellectual property rights which includes, but not limited to, copyrights, trademarks, patents, trade secrets that are related to San Chen and Chi Cha San Chen franchises. Additionally, Franchisor has the right to license associated with any of the following granted to, whether tangible or intangible, Master Franchisee for use: trade name (such as company registered name, domain name, social media account, email account, address in the language of Chinese or any other languages, including but not limited to San Chen and Chi Cha San Chen), secret, technology, know-how, trademark, copyright, patent, slogan, sign, logo, graph, color scheme, melody, taste, or other corporate symbol granted as well as the store designs, layout, formula, mixing ratio and packaging, techniques instruction, and training materials. Master Franchisee and Franchisee agree that Franchisor's intellectual property and all rights therein belong to Franchisor solely.

4.2 Pre-execution of the Agreement

Franchisor retains its own property the copyright of all documents or works provided to Master Franchisee during the negotiation prior to execution or during the performance of the Master Franchise Agreement, or anything provided to its Franchisee, including but not limited to, design drawings, techniques instruction and training materials, handouts or presentations, whether in writing or in electronic format.

4.3 Obligation not to Register Intellectual Property

Master Franchisee shall not, or assist any third party to, apply for registration, obtain, assign, pledge or license any of franchisor's intellectual property or its legally or contractually protected information in order to obtain or claim intellectual property rights or any other exclusive rights in any country. In the event of any breach by Franchisee, Master Franchisee shall withdraw such application on its own or cause a third party to withdraw such application. Master Franchisee shall transfer all rights or cause a third party to effect such transfer to Franchisor unconditionally.

4.4 Master Franchisee's Consent

Without Franchisor's written consent, Master Franchisee shall not use trademarks to advertise or sell products and services of Franchisor via email, internet, or any other electronic medium. The foregoing use of trademarks via internet includes use of domain names, website addresses, contents, and all links to other websites. Franchisor shall have the sole right to establish an internet homepage by using any of Trademarks. Franchisor may regulate those links available on the Master Franchisee's homepage. Furthermore, Franchisor shall have the right to set up the social media account name relating to Master Franchisee's company and stores. The social media account includes a Facebook or Instagram fan page.

4.5 Ownership of Intellectual Property Rights

Master Franchisee acknowledges that all copyrights, title, and proprietary rights of Trademarks solely belong to Franchisor. Master Franchisee shall be entitled to use such rights for operation of approved stores subject to the scope of license within the Territory under this Agreement and may not change or modify any graph or word of Trademark and its derivatives, neither claim any copyrights thereof. Master Franchisee may not apply, in whole or in part, within the Territory or in any other countries or areas, any other word, mark, logo or design which is similar to or may dilute any Trademark. During the Term of this Agreement and upon termination thereof, Master Franchisee agrees not to declare that it has any rights or title over any Trademark, and will not cause damage to Franchisor's Intellectual Property, nor cause any third party to do the same.

4.6 Duty Not to Dilute

(a) Master Franchisee may not use CCT, Chi Cha Tea 3000, Chi Cha 3000, Chi Cha San Chen or any Franchisor's trade name, trademark or anything confusing or may dilute thereof in the trade name, email account and address, electronic identifier, internet domain name and social media account unless Franchisor gives prior written approval. For example, Master Franchisee's business name may not include any part of Franchisor's company name, trademarks, or its derivative. Master Franchisee may not combine its name with trademarks relating to Chi Cha San Chen in advertising Master Franchisee's stores (such as *John Smith's* Chi Cha San Chen). If Franchisor agrees in writing by a separate document that Master Franchisee may use Trademark in its operation (such as Master Franchisee's letterhead, invoice, purchase order, receipt or contracts), Master Franchisee shall expressly identify that it is the Master Franchisee in the Territory, franchisor remains the owner of Trademarks, and that it is an independent company from Franchisor.

(b) In connection with Master's operation of the San Chen/Chicha San Chen franchise, Master agrees that at all times and in all advertising, promotions, signs and other display materials, on Master's letterheads, business forms, and at the Store and other authorized business sites, in all of Master's business dealings related thereto and to the general public, Master will identify the Franchised Business solely under a trade name containing the Mark "San Chen" or "Chicha San Chen" and authorized by Franchisor ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on Master's letterhead, contract agreements, invoices, authorized social media or Internet sites, advertising and other written materials containing the Marks as Franchisor may direct.

(c) Master must file and keep current a fictitious business name statement, assumed name certificate or similar document regarding Master's Business Name in the county or other designated jurisdiction in which Master is conducting business and at such other places as may be required by law. Before Master commences engaging in the Franchised Business under the Marks, Master must supply evidence satisfactory to Franchisor that Master has complied with relevant laws regarding the use of fictitious or assumed names.

(d) On expiration or sooner termination of this Agreement, Franchisor may, if Master does not do so, execute in Master's name and on Master 's behalf all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Marks and Business Name registrations and Franchisor is hereby irrevocably appointed and designated as Master's attorney-in-fact to do so.

(e) Master further agrees it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, division, shareholder, partner, agent or employee of Franchisor or the Owner of the Marks, or (iii) any of Franchisor's other franchisees.

(e) If Master is an entity and not an individual proprietor, Franchisee cannot use any of the Marks in its legal name.

4.7 Dispute Assistance

If Master Franchisee has any information about the dispute of Intellectual Property Rights (“IPR”) of Franchisor , it shall promptly notify Franchisor together with the relevant documents and undertake all reasonable action to defend and maintain Franchisor’s IPR at its own expense. Master Franchisee agrees to execute any and all documents necessary to ensure Franchisor’s intervention or assumption of action.

4.8 Franchisor’s Approval for Corporate Identity System and Design

Master Franchisee shall submit to Franchisor for review and approval the relevant design samples and three-dimensional models (“3D models”) before it makes any products containing any Trademark or Franchisor’s Intellectual Property. However, Franchisor’s approval does not represent or warrant that Master Franchisee’s given samples or models are made in compliance with any applicable laws and regulations. Master Franchisee shall take the responsibility for violation of any applicable laws and regulations. Any container, packaging, label, display material, promotion material, catalogues or advertisement (including but not limited to press release) intended for use by Master Franchisee under this agreement shall be submitted to franchisor for approval in advance.

4.9 Master Franchisee’s Liability

Master Franchisee represents and warrants that Franchisee shall comply with the provisions of this Section. Any breach of this Section by Franchisee shall be deemed as breach of Master Franchisee and Master Franchisee shall pay the breach penalty to and compensate Franchisor for its Losses and Expenses.

5. Restrictions on Franchise

5.1 De-identification

(a) Master Franchisee shall not personally or have any third-party use Franchisor’s Intellectual Property beyond the scope and purpose of operating beverage stores within exclusive Territory, upon expiration of this Agreement, termination, or rescission of this Agreement. Master Franchisee shall cease using and shall dismantle, remove, or destroy the afore-mentioned information at its own expense together with written evidence to Franchisor. Master Franchisee further agrees that upon expiration or termination of this Agreement, it will neither by itself nor authorize any third party to use or make any Licensed Products. Master Franchisee shall return any and all art designs (including but not limited to any diagram, drawing or three-dimensional models) within seven (7) days provided by Franchisor under this Agreement and may not keep any copies or electronic files thereof.

(b) Within seven (7) days after expiration, termination, or rescission of the Agreement, Master Franchisee shall remove any signs, printing, and publicity materials that bear our trademark. If Master Franchisee fails to remove within the period, it shall pay Franchisor $2,000 per day until the date of removal.

(c) Franchisor may remove the signs, printing, and publicity materials after ten (10) days of expiration, termination, or rescission of the Master Franchise Agreement. Master Franchisee shall bear the actual cost incurred.

(d) Upon the expiration, termination, or cancellation of the franchise term, the Master Franchisee is required to cease usage, remove, and return the Lion Teapresso control system forthwith. Within seven (7) days following the expiration, termination, or cancellation, Master Franchisee must furnish proof of such removal and return to Franchisor. This evidence shall include, but is not limited to, photographic documentation and certification or receipt of shipment.

5.2 Modification

Without the prior written consent of Franchisor, Master Franchisee shall not personally or have any third party to modify or adapt any Franchisor's Intellectual Property granted hereunder, including but not limited to, any modified beverage flavor based on formula, or any work adapted from graphic designs provided by Franchiser. Any and all information, derivative rights or intellectual property rights and all right, title and interest thereof arising out of any breach of this Section by Master Franchisee shall be deemed as created by Franchisor as the author, title owner or assigned to Franchisor by this Agreement; that is, Franchisor shall enjoy the copyright and ownership of such information and derivative rights or intellectual property rights arising therefrom.

5.3 Master Franchisee's Obligation

Master Franchisee shall procure Franchisee to comply with this Section. Any breach of paragraphs of this Section by Franchisee shall be deemed as breach of Master Franchisee. Master Franchisee shall pay the damage and penalty to and compensate Franchisor for its Losses and Expenses.

6. Fees and Payment Terms

6.1 Initial Master Franchise Fee

Master Franchisee shall pay to Franchisor an Initial Master Franchise Fee in an amount of **$250,000**. The amount is the net payment received by Franchisor after withholding tax or other payment required, which amount may not be reduced or refunded for any reason. For example, Master Franchisee shall not claim any refund of Initial Master Franchise Fee on a pro rata basis of the Term or number of stores hereunder, and regardless of whether the exclusive license granted to Master Franchisee hereunder is terminated or not. In case of termination of this Agreement due to breach of this Agreement by Master Franchisee, it shall not demand refund of Initial Master Franchise fee.

6.2 Payment Terms

Master Franchisee paid 10% of Initial Master Franchise Fee within seven (7) calendar days after signing the Letter of Intent set forth in Appendix 8 hereto. It is agreed that 40% of Initial Master Franchise Fee shall be paid within ten (10) calendar days following signing of this Agreement and the remaining 50% of Initial Master Franchise Fee shall be made at least seven (7) calendar days prior to the opening of the first outlet. Master Franchisee shall adhere to the laws or regulations and any other applicable tax laws and regulations of other countries and shall pay Initial Master Franchise Fee in full amount as above-mentioned after payment of withholding tax or other payment required at its own expense. The risk of dispute or incompliance of law shall not be borne by Franchisor. Franchisor will designate the payment method of Initial Master Franchise Fee and Master Franchisee shall bear any and all charges and expenses arising out of or relating to such payment.

6.3 Withholding Taxes

Withholding taxes, goods and service taxes, charges, or any other payment required by law in terms of all payment payable to Franchisor under this Agreement, including but not limited to, Initial Master Franchise Fee and royalty, which are net of such taxes and charges, shall be the sole responsibility of Master Franchisee. If Master Franchisee is required to withhold any tax on behalf of Franchisor, Master Franchisee shall notify Franchisor in advance and provide documents of relevant laws and calculation applied relating to such withholding and shall further provide sufficient evidence of tax payment in writing to Franchisor within ten (10) calendars days after such payment.

6.4 Defaults

If Master Franchisee fails to pay whole or part of any payment, Master Franchisee shall be liable for overdue payment, late expense, and interest. Interest of such overdue payment shall accrue from the original due date until payment is received in full at the interest rate of ten percent (10%) per month or the maximum rate permitted by law, whichever is higher. Master Franchisee shall bear and pay all expenses incurred by Franchisor arising out of or relating to collection of such overdue payment, including but not limited to courts costs and attorneys' fees.

6-1 Opening Obligation after Execution of the Master Franchise Agreement

Master Franchisee shall inaugurate the Master Franchise Outlet within six (6) months following the execution of this Agreement. Should the Master Franchisee fail to open and commence operation of the initial Outlet within the specified six (6) months period, such failure shall constitute a material breach of this Agreement. In response to this material breach, the Franchisor reserves the right to terminate this Agreement forthwith. Upon termination due to a material breach by Master Franchisee under the aforementioned condition, the following financial adjustments shall apply: (a) Franchisor shall retain fifteen percent (15%) of the Master Franchise Fee as liquidated damages; (b) Additionally, Franchisor shall deduct any other fees owed by Master Franchisee as of the date of termination. After deductions as specified above, Franchisor shall refund the remainder of any payments received from Master Franchisee. It is expressly understood that the termination of this Agreement under these conditions shall in no way impair the rights of Franchisor under any provision of this Agreement, which rights are hereby acknowledged to survive any such termination.

7. Royalty and Inspection

7.1 Royalty

Master Franchisee shall pay a royalty in the amount of five percent (5%) of the gross sales before tax of the stores operated by Master Franchisee or by Franchisee in a given month before the tenth (10^{th}) day of the subsequent calendar month. Gross sales represent the total sales revenue of Master Franchisee and

Franchisee before any deductions are made for returns, allowances, discounts, or any other expenses. It is the sum of all sales transactions within a specified period without subtracting the costs associated with generating those sales. Master Franchisee shall adhere to the local laws of the Territory and any other applicable tax laws and regulations of other countries and shall pay royalty in full amount as above-mentioned after payment of withholding tax or other payment required at its own expense. The risk of dispute or incompliance of law shall not be borne by Franchisor. Franchisor will designate the payment method of royalties. Master Franchisee shall bear any and all charges and expenses arising out of such payment. Franchisor is entitled to inspect and audit the business records, bookkeeping, and accounting records of any Store. Master Franchisee shall provide Franchisor with the true and complete books and records of such Store as requested.

7.2 Duty to Provide Complete Sales Records

Franchisor is entitled to inspect and audit the monthly net sales of Store. Master Franchisee and Franchisee shall provide Franchisor with the true and complete book and records of such Store. Master Franchisee and Franchisee shall not provide any false, misleading information or conceal information. Failing to provide the complete books and records will constitute breach of this Agreement.

7.3 Duty to Keep Business Records

Master Franchisee shall keep business records in the manner and for the time required by law, and in accordance with generally accepted accounting principles. Master Franchisee shall keep other business records in the manner and for the period that Franchisor specifies from time to time. All business records shall be capable of review by Franchisor without special hardware or software. Master Franchisee shall retain a copy of each tax return for the franchised business and Store for a period of at least two (2) years.

7.4 Inspection of Records and Underreport of Net Sales

Within ten (10) calendar days upon receipt of request of Franchisor, Master Franchisee shall (a) provide to Franchisor a photocopy; or (b) at a location acceptable to Franchisor, provide Franchisor access to any required records that Franchisor may specify for examination, inspection, making extracts, photocopy or scan copies therefrom and furnish files in writing or electronic format (such as word or excel). If Franchisor finds any discrepancy in net sales in business records or its tax returns documents, Master Franchisee shall pay to Franchisor the underreported royalty within five (5) calendar days upon receipt of notice of Franchisor in writing (including via email). Franchisor reserves the right to terminate this Agreement immediately without further notice to Master Franchisee.

7.5 Disclosure of Confidential Information

Franchisor may keep and retain any documents containing Master Franchisee's confidential information. Master Franchisee agrees that Franchisor may release such documents containing the confidential information to a transferee or a prospective transferee in the event of disclosing the general information and policies regarding Chi Cha San Chen system or providing franchise business information to a transferee or a prospective transferee.

8. Security Deposit

Upon the execution of this Agreement, Master Franchisee shall pay to Franchisor a lump sum of thirty thousand dollars ($30,000) as the security deposit. The remittance of the security deposit shall be made within five (5) days after execution of the Master Franchise Agreement. Failure to meet the deadline is a substantial breach of the Master Franchise Agreement, the Franchisor may terminate the agreement without further notice. The security deposit may be refunded to Master Franchisee without interest upon expiration or termination of this Agreement if there is no breach of the agreement. If Master Franchisee breaches the terms and conditions of the agreement, Franchisor may use the security deposit to cure the default or to compensate the damages. After Franchisor uses and deducts the security deposit, it will notify Master Franchisee in writing of such usage and deduction. Master Franchisee shall restore the deposit to its original amount within ten (10) days after the notice. After the termination or expiration of the Master Franchise Agreement, Franchisor will use the security deposit to compensate for its expenditures and damages. Franchisor shall return the remainder to Master Franchisee within thirty (30) days after the termination or expiration of the Master Franchise Agreement. If the security deposit is not enough to compensate for franchisor's expenditures or damages, franchisor shall give Master Franchisee a written notice of such insufficiency. Master Franchisee shall return the insufficient amount to franchisor within thirty (30) days after receiving such notice.

9. Training

9.1 Skill Transfer Stage.

The first stage of training is free for five (5) employees of Master Franchisee. Master Franchisee shall send five (5) employees to receive the training. All employees sent shall have relevant food and beverage experience and become candidates for managerial positions. The training program shall constitute a fifteen (15) day training. The location of training shall be at Franchisor's headquarter in Taiwan or any other places designated by Franchisor. Before the training is completed, all employees of Master Franchisee shall pass performance evaluation. Details of the performance evaluation is set forth in Appendix 4. If the employees do not pass the evaluation, Master Franchisee shall dispatch other employees and receive the training. The additional employees shall pass the evaluation before the training program could be announced completed. The training fee for one additional employee is $4,500. Master Franchisee may arrange interpreter for its employees at its own expense during the training.

9.2 Counselling Stage before Opening of the First Outlet.

The second stage of training is free for Master Franchisee. The training program shall constitute a twenty-one (21) day training. The location of training shall be at Master Franchisee's outlet. The training includes standard of procedure to operate machines and make beverages that meet the franchise standard. Franchisor shall pay for its trainer's flight tickets. Master Franchisee shall pay for the trainer's lodging, food and beverages, local transportation, and application fee for the visa or working permit. If Master Franchisee request additional training after the second stage training is completed, the Master Franchisee shall pay $6,300 for the trainer.

9.3 Other Requirements.

(a) Master Franchisee shall allocate its qualified employees to each of the outlets adequately.

(b) Master Franchisee may arrange its own training programs and provide them to Franchisee at the training center. Any place equipped with tea extraction machine, monitor, or other necessary apparatus may qualify as a training center.

9.4 Deployment

Master Franchisee shall establish one training unit or center at its territory to train personnel of operation and management at the outlet(s). For all of the outlets, Master Franchisee shall deploy at least three employees who complete each training course and evaluation of working ability held at Master Franchisee's training unit or center.

10. General Principles

10.1 Uniformity of Franchise Image

In order to maintain the consistency of Franchisor's corporate image and quality, both Parties agree that each Store shall comply with Franchisor's design and decoration principles. Before construction of an outlet, Master Franchisee shall appoint a qualified local professional technician to design layouts for utilities and fire safety. Master Franchisee shall submit all information to Franchisor. Layout, advertisement, traffic flow, display of equipment or merchandise for any Store shall comply with Franchisor's requests and instructions. Master Franchisee shall use the raw material and the equipment supplied or designated by Franchisor. Master Franchisee shall comply with the technical guidance and education and training provided by Franchisor when operating any Store. All products of any Store and recommended retail price thereof shall comply with the list of products and retail price set forth in Appendix 5 hereto.

10.2 Payment for Raw Materials

Master Franchisee shall use the standard purchase order provided by Franchisor to order any equipment, machinery and raw materials from Franchisor. 50% of the Payment shall be made in advance upon placing such order and the full amount must be paid via wire transfer prior to loading of shipment. The delivery term starting from confirmed full payment of such purchase order by both Parties expect for any delay attributable to Force Majeure. Master Franchisee shall bear any necessary certification fees if certification for equipment and raw materials is required.

10.3 Minimum Order Quantity

(a) The minimum order quantity for sea shipment shall be 20 ft. container x 1 (minimum loading is 60% for dry cargo container and 50% for refrigerated container). The minimum order for air freight and combined freight shall be $10,000 respectively. If any order is less than the minimum order mandated, Master Franchisee shall be charged an extra $150 for the order. Master Franchisee shall be liable for additional fees for combined freight and pallets.

(b) If the order for raw materials does not reach the minimum quantity specified in the Agreement, Master Franchisee shall bear actual cost incurred. The actual cost includes, but not limit to, cost of transportation and labelling. Master Franchisee shall not refuse the shipment if the raw materials are shipped within first half of the term of validity.

10.4 Franchisor's Consent to Outlet Location

Upon completing preparation of each Store, Master Franchisee shall first notify Franchisor with date of opening and trial operation of Store. Master Franchisee shall provide Franchisor with photos showing the interior of the Store so that Franchisor may inspect the completed works. If Franchisor believes the photos are insufficient, it may request Master Franchisee to provide photos showing a designated area of the Stores. Franchisor may also send personnel to conduct on-site inspection. Master Franchisee acknowledges and agrees that it shall not open any Store or operate business without Franchisor's prior written consent, and such written consent will be conditioned on Master Franchisee's strict compliance with this Agreement.

10.5 Franchise Image

Master Franchisee acknowledges that when operating the franchise business under Franchisor's name and Trademarks, all of its action will affect Franchisor's corporate image. Thus, when operating the franchise business, Master Franchisee agrees to set maintenance of Franchisor's corporate image as its priority of business management principle:

(a) Master Franchisee is obligated to thoroughly understand the relevant local laws, regulations and administrative orders as well as any amendments thereto with regard to food safety, hygiene, and importation. Master Franchisee shall provide a complete, accurate and timely report to Franchisor. The content of such report shall be clear and sufficient so that both Parties may identify whether the raw materials supplied is in compliance with the relevant local laws, regulations and administrative orders for food safety, hygiene, and importation. The report shall also include names of food additives that are prohibited and the permissible amount of food additives. In case of any violation by Franchisor of local laws, regulations and administrative orders with regard to food safety, hygiene, and importation attributable to Master Franchisee's report being not complete, accurate or the latest, Master Franchisee shall not seek any compensation from Franchisor and shall indemnify Franchisor for its Losses and Expenses.

(b) Master Franchisee shall not violate any applicable laws, including but not limited to: health (nutrition, menu labeling), sanitation, no smoking, equal opportunities, workplace and health safety, discrimination, employment, data security and privacy, tax, and sexual harassment. Local laws and regulations also regulate businesses handling food and food products, in particular refrigerated and frozen food items, and these laws and regulations will apply to Master Franchisee's business. Master Franchisee shall understand that the local competent authorities of health and hygiene has the right to inspect any Store to ensure compliance with safe food handling practices and adequacy of kitchen facilities. In addition, Master Franchisee shall not harm the rights of consumers or any third party; employ illegal foreign workers, child labor or allow any sexual discrimination or sexual harassment of any kind in the workplace. In the event of any breach by Master Franchisee of this Section, Franchisor may notify Master Franchisee to cure such breach within a specified cure period, and Franchisor may terminate this Agreement or purchase order if Master Franchisee fails to do so. Under this circumstance Master Franchisee may not demand refund of any Initial Master Franchise Fee, royalty, or payment of purchase order made; Master Franchisee shall not only bear the legal liabilities on its own but also indemnify Franchisor for its Losses and Expenses

(c) Franchisor may dispatch personnel to Master Franchisee's outlet and inspect beverages if it receives any notice that the outlet is providing beverages from unqualified raw materials with hygiene issues. Franchisor may request Master Franchisee provide samples of raw materials to a specific organization for further inspection or test. If the inspection fails the San Chen standard, Master Franchisee shall cure the defects. Master Franchisee shall bear the cost of health inspection.

(d) If Master Franchisee discovers any negative news or information, it shall immediately notify Franchisor upon learning of such event and shall respond in accordance with Franchisor's instructions. Master Franchisee shall not respond or issue any statements without Franchisor's authorization.

<u>10.6 Insurance Policy</u>

Master Franchisee shall maintain insurance of a general commercial liability policy with a minimum coverage of one million Dollars ($1,000,000) per occurrence. Failure to maintain such insurance may result in Master Franchisee's forfeit of franchise hereunder and additional financial liabilities.

<u>10.7 Franchisee's Obligation</u>

Master Franchisee shall procure Franchisee to comply with this Section. Any breach of this Section by Franchisee shall be deemed as breach of Master Franchisee itself and it shall pay the damages and penalty to and compensate Franchisor for its Losses and Expenses.

11. Designated Contact

Both Franchisor and Master Franchisee shall designate a contact in each department or per specific matter. In case of any separation or change of the contact, such Party shall immediately notify the other Party and designate a substitute.

12. Equipment, Machinery and Raw Materials

<u>12.1 Master Franchisee's Obligation to Bear the Expenses</u>

All costs and expenses incurred during operation of Stores by Master Franchisee or Franchisee, including but not limited to rental expenses for stores, decoration costs, costs of utility design, costs of manpower, expenses for purchasing and replacing equipment and consumables, costs for purchasing raw materials, fees for Halal Certification (including fees for mutual certification) as well as all relevant taxes and duties, shall be borne by Master Franchisee or by both Master Franchisee and its Franchisee as negotiated between themselves, provided however that the above shall not include Initial Master Franchise Fee or royalty stipulated in Sections 6 and 7 of this Agreement.

<u>12.2 Franchisor's Approval for Suppliers</u>

The reputation and goodwill of Franchisor and Chi Cha San Chen system depends on sale of high-quality products. A list of approved suppliers is available on request of Master Franchisee. Master Franchisee shall adhere to the agreements between suppliers and Franchisor regarding shipping, distribution, and other matters. Master Franchisee and the suppliers may request approval by submitting the request to Franchisor in writing. Supplier shall meet Franchisor's then-current specifications, standards, and requirements, which may include signing a non-disclosure agreement and a guarantee of performance. Franchisor reserves the right, at its sole discretion, to modify, amend, or alter the specifications, standards, and relevant requirements associated with the franchise operation, without limitation. Such changes may be implemented as deemed necessary by the Franchisor to ensure the franchise network's integrity, operational efficiency, or market competitiveness. Franchisor will notify the result of its review of supplier suggested by Master Franchisee within three (3) months depending on the nature of the products or services. If the supplier's performance does not meet Franchisor's criteria, or when Franchisor changes any specifications, standards or requirements or other reasons, Franchisor may cancel the approval of suppliers at any time. Master Franchisee and the supplier shall reimburse Franchisor for all costs that Franchisor incur in the testing and approval process of approval of such supplier.

<u>12.3 Required Purchase</u>

Master Franchisee shall purchase the equipment, machinery (<u>Appendix 7</u> hereto), and raw materials (<u>Appendix 6</u> hereto) designated by Franchisor; key items thereof shall be purchased only from Franchisor, general items thereof may be purchased from either Franchisor or Franchisor's authorized supplier. Local items may be purchased by Master Franchisee locally. The type, quantity and price of the equipment, machinery, and raw materials are listed in <u>Appendix 6</u> and <u>Appendix 7</u> hereto. Master Franchisee shall not make such equipment, machinery, and raw materials by itself or have it made by any third party or purchase them from any other party. The equipment, machinery, and raw materials sold by Franchisor to Master Franchisee shall not be used or resold by Master Franchisee beyond the purpose necessary for operating the Store. In addition, Master Franchisee shall procure Franchisee to comply with this Section and failure to do so shall be deemed as breach of Master Franchisee.

12.4 Franchisee's Required Purchase

The Master Franchisee is required to ensure that the Franchisee utilizes exclusively the principal and standard equipment, machinery, and raw materials specified in Appendices 6 and 7 attached hereto, which shall be supplied by the Franchisor, an authorized supplier of the Franchisor, or available for purchase solely from the Master Franchisee. Furthermore, the Master Franchisee shall procure these items from the Franchisor or suppliers endorsed by the Franchisor and shall then offer them for sale to its Franchisee. The prices to purchase from Franchisor or suppliers endorsed by the Franchisor are mandated in Appendices 6 and 7. Any failure to comply with these provisions shall be considered a breach of contract by the Master Franchisee.

12.5 Purchase Not Specified by Franchisor

Any other equipment, machinery and raw materials not designated by Franchisor may be purchased separately by Master Franchisee subject to exercise of due care in decision-making process. All the purchased equipment, machinery and raw materials shall at least meet the local applicable quality inspection standards in Territory to avoid any damage or legal liability against Master Franchisee and harm to Franchisor's corporate image. Master Franchisee shall procure Franchisee to comply with this Section and failure to do so shall be deemed as breach of Master Franchisee.

12.6 Master Franchisee's Obligation to Preserve Raw Materials

Master Franchisee shall exercise due care in preserving, managing and maintaining raw materials, equipment, and machinery. Master Franchisee is strictly prohibited from utilizing any raw materials that have surpassed their expiration date. Master Franchisee shall procure Franchisee to comply with this Section and failure to do so shall be deemed as breach of Master Franchisee.

12.7 Requirement to Update Equipment

Master Franchisee shall replace the outdated equipment and machinery in accordance with the quantity specified by Franchisor and the prices thereof are as specified in Appendix 7 hereto from Franchisor or Franchisor's approved suppliers. However, the instruction of Franchisor shall be justified and reasonable. For example, Franchisor may require Master Franchisee to purchase spare equipment in advance to avoid damage of important equipment and the delay of repair/maintenance which any cause business interruption or severe business loss; or in the case that the equipment and machinery had been used for longer than the normal prescribed years of use or according to actual circumstances, and there is possibility of danger if Master Franchisee continues to use the equipment and machinery.

12.8 Vertical Purchase

Master Franchisee shall procure Franchisee to replace the equipment and machinery as instructed by Franchisor; Master Franchisee shall purchase such equipment or machinery from Franchisor and resell them to Franchisee. Failure to do so shall be deemed as breach of Master Franchisee.

12.9 Purchase Order and Payment Terms

Master Franchisee shall submit the standard purchase order as stated in Appendix 6 and Appendix 7 hereto when purchasing from Franchisor or Franchisor's approved supplier the equipment, machinery and raw materials and shall pay in full the prices in accordance with the method designated by Franchisor prior to loading onto the ship.

12.10 Shipment

All purchases made under this Article 12 is using FOB Taichung (Intercom 2020) term under which delivery is deemed to be completed and Master Franchisee shall bear the interests and risks of the goods after Franchisor has loaded the goods on board a vessel at the place of export. All costs of sea freight transportation and land transportation at the place of import shall be borne by Master Franchisee and Franchisee shall deliver the goods to the forwarder approved by Franchisor.

12.11 Inspection

Master Franchisee shall inspect the goods upon customs clearance. If Master Franchisee believes there is any defect in the goods, it shall notify Franchisor and submit the photo showing the current status of the goods within seven (7) calendar days from the date of customs clearance in order to clarify the reasons of defectiveness. If Master Franchisee fails to notify within the aforementioned deadline, it shall be deemed accepted the goods and shall not claim against Franchisor for any defect.

12.12 Customs Declaration

Master Franchisee shall complete the import procedures at the country of import at its own expense. Franchisor shall use its best effort to assist in providing any documents required for Master Franchisee to complete the import procedures; provided however that Master Franchisee shall bear all the handing fees and costs for such assistance.

12.13 Transaction Charges

Master Franchisee shall bear any transaction charges and fees for any payment made under this Section.

13. Decoration and Maintenance of Outlet

13.1 Construction of Outlets

Master Franchisee will arrange for the construction or decoration of outlets, and Franchisor agree to provide reasonable assistance at Master Franchisee's own expense. Unless requested by local laws or real estate owner to change the design, any Store must be constructed and equipped at Master Franchisee's sole cost in accordance with Franchisor's then-current standards and specifications in its construction, equipment, design drawings and three-dimensional models. At Franchisor's written request, Master Franchisee shall promptly cure any unapproved deviations from Franchisor's standards and specifications of Stores. If Master Franchisee fails to construct the work in accordance with the preceding requirements and rules, Franchisor is entitled to demand Master Franchisee to modify or reconstruct the Stores at Master Franchisee's own expense. If Master Franchisee refuses to or exceeds the deadline to construct or update the outlets, it is a substantial breach of the agreement.

13.2 Outlet's Design

(a) Any Store must be in compliance with the design drawing or design principles of Franchisor. With respect to the first Store, Franchisor will provide Master Franchisee with draft design (it would take approximately sixty (60) business days to complete the design). Master Franchisee shall be responsible for construction in accordance with the design by exercising due care in supervising and inspecting the first store. Master Franchisee shall provide Franchisor with all required information, including but not limited to, layout of Store, floor plan, and photos showing the current status of Store.

(b) The Design is free for Master Franchisee for up to 1780 ft^2 of the area. If the area of Master Franchisee's outlet is more than 1780 ft^2, Master Franchisee shall be liable for $11.2 of each additional square foot.

<u>13.3 Design and Construction for Outlets</u>

From the second store, Master Franchisee shall refer to the design principles of Franchisor and be responsible for design of the Stores on its own. However, before beginning of the construction, Master Franchisee shall submit the design to Franchisor for review whether it complies with Franchisor's corporate image. After Franchisor approves the design, Master Franchisee shall be responsible for construction in accordance with the design. Franchisor will provide addition quote if any assistance of design is needed. Master Franchisee shall by itself complete all review and approval procedures required by local government authority

<u>13.4 Utility and Safety Issues</u>

Master Franchisee shall mandate a qualified local professional technician to design each Store for utility and fire safety. Upon review of format by Franchisor, Master Franchisee shall employ legitimate and qualified contractor for work.

<u>13.5 Repair and Maintenance</u>

Master Franchisee is responsible for the periodical repair and maintenance of outlets. To safeguard the personal of customers and employees, Master Franchisee shall regularly send people to inspect Stores as to the building, utilities, fire safety, all equipment and machinery used, and preservation of raw materials. In the event of discovery of damaged or outdated equipment or machinery that needs to be repaired or replaced, or upon notification to Master Franchisee by Franchisor, Master Franchisee shall immediately repair and post a warning sign at a prominent place.

<u>13.6 Franchisee's Obligation</u>

Master Franchisee shall procure Franchisee to comply with this Section, including demand the Stores operated by Franchisee to be in compliance with the design or design principles of Franchisor; demand that each Stores for water supply and fire safety shall be done by a qualified local professional technician, and all the designs must comply with relevant building and fire safety regulations; Franchisee shall regularly send people to inspect the Stores as to the building, utilities, fire safety, all equipment and machinery used, and preservation of raw materials. In the event of discovery of damaged or outdated equipment or machinery that needs to be repaired or replaced, Franchisee shall repair immediately and post a warning sign at a prominent place. Failure to do so shall be deemed as breach of Master Franchisee.

14. Acquiring of License

Master Franchisee shall be responsible to obtain any government license or permit, registration, and import permit for raw materials, equipment, and machinery that are required for the operation of Stores. Master Franchisee shall submit to Franchisor a copy and electronic file of such license, permit, or registration no later than three (3) calendar days upon obtaining thereof. Franchisor agrees to assist within the scope of its ability in providing Master Franchisee with necessary information to obtain the license or permits at Master Franchisee's own expense. However, Franchisor does not represent or warrant that Master Franchisee will obtain such license or permit. Master Franchisee shall register its own franchise registration, at its own expense, with appropriate state agency within six (6) months after execution of this Master Franchise Agreement.

15. Appendices

15.1 Compliance with Appendices

When operating and managing each outlet, Master Franchisee shall comply with Appendices hereto and technical guidance and education training provided by Franchisor.

15.2 Update to Appendices

Franchisor reserves the right to reasonably update and amend any of Appendices hereto due to needs of operation, market requirement, and increase of brand awareness and competitiveness. However, Franchisor shall inform Master Franchisee such change by a notice of Franchisor in writing (including via email).

15.3 Prohibition to Sell Other Goods

Without the prior written consent of Franchisor, Master Franchisee shall not engage in other business in each Store or sublet a portion of Stores to any other party or use for free.

16. Review of Advertisement

16.1 Approval of Advertisement

If Master Franchisee believes it is necessary to publish or transmit advertisements via TV, broadcast, internet and social media, or Master Franchisee or Franchisee desires to conduct promotional activities, Master Franchisee shall submit the content of advertisements or promotional activities to Franchisor one (1) month before the publication or transmission of advertisements of before such promotional activities take place for approval. Master Franchisee shall procure Franchisee to comply with this Section and it may not advertise or conduct any promotion without Franchisor's approval.

16.2 Procedural of Approval

Master Franchisee's advertisement's wording, packaging, and design must adhere to scope as set forth in Brand Manual and conforms with Franchisor's Brand Image. Master Franchisee shall submit all mentioned material from this chapter to franchisor prior to the publication or transmission of advertisements or before such promotional activities take place for approval. Master Franchisee shall meet the deadline mentioned below: (1) Finish-designed advertisement related material shall be submitted seven (7) days before; (2) All packaging and design related content on the final products shall be submitted one month before. Franchisor shall not reject the application without justifiable reason(s).

16.3 Default

If Master Franchisee fails to submit advertisements or promotional activities and does not cure within the specified period upon Franchisor's request, Franchisor may claim against Master Franchisee for costs, expenses and damages incurred. Franchisor may request Master Franchisee remove the advertisement immediately. Incompliance with Section 16 is a material breach of the Master Franchise Agreement, Franchisor may exercise its right of termination.

17. Audit of Operation Status

17.1 On-site Inspection

After notifying Master Franchisee of inspector's name, Franchisor may inspect each Stores' hardware, environment and sanitation, quality and sanitation of commodities, preservation of raw materials, performance of employees, and status of operation and management during normal business hours. In addition, Franchisor may at any time take samples, examine, take photos or videos, and request Master Franchisee to provide instant images or photos of each Stores for Franchisor's inspection. If Franchisor believes the photos are insufficient, it may request Master Franchisee to provide instant images or photos showing a designated area of Store. Master Franchisee shall cure any issue as requested by Franchisor or have its Franchisee to make such cure.

17.2 Master Franchisee's Duty of Cooperation

After notifying Master Franchisee of inspector's name, Franchisor may inspect and make copies of relevant data related to the operation of each Franchise's Store during normal business hours, including but not limited to revenue and net sales. In addition, Master Franchisee shall provide, or cause Franchisee to provide, all information as needed by Franchisor.

17.3 Accompanying

Under the circumstances prescribed in the preceding two Paragraphs, Master Franchisee may dispatch personnel as auditor to be present during the audits. The auditor sent from Franchisor shall provide identification documentation to Master Franchisee or Franchisee for verification of identity upon arrival on-site. The auditor shall not obstruct business operation of Master Franchisee or Franchisee's outlets .

17.4 Inspection During Decoration

During Master Franchisee's preparation of opening any outlet, Franchisor may inspect the status of decoration or refurbishment of outlet and take photos after notifying Master Franchisee.

17.5 Franchisee's Obligation

Master Franchisee shall procure Franchisee to comply with this Agreement and all Franchisor to inspect, examine, photograph or record by video for reference and make copies. Failure to do so shall be deemed as breach of the agreement of Master Franchisee.

17.6 Customer's Complaints

Master Franchisee must submit to Franchisor copies of any customer complaints relating to all Stores. Master Franchisee must submit to Franchisor any communications from competent authorities about actual or potential violations of laws or regulations relating to operation of Stores. Franchisor will specify from time to time the manner of submission of this information to Master Franchisee by a written notice.

18. Provision of Market and Operation Information

18.1 Market Survey

Master Franchisee shall provide market analysis data (including but not limited to information related to competitor's merchandise), information on raw material and equipment, requested by Franchisor so that Franchisor may respond to the market and adjust the content and prices of beverages.

18.2 Adjustment of Recipe

Franchisor may adjust the formula, recipe, or packaging in order to meet the needs of the business operation or in response to changes in the market. Master Franchisee shall procure that itself and Franchisee will adhere to Franchisor's instruction of adjustment. Master Franchisee may not unilaterally change the method of preparing the products, formula, recipe, packaging, marketing content, and pricing. It may, however, apply with Franchisor for adjustment by providing related market studies, provided that the amount of merchandises that Master Franchisee applies for adjustment cannot exceed 20% of the total amount of all products. Master Franchisee must propose any adjustment of contents of product three (3) months prior to such adjustment, and adjustment of pricing one (1) months prior to such adjustment; all adjustment shall be subject to consent of both Parties' before implement.

18.3 Violation by Franchisee

Upon consent of both Parties on adjustment of contents of products and pricing, Master Franchisee shall procure Franchisee to comply with the adjusted contents of products and recommended prices as agreed. Failure to do so shall be deemed as breach of Master Franchisee.

19. Computer Connections

19.1 Point of Sales System

Master Franchisee shall install and provide remote control access to its Point of Sales system ("**POS**") to Franchisor so that Franchisor may perform its audit right; POS shall be connected to internet at a speed approved by the Franchisor to enable transferring actual net sales data to Franchisor; and POS may not mislead or conceal net sales information from Franchisor. Master Franchisee may not delete, modify, or install unauthorized software in its POS and shall maintain its POS in function and connected to the Internet.

19.2 Access Level to Point of Sale System

Franchisor shall be granted the highest level of administrator access to both front and back end of Master Franchisee's POS. If Master Franchisee intends to update the POS, it shall notify Franchisor at least six (6) months prior to the upgrade.

19.3 Maintenance of Point-of-Sale System

Master Franchisee shall proactively maintain the POS to ensure that its front and back end are in function, and in conjunction with requirements of Franchisor's data center. Master Franchisee shall transfer details or summary data to specific server in a specific format designated by Franchisor at Master Franchisee's own expense.

20. Prohibition of Trademark Free Riding

20.1 Prohibition to Free Riding

Without the prior written consent of Franchisor, Master Franchisee shall not act in any way that may mislead customers into believing that Franchisor and Master Franchisee or any other business entities belong to the same enterprise or group, or are affiliated companies; including but not limited to: annotating any trademark, identifiable languages, symbols, slogans, images or melody of Master Franchisee or others on any Franchisor's trademarks or documents, Franchisor page, or audio/video advertisement that are sufficient to be identified as the symbol of Franchisor.

20.2 Franchisee's Obligation

Master Franchisee shall procure Franchisee to comply with this Section and failure to do so shall be deemed as breach of Master Franchisee.

21. Confidentiality

21.1 Duty of Confidentiality

During the term of this Agreement, Master Franchisee shall exercise duty of care as a fiduciary to prevent the disclosure of this Agreement or any information provided by Franchisor either in writing or orally, including all technical guidance, education and training manuals, data, techniques or know-how, lists of supplier of raw materials and equipment, knowledge for operation and management, market promotion plan, expansion plan, new market for products, product costs or property, customers, any other information that would be normally and objectively considered as confidential, as well as financial or accounting information of each Store such as budgets, net sales and tax returns (collectively "**Confidential Information**").

21.2 Return of Confidential Information

Master Franchisee shall automatically return, delete or destroy Confidential Information upon expiration, rescission or termination of this Agreement. Master Franchisee shall not personally or have any third party keep any of reproduced files, photographs, photocopies or transcriptions thereof; nor shall Master Franchisee disclose the same to any individual, juridical person, partnership, or entity ("**Person**") within and outside of Territory. If Master Franchisee breaches this Section so that a third party steals from Master Franchisee or becomes aware of such Confidential Information, Master Franchisee shall be responsible and pay the breach penalty to and compensate Franchisor for its Losses and Expenses.

21.3 Franchisee's Obligation of Confidentiality

Master Franchisee shall procure Franchisee to comply with this Section by exercising duty of care as a fiduciary to prevent the disclosure of Confidential Information, and to return, delete or destroy the Confidential Information upon expiration, rescission or termination of this Agreement; it shall not personally or have any third party keep any of reproduced files, photographs, photocopies or transcriptions thereof, nor shall disclose the same to any Person. Failure to do so shall be deemed as breach of Master Franchisee.

21.4 Franchisor's Obligation of Confidentiality

Franchisor shall keep confidential all confidential information that it receives from Master Franchisee including, but not limited to, net sales, costs, and expenses in accordance with the preceding two Sections of this Section.

21.5 Terms

Both Parties' confidentiality obligation shall survive the expiration, rescission or termination of the Master Franchise Agreement for additional ten (10) years.

21.6 Duty to Notify

If either Party is required by compulsory law or by government agency or judicial body to disclose the Confidential Information or the content of this Agreement, the disclosing Party shall notify the other Party in writing in advance so that the other Party may timely take responsive measures.

22. Non-Competition

Master Franchisee agrees that it will receive valuable training and Confidential Information that it otherwise would not receive or have access to but for the rights licensed to Master Franchisee under this Agreement, and Master Franchisee has been authorized to operate business with the brand name Chi Cha San Chen. Master Franchisee therefore agrees to the following noncompetition covenants:

22.1 Definition of Master Franchisee

The term **"**Master Franchisee" referred to in this Section shall mean Master Franchisee and its directors, supervisors, managers, shareholders holding 10% or more of its shares, partners, guarantors, and all others who hold or control any ownership interest in it, along with their spouses and family members (collectively "Master Franchisee's Stakeholders"). Franchisor may require Master Franchisee's Stakeholders shall render a duly signed non-compete covenant in a form satisfactory to Franchisor that contains at least the provisions of this Section and Section 23 hereunder.

22.2 Restriction on Participation to Competitive Business

Master Franchisee agrees that it shall not, during the term of this Agreement and for a period of two (2) years after the expiration, rescission, or termination of this Agreement or the sale of any Store or any interest therein, either directly or indirectly, by itself or on behalf of any person, own, manage, operate, maintain, engage in, consult with or have any interest in any "Competitive Business" within the Territory other than one expressly authorized by this Agreement or any other written agreement between Franchisor and Master Franchisee.

22.3 Definition of Competitive Business

For purposes of this Section, a "**Competitive Business**" means any business where 50% or more of its sales is generated from sale of tea, bubble tea, juice or other beverage. Master Franchisee shall provide a list of the business contents of the competitive business that existed at the time of signing this contract to Franchisor and shall not be listed as a competitive business.

23. Non-solicitation

Master Franchisee agrees that during the term of this Agreement and within two (2) years after expiration, rescission, or termination of this Agreement or the sale of any Store or any interest therein, it shall not, either directly or indirectly, employ any person who is at that time or was within the preceding six (6) months employed by Franchisor, any of Franchisor's affiliates or by any other franchisee, or otherwise directly or indirectly induce such person to leave or terminate their employment. Master Franchisee shall procure Franchisee to comply with this Section or it shall be deemed as breach by Master Franchisee.

24. Termination and Indemnification

24.1 Conditions to Terminate

In the event of any one of the following by either Party, the other Party may terminate this Agreement:

(a) Either Party ceases operation, closes business, applies for dissolution or liquidation, declares bankruptcy, merges with another entity, divides into separate entities, or transfers main business; or variation in the control rights of shareholder of either Party;

(b) Master Franchisee's breach of any of the following provisions, Section 4, Section 10, Section 12, Section 13 causing death or serious injury of personnel, Sections 19.1 and 19.2 or concealment or inducement of Franchisor to mistakenly believe the net sales, and breach of Sections 21 and 22 or other breaches by Master Franchisee causing Franchisor subject to investigation conducted by government authority or judicial agency;

(c) If Master Franchisee breaches any other provision of this Agreement and fails to cure the breach within the time specified by Franchisor in writing (including via e-mail), or Master Franchisee breaches any provision of this Agreement for a total of three times during a calendar year (including breach by Master Franchisee as well as breach by Franchisee for which Master Franchisee shall be responsible as provided in this Agreement); and

(d) In the event of Franchisor's material breach or non-performance of any of the provision of this Agreement and failure to cure the breach and does not cure the default within thirty (30) calendar days from the date it received Master Franchisee's written notice to cure (if local law requires a longer cure period, then that longer period will apply).

24.2 Penalty to Violations of Section 24.1(b)

In the event of breach by Master Franchisee as stipulated in this Section 24.1(b), Franchisor may claim against Master Franchisee for a penalty in the amount of Thirty Thousand Dollars ($30,000) (penalties may be accumulated for the same occurrence for each breach not being cured) and compensation to Franchisor for its Losses and Expenses.

24.3 Penalty to Violation of Section other than Section 24.1(b)

If Master Franchisee breaches any provision of this Agreement other than Section 24.1(b) and fails to cure it within the time specified by Franchisor in writing (including via e-mail), Franchisor may claim against Master Franchisee for a penalty in the amount of Fifteen Thousand Dollars ($15,000) for each occurrence (penalties may be accumulated for the same occurrence for each breach not being cured) and compensation to Franchisor for its Losses and Expenses.

24.4 Franchisor's Breach to Section 24.1(d)

In the event of breach by Franchisor as stipulated in Section 24.1(d), Franchisor shall be liable for damages suffered by Master Franchisee.

24.5 Separation

The expiration, rescission, or termination of the Master Franchise Agreement will not affect any terms or conditions that expressly or by implication is intended to be effective continuously on or after termination or expiry of the Master Franchise Agreement and will remain in full force and effect.

24.6 Rights Gained before Termination

Termination, rescission, or expiration of this Agreement will not affect any rights, remedies, obligations or liabilities of the Parties that have accrued up to the date of termination or expiration, including the right to claim penalties and damages in respect of any breach of the Agreement which existed at or before the date of termination or expiration.

25. Choice of Law and Dispute Resolution

25.1 Choice of Law

This Agreement and any of the Parties' rights and obligations not stipulated in this Agreement shall be governed by and construed in accordance with the laws of California and the Uniform Arbitration Act without regard to its choice of law principles.

25.2 Mediation

(a) Franchisor and Master Franchisee have entered into a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, considering the overall best interests of the entire System, as contemplated by this Agreement. To that end, Master Franchisee and Franchisor acknowledge that both Parties need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between Franchisor and Master Franchisee are important aspects of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having Franchisor's executive officers and Master Franchisee's Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at Master Franchisee's principal executive office (without their respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 25.2 (a), the other party may immediately commence an arbitration proceeding pursuant to section 25.3 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 25.2(a) above, within ten (10) business days after the date this conference took place (or should have taken place), Master Franchisee or Franchisor may submit the dispute to non-binding mediation at a location in California (or another location mutually agreeable to both parties) conducted by a mutually acceptable mediator. If the Dispute is not referred to mediation within ten (10) business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 25.3 below. Any mediation proceedings should be completed within sixty (60) days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation. The fees charged by a mediator and any other related fees and costs will be divided equally between the parties.

25.3 Arbitration

(a) Any Dispute between Franchisor (and/or its affiliated entities) and Master Franchisee (and/or its Principal Equity Owners or affiliated entities) not settled through the procedures described in section 25.2 above, or any determination of the scope or applicability of this agreement to arbitrate, will be resolved through binding arbitration by one arbitrator from the American Arbitration Association in California or if the parties in dispute mutually agree, through binding arbitration by one arbitrator administered by any other mutually agreeable arbitration organization. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 25.3.

(b) All hearings and other proceedings will take place at the American Arbitration Association business location in California.

(c) Either party may present briefs and affidavits of witnesses who are unable to attend hearings. A limited amount of discovery is permitted within the discretion of the arbitrator (including affidavits, interrogatories and depositions). The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(d) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, FRANCHISEE ACKNOWLEDGES FRANCHISEE IS AGREEING TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS THAT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS. ACCORDINGLY, FRANCHISEE EXPRESSLY AGREES TO WAIVE ANY RIGHT FRANCHISEE MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(f) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(g) The provisions of this section 25.3 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 25.3 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

25.4 Injunctive Relief

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 25.2 and 25.3 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 25.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 25.2 or 25.3 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 25.4. Master Franchisee acknowledges that its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities, and Franchisor or Franchisor's affiliates are empowered to seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

25.5 Legal Fees and Expenses

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party’s counsel) and all other Expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding and/or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 25.5 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

26. Notice

Unless otherwise provided in this Agreement to allow notice given via email, any notice or demand hereunder shall be delivered by private or certified mail (postage prepaid) to the addresses specified below, or to such other addresses as Master Franchisee and Franchisor provide each other in writing. The notice address and email address of the Parties shall be those specified in this Section and in case of any change in notice address or email, the affected Party shall immediately notify the other Party in writing bearing its chop, and the change shall take effect upon the following calendar day.

Franchisor: Chicha San Chen Corporation
Chairman: Lin, Hui-Chuan
Address:

Telephone:
Email: chicha3000@teashop168.com.tw

Master Franchisee:
Chairman:
Address:
Telephone:

27. Miscellaneous

27.1 Amendment

This Agreement may not be amended expect by an amendment and restatement signed by the Parties in writing attached to this Agreement. However, Franchisor reserves the right to from time to time amend any appendices of this Agreement based on operational needs at its own discretion, which amendment shall come into effect upon giving a notice of Franchisor in writing (including via email) to Master Franchisee.

27.2 Assignment and Transfer

Master Franchisee shall not assign, transfer, license, lease, loan, use, trust, pledge, encumbrances or dispose of to any third party (including affiliates) title or use of its legal status of this Agreement or any rights or obligations under this Agreement.

27.3 Waiver

The waiver by either Party of a breach of any provision of this Agreement shall only apply to such provision and such breach.

27.4 Expenses

Unless otherwise expressly stipulated in this Agreement, the Parties shall be responsible for any expenses and taxes incurred for negotiation, execution, and performance of the transactions under this Agreement.

27.5 Headings

Headings or captions contained in this Agreement are used for reference only, and in no event shall be used to define or affect any provision of this Agreement.

27.6 Severability

If, for any reason, any provision of this Agreement is held to be invalid in part or in whole due to violation of any applicable law, such provision will be severed, and the remainder of this Agreement shall remain in full force and effect. The Parties agree to endeavor in good faith negotiations to replace the severed provision with valid provisions the economic effect of which comes as close as possible.

27.7 Cumulative Remedy

All rights and remedies of Franchisor existing under this Agreement are cumulative with, and not exclusive of, any rights or remedies otherwise available under applicable law or under this Agreement.

27.8 Independent Contractor

Master Franchisee is an independent contractor of Franchisor. Neither Party has the power to bind the other Party; neither Party will be liable for any act, negligence, debt or any other obligation of the other Party. Master Franchisee's success in this business is speculative and depends on its ability as an independent business owner. Franchisor does not represent or warrant that the approved site of store is likely to achieve a certain level of sales or revenue. If Franchisor provides any suggestion on site of store, demographics or other information to Master Franchisee, Franchisor does not represent or warrant the information is complete, accurate or current. Franchisor does not represent or warrant that Master Franchisee will be able to find or secure appropriate site or that Master Franchisee will be able to operate any store. Master Franchisee further acknowledges and understands that Franchisor makes no representation, warranty or promise, whether express or implied, that the stores located at the approved Site will be profitable or otherwise successful. By Master Franchisee's signature below, Master Franchisee acknowledges that it has entered into this Agreement based on its assessment upon independent its independent investigation of Chi Cha San Chen system and the operation locations.

27.9 Force Majeure

An event of Force Majeure means an event where either Party is prevented, delayed or unable to perform any part of this Agreement and which is beyond both Parties' control, including but not limited to strikes, suspension, labor disputes, acts of God, lack of services, labor or materials without reasonable substitutes, government conduct, civil commotions, fires or other similar events.

27.10 Entire Agreement

This Agreement and the documents referred to herein will be the entire, full and complete agreement between Master Franchisee and Franchisor concerning the subject matter of this Agreement, which supersedes all prior agreements.

27.11 Language and Notarization

This Agreement is made in the Chinese and English languages. In case of any conflict or discrepancy between the two versions, the English version shall prevail. Master Franchisee's signature in this Agreement shall be notarized at its own expense.

27.12 Counterparts

This Agreement shall be executed in two (2) counterparts, each of which is kept by either Party.

27.13 Death or Disability

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

27.14 Modification to the Terms and Conditions

This Agreement cannot be modified or changed except by a written instrument signed by all of the parties hereto. **[Intentionally left blank; signature page follows]**
IN WITNESS WHEREOF, this Agreement is executed by the authorized representatives of the Parties on the date first above written.

Franchisor: CHICHA SAN CHEN CORPORATION

By:______________________________ (signature)
Legal Representative: Lin, Hui-Chuan
Title: Chairman
Registered Address:

Master Franchisee:

By:______________________________ (signature)
Legal Representative:
Title: Chairman
Registered Address:

Appendix 1

吃茶三千

San Chen

Appendix 2

Chi Cha San Chen Inspection Form
Exclusive regional Authorization Renewal Assessment Form
Oversea Store Audit Form

Inspection Form		Inspector:	Area:	Busy situation:
		Date: Time(in) (leave)	Store:	
Subject	Item	Item Description (1 point will be deducted on each item below standard)	Point	Score
Training 50%	Completeness	Store Form (preparation form, store checklist, daily report, revenue registration form....)	8	
		Management Form (shift schedule form, sanitary control form, Equipment repair table)	6	
	Operation SOP	Station skills and concept	20	
		Cashier: service passion, product introduction, SOP for ordering and servicing		
		Teapresso: equipment uses, usage standards, process compliance SOP		
		Counter: the process conforms to SOP, the usage standard, and tea sequence arrangement and speed.		
		Kitchen: material position control, the process conforms to SOP		
		Qualification Identification (Basic staff-station number for a single store is three staff assigned for four stations)		
	Course Arrangement and Execution	Store training course arrangement	8	
		Educational manual walk through	8	
Suggestion:				

Total Score:

Subject	**Item**	**Item Description(3 point will be deducted on each item below standard)**	**Points**	**Score**
Quality	**Material Preservation Management**	Tea preservation and freshness management, stocking, temperature, and effective period management	6	
	Inventory Management	Material control and inventory management of storage space.	9	
		Green Tea: aroma, body, flavor, sweet aftertaste	5	

Management 50%	**Tea Broth Quality Management** **(Continued)**	Osmanthus Oolong Tea: aroma, body, flavor, sweet aftertaste	5	
		Hight Mountain Pouchong Tea: aroma, body, flavor, sweet aftertaste	5	
		Black Tea : aroma, body, flavor, sweet aftertaste	5	
		Oolong Tea : aroma, body, flavor, sweet aftertaste	5	
		Cassia Black Tea : aroma, body, flavor, sweet aftertaste	5	
	QC and its Execution Status Reporting	Execution status of QC daily report scoring and judgment to ensure the taste accuracy is met	5	
Suggestion:				

Total score:

Store manager feedback and discussion issue:

Department manager **Area supervisor** **Store manager** **Inspector**

<u>Exclusive Regional Franchise Renewal Assessment Report</u>

Applicant: Submitted: Year Month Day

1. Exclusive Regional Franchise Information

Franchise Area		Agreement Duration	
Company Name		Responsible Personnel	

2. Cooperation Assessment Chart

Assessment frequency by category will be assessed by its real audit time.

Evaluation period	From ________ Year ________ Month ________ Day To ________ Year _______ Month ________ Day		
Item	Content	Percentage	Actual Score
Store operation	Training, quality control.	40%	
Procurement	Raw materials and accessories, equipment, utensil Ordering cooperation and urgent supplement purchasing.	10%	
Payment	Timeliness of payment.	10%	
Development	Exhibition time and number of stores	20%	
Marketing	Marketing strategy, planning, execution.	10%	

Management	Business concept, brand identity, brand maintenance. Headquarter organization, structure function, etc.(all department)	10%	
Section Score		Total	
Warning Notice	Yellow advice notice: every ticket will deduct 4 points from the total section score.	- score	
	Red advice notice: every ticket will deduct 10 points from the total section score.	- score	
Brand Image	The positive effect of facts reported via media: add points (5-10 points) to total section score.		
Total Score		Total	

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3. Renewal Assessment Report

1st Year Score	2nd Year Score	3rd Year Score	4th Year Score	5th Year Score	6th Year Score	7th Year Score	8th Year Score
Point	Point	Point	Point	Point	Point	Point	Point
9th Year Score	10th Year Score						
Point	Point						
Average Score for 10 years: Score				Renewal Grade: Level			
Renewal Year:				Renewal Period:			

4. Renewal Requirement

(The qualification of agreement renewal is evaluated by the previous average score in the term of this agreement)

Grade	Standard	Renewal Fee	Renewal Period
A Level	Score 80 inclusive and above	Fee is waived	Renewal for 5 years
B Level	Score above 60 inclusive and less than 80 points	Fee is waived	Renewal for 3 years
C Level	Score below 60 (not inclusive 60)	The term shall not be extended	

Remark: This original document copy should be stored in Taiwan headquarter, and scanned copy of original document in local regional franchise headquarter.

	General Manager	Business Development Division	Administration Division	Supply chain Division	Operation Division	Area Supervisor

Chi Cha San ChenWarning Notice of violation
Area: Date : mm dd yy Store: Time :
The violation affair (tick)
Yellow Advice Notice
☐ 1.Teapresso, counter, kitchen techniques and counseling matters are not in accordance with company regulations ☐ 2. Homemade products over the hours. (e.g. : tapioca, mousse)
Red Advice Notice
☐ 1.Teapresso, counter, kitchen technique and the counseling room were not reciprocated three times (including) according to the company's regulations. ☐ 2.Change the recipe of products to sell ☐ 3.Stop selling products without approved by Taiwan headquarter ☐ 4.Raw material and accessories are not in the period of validity ☐ 5.Do not cooperate with the Taiwan HQ of the assessment ☐ 6.Copy or post the classified information of company (e.g. recipe, formula, etc.). ☐ **7. Training manuals and company technical documents (e.g. professional skills 、SOP 、recipe, formula, etc.) are not kept properly.**
✧ **The warning notices** 1. If there is any objection to the warning notice, please raise official written document to HQ in seven (7) calendar days 2. The warning notice of violation will be counted in total score of annual Renewal Assessment Report. **The advice from inspector :**
Auditor's signature : **Franchisee signature :**
Instruction manual : 1. When a yellow warning notice is issued, 4 points will be deducted on total score of annual Renewal Assessment Report 2. When a red warning notice is issued, 10 points will be deducted on total score of annual Renewal Assessment Report 3. The yellow warning notice has to be completed in triplicate with the original (white)being kept by Taiwan HQ, and the copies going to the international development department(red) and franchisee(yellow) 4. The red warning notice has to be completed in triplicate with the original (white)being kept by Taiwan HQ, and the copies going to the international development department(yellow) and franchisee(red) **GM :** **Director :** **Area Manager :**

Appendix 3

Expansion Plan

Number of Stores	Date by which store must be opened
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Appendix 4

Test of stations and standard of assessment

1. Station of Cashier
Identification method: It is a random test when cashier serve customers.

Assessment Item	Assessment point
Environment 12% Costume 4%	The cleanliness of the environment, the cleanliness around the POS machine, the cleanliness of items inside-out of the counter, and whether the appearance of the counter clothing is standard.
Attitude 18%	Greetings timing, tone performance, smile performance, the attitude of drinks giving, seeing with customers, the way of giving cups (products and service)
Working process of cashier 28%	Customer guideline arrangement, timing of drinks giving service, promotions information communicate. The product recommendation、whether the order is correct、number list given and explanation, the process of complete the payment and changes are correct、the packing process is correctness and integrity、the speaking way of serving products perfectly to customer.
Phone manners 4%	Speaking clearly with dynamic tone and moderate speed in telephone.
Specialized Knowledge 34%	The product introduction、the explanation of promotion information、skills to raise AC、customer complaint handing、sense of service.

2. Station of teapresso
Identification method: The period is to arrange the quality control staff in control the quality and daily testing.

Assessment subject	Assessment point
Process Arrangement 10 %	Process of the store daily open. Preparation before tea extraction (extraction process of teapresso machine, handle, measuring cup, electronic scale, teacup, thermometer)
Teapresso process 35%	The process of scales (using grams, appliance usage, accuracy) Tea extraction (the handle use, the handle on the button, the teapresso machine panel operation, the process of tea action, the tea identification, the tea complete and transfer) Cleaning process after tea extraction
Working habits 10 %	Cleaning habit (platform, bottom of pot, induction cooker) After using, item should be return.
Cleaning and maintenance 10%	Teapresso machine (the filter, water supply pipe wash) The handle of the teapresso machine (disassembly and maintenance)
Taste and flavor 35%	Temperature, aroma, thick (body), sweet, good or not

3. Station of the counter
Identification method: the test will start when the business is not in rush, depending on the counter will not be affected.

Assessment subject	Assessment point
Process 15%	The order arrangement, tea extraction steps, clothing, etiquette

Speed 15%	The production supply is fast and accurate
Working habits 10%	The habit of using utensils, platform environment cleanliness before and after tea making.
Basic technology 30%	The action of shovel ice, tea extract, raw material and accessories, the heating technology are all standard.
Taste and flavor 30%	The taste of product : rate of ice, cold level, body, mixture level and the cup volume

4. Station of Kitchen
The period is to arrange the quality control staff in control the quality and daily testing.

Assessment subject	Assessment point
Process Arrangement 20 %	The process of the store daily opening and the process of the store daily close (The SOP and flow form set up)
Preparation process 35%	The way about food should be preserved. The concept built up on first-in, first-out. Preparation process (use amount, appliance use, accuracy) Cleaning process after preparation
Working habits 10 %	Cleaning habit (platform, bottom of pot, induction cooker) After using, item should be returned. The amount of stock correctly and the amount of loss are registered.
Taste and flavor 35%	Bubble, mousse, Luo Shen, fairy grass, honey

Appendix 5

Menu Item and Recommended Price

Menu Item and Recommended Price for International Market

Category	Item	Cold	Recommended Price	Hot	Recommended Price	Another Note
Hot selling	BUBBLE MILK TEA	●	4.8	●	4.8	Tea Base can change to: Green Tea/High Mountain Pouchong Tea/Dongding Oolong Tea/Osmanthus Oolong Tea/Cassia Black Tea
	OSMANTHUS OOLONG TEA WITH HONEY	●	4.3	●	4.3	Tea Base can change to: Green Tea/High Mountain Pouchong Tea
	LEMON CONDENSED MILK	●	4.3			
	BUBBLE BROWN SUGAR MILK	●	4.95	●	4.95	
	CASSIA BLACK TEA MOUSSE	●	4.3			Tea Base can change to: Green Tea/High Mountain Pouchong Tea/Oolong Tea/ Osmanthus Oolong Tea/Black Tea
	DONGDING OOLONG TEA LATTE	●	4.3	●	4.3	Tea Base can change to: Green Tea/ High Mountain Pouchong Tea/ Cassia Black Tea/ Dongding Oolong Tea/Osmanthus Oolong Tea/Black Tea
	PASSION	●	4.8			Tea Base can

	FRUIT JELLY GREEN TEA					change to: Osmanthus Oolong Tea/High Mountain Pouchong Tea
	MANGO LIGHT TEA WITH KONJAC	●	4.8			Tea Base can change to: Osmanthus Oolong Tea/Green Tea
	MUNG BEAN MILK SMOOTHIE	●				
	GREEN TEA WITH JADE LEMON	●	4.3			Tea Base can change to: Osmanthus Oolong Tea/High Mountain Pouchong Tea
	FRUIT TEA	●	4.95	●	4.95	
Tea	BLACK TEA	●	2.8	●	2.8	
	GREEN TEA	●	2.8	●	2.8	
	OSMANTHUS OOLONG TEA	●	2.8	●	2.8	
	DONGDING OOLONG TEA	●	2.8	●	2.8	
	HIGHT MOUNTAIN POUCHONG TEA	●	2.8	●	2.8	
	CASSIA BLACK TEA	●	2.8	●	2.8	
Milk Tea	CASSIA BLACK TEA MOUSSE	●	4.3			Milk Tea Base can change to: Green Tea/High Mountain Pouchong Tea/Dongding Oolong Tea/Osmanthus Oolong Tea/Cassia Black Tea
	BUBBLE MILK TEA	●	4.8	●	4.8	
	DONGDING OOLONG TEA LATTE	●	4.3	●	4.3	
	DONGDING OOLONG CONDENSED	●	4.3	●	4.3	

	MILK TEA					
Flavored Tea	HONEY LEMON JUICE	●	5.5			
	LEMON JUICE	●	4.0			
	HONEY DRINK	●	4.0			
	HONEY BUBBLE MILK	●	6.0			
	OSMANTHUS OOLONG TEA WITH HONEY	●	4.3			Tea Base can change to: Green Tea/High Mountain Pouchong Tea
	GREEN TEA WITH JADE LEMON	●	4.3			Tea Base can change to: Osmanthus Oolong Tea/High Mountain Pouchong Tea
	PASSION FRUIT GREEN TEA	●	4.3			Tea Base can change to: Osmanthus Oolong Tea/High Mountain Pouchong Tea
	MANGO FRUIT GREEN TEA	●	4.3			Tea Base can change to: Osmanthus Oolong Tea/High Mountain Pouchong Tea
Extra Topping	Bubble	●	0.5	●	0.5	
	Coconut Jelly	●	0.5	●	0.5	
	Konjac	●	0.5			NOT available for any type of plain Tea and Hot drinks

Appendix 6

Master Inventory List
List for Southern California

Material Number	Item	Description	Unit	Unit Price	Quantity	Amount
「Key」 Material						
AAA001	GREEN TEA	150 grams/120 bags/ctn	ctn	$395.05		
AAA002	BLACK TEA	150 grams/120 bags/ctn	ctn	$256.46		
AAA003	OSMANTHUS OOLONG TEA	150 grams/120 bags/ctn	ctn	$365.26		
AAA004	OOLONG GREEN TEA	150 grams/120 bags/ctn	ctn	$365.26		
AAA005	HIGH MOUNTAIN POUCHONG TEA	150 grams/120 bags/ctn	ctn	$343.24		
AAA006	CASSIA BLACK TEA	150 grams/120 bags/ctn	ctn	$269.28		
ABA001	Tea Shop Dedicated liquid sugar	25 kilogram/container	pcs	$68.54		
ABA002	Milk Caramel Syrup	75 grams /2 bags /5 bag /ctn	ctn	$113.33		
ACA001	TAPIOCA BALLS	3 kilogram /6 bags / ctn	ctn	$32.40		
「General」 Material						
ABA005	HONEY FLAVORED SYRUP	3 kilogram /10 cans / ctn	ctn	$49.52		
ABA008	Mango Syrup	2.6 kilogram /6 cans / ctn	ctn	$42.06		
ABA009	Passion Fruit Syrup	2.6 kilogram /6 cans / ctn	ctn	$45.71		
ABA006	BROWN SUGAR SYRUP(A)	4 kilogram /6 cans / ctn	ctn	$79.50		
ABA007	BROWN SUGAR FLAVOURED SYRUP(B)	5 kilogram /4 cans / ctn	ctn	$62.00		
ACA003	Coconut Jelly	3.75 kilogram /4 cans / ctn	ctn	$22.40		
ACA004	Pineapple Syrup	1 kilogram /18 bags / ctn	ctn	$79.34		
ACA002	Jelly Pearl	2 kilogram /6 bags /ctn	ctn	$25.14		
ACA005	Mesona Grass Jelly	3 kilogram /6 cans /ctn	ctn	$24.00		

ABA004	Nestle Carnation Coffee mate	907 grams /12 bags / ctn	ctn	$50.29		
ABA003	FINE GRAIN SUGAR	1 kilogram /20 bags /ctn	set	$20.00		
ACA006	Passion Fruit Juice	500 grams /20 bags /ctn	ctn	$48.00		
ABA011	Lemon Juice	1 kilogram /20 bags /ctn	ctn	$105.87		
AB0101	Frozen Non-Dairy Liquid Creamer	454ml /24 bottles /ctn	ctn	$41.14		

Material Number	Item	Description	Unit	Unit Price	Quality	Amount
「General」 Supplies						
BB0064	500cc Cold Cups (PLA)	50 pieces /20 rolls /ctn	ctn	$70.36		
BA0049	500cc Hot Cups	50 pieces /20 rolls/ ctn	ctn	$51.43		
BB0067	Cold Cup Lids	100 pieces /10 rolls / ctn	ctn	$37.22		
BB0068	Frosted Hot Cup Lids	100 pieces /10 rolls / ctn	ctn	$36.19		
BA0048	Disposable Cups Holder with Handheld Strings	1,400 pieces / ctn	ctn	$65.52		
GA0096	CUP LABEL STICKERS	600 pieces /12Packet/ ctn	ctn	$172.80		
BA0039	Two-Cup Paper Bag	300 pieces / ctn	ctn	$55.20		
BA0020	Two-Cup Pulp Holders	100 pieces /6 bags / ctn	ctn	$28.80		
BA0018	Small Serving Paper Cups	50 piece /40 rolls / ctn	ctn	$17.44		
BB0055	Thin Straws Bagged with Kraft-Paper	200 pieces /10 bags / ctn	ctn	$24.00		
BB0056	Kraft-Paper Bagged Thick Straws	100 pieces /20 bags / ctn	ctn	$36.30		
BB0004	Clear Plastic Bagged Thin Straws	100 pieces /51 bags / ctn	ctn	$29.50		
BB0005	Clear Plastic Bagged Thick Straws	100 pieces /32 bags / ctn	ctn	$29.50		
「General」 Clothing						

GD0010	Uniform -S	One piece	Unit	$26.67		
GD0011	Uniform -M	One piece	piece	$26.67		
GD0012	Uniform -L	One piece	piece	$26.67		
GD0014	Uniform -XL	One piece	piece	$26.67		
GD0013	Tie	Single	piece	$9.52		
GD0015	Apron- Female	One piece	piece	$16.39		
GD0016	Apron -Man	One piece	piece	$12.57		

「Local」Material	
Item	Remark
Milk	✧ Selection Recommendation provides reasonable price, stable supply and fixed delivery frequency (once every 2-3 days), and have the ability to work with two brands/vendors at once. ✧ For different products, it is highly recommended to choose and to be delivered from the same vendor. ✧ For every item, it is recommended to order at least 2-3 pcs in quantity which can also be used for sample testing purpose. ✧ After the items has been approved by Chi Cha San Chen head quarter, it can be officially used.
Ice Cream	
Fruits	

Remarks：

1. Currency for this round of quotation is in USD along with USD to TWD Exchange Rate of 1:31. If exchange rate fluctuation is over 3%, quotation will be re-quoted accordingly.
2. Trading Condition: FOB Term
3. Payment Requirement: 100% wired transfer payment is required to be received prior to start of on-board packing procedure.
4. Minimum Order Quantity: For ocean freight, it is one 20-inch container load (minimum capacity for non-refrigerating goods is 60% and the rate for frozen goods is 50% minimum). Minimum order amount for air freight is 10,000 USD. For Less-Than-Container (LCL) load, penalty of 150 USD will be charged, if order amount does not meet the minimum requirement.
5. For any adjustment made for material sales price, material number and product name, officially revised List information will be provided to be used.

Items listed on the Master Inventory List, for ones that are listed as “Key” are required to be purchased from us, items listed as “General” is optional to be purchased and the ones that are listed as “Local” are to be purchased locally.

Appendix 7

The Master Equipment List

Material Number	Item	Description	Unit	Unit Price	Quality	Amount
「Key」 Equipment						
FB0069	AI Teapresso Machine (With 2 Handles)	Dissipated power: 3240W Equipment size: 852×113×224mm	piece	$7,500.00		
GG0029	FILTER HOLDER ASSEMBLY		piece	$99.00		
GG0028	SILICA GEL WASHER		piece	$1.20		
FB0044	Blending Cup	12 pieces / ctn 12 pieces / ctn	ctn	$720.00		
FB0045	Tea Blender Cup	6 pieces / ctn	ctn	$540.00		
「General」 Equipment						
FB0032	Steamer & Cream Whipping Device	Branding: Greatness Number: MD-440ABHL Dissipated power: 2200W Capacity: 40 liter Equipment size: 530×290×780mm	piece	$648.00		
FB0033	Steam Heater	Branding: Greatness Number: MD-388 Dissipated power: 2600W/12A Capacity: 8.5L Equipment size: 260×260×710mm	piece	$1,040.00		
FB0034	Quantitative Powdered Creamer Dispenser	Branding: Y-FANG Sealing Machine Number: YF-8J Dissipated power: 500W Equipment size: 230×340×480mm; 13.5kg Capacity: 5L	piece	$450.00		
FB0036	Fructose Machine	Branding: Y-FANG Sealing Machine Number: ET-8EN	piece	$385.20		

		Dissipated power: 300W Equipment size: 270×390×430mm; 8.5kg Capacity: 8.5L				

Material Number	Item	Description	Unit	Unit Price	Quality	Amount
FB0037	Filter Soft Water System	Branding: Greatness + Ever Bright Purifying 20-inch single pipe + MC2 Ever Bright Purifying ×2 +10 Liter Automatic water softener + Three-way water pipe ×3 + 6 to 4 Port converter × 2 + Straight water pipe × 4 + Soft water hose	set	$1,584.00		
-	Induction Cooktop Stove	Branding：Sun Pen Town Number：SR-330SP Dissipated power：3300W Equipment size：325×425×92 mm	piece	$600.00		
-	Point of Sale System (POS)	Branding：ViviPOS POS system + Ethernet + Label making machine + Complete equipment of cashier	set	$2,636.00		
「Local」Equipment						
	Four Doors Stainless Steel Two-Storage Temperature Refrigerator	Branding：XINGJI- Yín xīng Number：HRFW-127MS4 Dissipated power：400W Equipment size：1230×700×1980mm Capacity：780L Measuring range：-6℃~-23℃；-2℃~-12℃				
	Kitchen type - Bar Refrigerator	Branding：XINGJI- Yín xīng Number：RTC-120MNA Dissipated power：235W Equipment size：1200×600×830mm Capacity：231L				

		Measuring range：-2℃~-12℃
	Ice Making Machine	Branding：Hoshizaki Number：KMD-270AWA Dissipated power：1075W Ice block size：Moon Ice 37*30*13mm Equipment size：760×830×1820 mm
	Other Equipment	After the application has been approved by Chi Cha San Chen head quarter, it can be officially used.

General Ware

Material Number	Item	Description	Unit	Unit Price	Quality	Amount
GC0215	(Large)Ice Scoop		piece	$9.60		
GC0216	(Small) Ice Scoop		piece	$7.56		
GC0220	Food Storage Container (1.7L)		piece	$4.62		
GC0131	Sauce Bottles 800ml		piece	$1.17		
GC0133	Coffee Spoon		piece	$0.20		
GC0046	Coffee Spoon (3.5 tablespoons)		piece	$2.12		
GC0134	12" Bar Spoon		piece	$1.44		
GC0135	Bubbles Scoop- 6.5cm		piece	$1.44		
GC0196	1/6 Stainless Steel Pot Height 15cm Pot (with Lid)		piece	$5.40		
GC0214	1/4 Stainless Steel Pot Height 15cm Pot (extra thickness)		piece	$5.04		
GC0138	38" Bubbles Bowl		piece	$14.94		
GC0188	Measuring Cup for Tea Brewing (300ml)		piece	$4.61		
GC0187	Measuring Cup for Tea Brewing (600ml)		piece	$6.45		
GC0093	Large Measuring Cup (1000ml)		piece	$4.24		
GC0171	Digital Thermometer		piece	$19.20		
GC0036	Timer-For Kitchen Use		piece	$6.84		
GC0208	White Timer		piece	$1.83		
GC0095	Placemat for Bar Counter		piece	$1.80		
GC0098	Bar Utensil Holder		piece	$4.04		

Material Number	Item	Description	Unit	Unit Price	Quality	Amount
GC0169	Fruit Slider Tool		piece	$31.50		
GC0210	(Black) Sealed Tea Leaves Glass Canister for Storage		piece	$5.87		
GC0211	(White) Sealed Tea Leaves Glass Canister for Storage		piece	$5.87		
GC0107	Tea Leave Scenting Sampler Set		piece	$21.20		
GC0087	Small Stainless Steel Pot (Φ26*H21cm/8L)		piece	$16.02		
GC0088	Large Stainless-Steel Pot (Φ30*H22cm/12L)		piece	$35.64		
GC0097	Cold Pitcher (2300ml)		piece	$8.64		
GC0089	OZ Cup (250ml)		piece	$0.75		
GC0100	Stainless Steel Spoon for Tea Leaves (10g)		piece	$1.35		
GC0116	Tea Leave Brush		piece	$1.44		
GC0117	Bamboo Weaved Vessel for Tea Leaves-For Tea Tasting Area Use		piece	$5.40		
GC0219	Bowl for Measuring Tapioca		piece	$2.16		
GC0168	Sealed Glass Container (1L)		piece	$2.43		
GC0213	Stainless Steel Vacuumed Insulated Pitcher with Lid(2000ml)		piece	$46.44		
GA0078	Round Labels for GREEN TEA		piece	$0.06		
Material Number	Item	Description	Unit	Unit Price	Quality	Amount
GA0079	Round Labels for HIGH MOUNTAIN POUCHONG TEA		piece	$0.06		
GA0080	Round Labels for OSMANTHUS OOLONG TEA		piece	0.06		
GA0081	Round Labels for BLACK TEA		piece	$0.06		
GA0082	Round Labels for OOLONG GREEN TEA		piece	$0.06		
GA0083	Round Labels for		piece	$0.06		

	CASSIA BLACK TEA					
GC0144	Soup Scoop for Stirring Tapioca		piece	$3.42		
GC0186	Stainless steel tea leaves measuring cup		piece	$2.16		
GC0132	5000cc Large Measuring Cup		piece	$6.30		
GC0128	Electronic scale 2KG		piece	$153.33		
GC0207	White towel with green striped(35*50CM)		piece	$7.18		
GC0195	18cm Tea leaves Tweezers		piece	$1.48		
GA0095	Acrylic Display Unit		piece	$34.86		
Material Number	Item	Description	Unit	Unit Price	Quality	Amount
GC0199	Tea Tray		piece	$8.46		
BC0006	CHICHA SAN CHEN Tasting Cup Set (contains 1 Cup, 1 Cup Cover and 1 Bowl)		piece	$8.00		
BC0012	CHICHA SAN CHEN Tasting Cup Set (1 Bowl)		piece	$2.87		
GZ0055	Name card holder for CHICHA SAN CHEN		piece	$0.90		
GC0217	19cm Stainless steel Clipper		piece	$3.24		
GC0218	60cm Tea leaves glassware		piece	$1.24		

Remarks:

Currency for this round of quotation is in USD along with USD to TWD Exchange Rate of 1:31. If exchange rate fluctuation is over 3%, quotation will be re-quoted accordingly.

1. Trading Condition: FOB Term
2. Payment Requirement: 100% wired transfer payment is required to be received prior to start of on-board packing procedure.
3. Minimum Order Quantity: For ocean freight, it is one 20-inch container load (minimum capacity for non-refrigerating goods is 60% and the rate for frozen goods is 50% minimum). Minimum order amount for air freight is 10,000 USD. For Less-Than-Container (LCL) load, penalty of 150 USD will be charged, if order amount does not meet the minimum requirement.
4. For any adjustment made for material sales price, material number and product name, officially revised List information will be provided to be used.
5. Items listed on the Master Inventory List, for ones that are listed as “Key” are required to be purchased from us, items listed as “General” is optional to be purchased and the ones that are listed as “Local” are to be purchased locally.
6. Equipment will be sold with no manufacture warranty and after service repair. Please plan for area

rental options and spare/consumable parts preparation.

7. For equipment that is required to be certified will be quoted separately.
8. Quantities listed for “General” equipment/items are the amount needed for single-store basic requirement.

FORM OF GENERAL RELEASE

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SAN CHEN

San Chen

EXHIBIT B

FORM OF GENERAL RELEASE

MUTUAL RELEASE AGREEMENT

This Mutual Release Agreement (the "Agreement") is made and entered into this day of____________ 20__(the "Effective Date"), by and between ______________________________, a _________________ company ("Franchisor"), ___________________ , a ______________ [insert state of incorporation, formation or organization of franchisee entity] and ________________ [insert name of owner or owners of the franchisee entity], individually (collectively, the "Franchisee"; reference to "Franchisee" in this Agreement shall include the parties individually and collectively). Capitalized terms used but not defined herein shall have the meanings attributable to them under the Franchise Agreement (defined below).

RECITALS

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

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

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

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

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

b. Covenant Not To Sue. Franchisee further covenants and agrees for itself and for Franchisee Covenantors not to bring or allow to be brought on behalf of any Franchisee Covenantor, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against the Franchisor Released R2I-20I7 Parties arising out of, resulting from, or in any manner related to the matters released in

Paragraph 1. a.

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

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

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

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

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

b. Indemnity. All of its respective obligations and/or liabilities to Franchisor arising under the Franchise Agreement through the Effective Date, including, without limitation, the obligation to indemnify Franchisor for any claims arising from the operation of the Business through the Effective Date.

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

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

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

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

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

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

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

6. General Provisions.

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

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

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

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

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

f Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

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

If to Master Franchisee:

If to Franchisor:

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

FRANCHISOR:

____

By: ___________________________
Name: Lin, Hui-Chuan
Title: Chief Executive Officer
Address: _________________________

MASTER FRANCHISEE:

____

By: ___________________________
Name: __________________________
Title: __________________________

FINANCIAL STATEMENTS

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SAN CHEN

San Chen

EXHIBIT C

CHICHA SAN CHEN CORPORATION
BALANCE SHEET

		July 31, 2024
Current Assets		
Cash and cash equivalents	$	70,046
Accounts receivable		38,853
Restricted deposit		1,850,000
Other current assets		61,964
Total current assets		2,020,863
Total Assets	$	2,020,863
Current Liabilities		
Accrued expenses	$	15,192
Income tax payable		253,741
Due to related parties		132,586
Deferred revenue		1,218,000
Temporary receipts		510,232
Total current liabilities		2,129,750
NonCurrent Liabilities		
Security deposits from franchisees		220,000
Total liabilities		2,349,750
Stockholders' Equity		
Common stock,		
100,000 shares authorized, 100,000 shares issued and outstanding		100,000
Retained earnings		(428,886)
Total stockholders' equity		(328,886)
Total Liabilities and Stockholders' Equity	$	2,020,863

CHICHA SAN CHEN CORPORATION
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Seven Months EndedJuly 31 2024
Revenue, net	$ 302,450
Cost of revenue	120,042
Gross profit	182,408
General & Administrative Expense	77,609
Income from operations	104,799
Other income (expense)	
Interest Income	44,412
Profit before tax	149,211
Income tax provision	195,937
Net loss	$ (46,726)

CHICHA SAN CHEN CORPORATION

Financial Statements
and Independent Auditor's Report
December 31, 2023 and 2022

CHICHA SAN CHEN CORPORATION
Financial Statements
and Independent Auditor's Report
December 31, 2023 and 2022

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敬業 會◇師 計

CHEN & FAN
ACCOUNTANCY CORPORATION
9660 Flair Drive, Suite 300
El Monte, California 91731
Telephone (626) 279-1688
Facsimile (626) 279-1888

Offices in Other Locations:
Fremont / San Jose
San Diego

Independent Auditor's Report

Board of Directors and Stockholder
CHICHA SAN CHEN CORPORATION
Redding, California

Opinion

We have audited the accompanying financial statements of **Chicha San Chen Corporation**, (a California company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in stockholder's equity (capital deficiency), and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chicha San Chen Corporation** (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 accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Chen & Fan
Accountancy Corporation

El Monte, California

March 28, 2024

CHICHA SAN CHEN CORPORATION
Balance Sheets
December 31, 2023 and 2022

ASSETS

	2023	2022
Current Assets:		
Cash and cash equivalents	$ 395,165	$ 567,534
Short-term investment	1,000,000	-
Accounts receivable	675,129	-
Prepaid expense and other current asset	43,740	14,981
Total Current Assets	2,114,034	582,515
Other Asset - deferred income taxes	92,000	-
Total Assets	$ 2,206,034	$ 582,515

LIABILITIES AND STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)

	2023	2022
Current Liabilities:		
Other payable - related party	$ 31,250	$ 21,115
Accrued expenses and other liability	48,700	13,500
Deferred revenues - current	367,000	173,000
Refundable fees	15,992	-
Total Current Liabilities	462,942	207,615
Long-term and Other Liabilities		
Deferred revenues - non-current	1,504,618	241,992
Security deposits from franchisees	360,000	114,995
Total Long-term and Other Liabilities	1,864,618	356,987
Total Liabilities	2,327,560	564,602
Stockholder's Equity (Capital Deficiency):		
Common stock, no par value authorized 100,000 shares issued and outstanding 50,000 shares	50,000	50,000
Accumulated deficit	(171,526)	(32,087)
(Capital Deficiency)/Total Stockholder's Equity	(121,526)	17,913
Total Liabilities, Net of Capital Deficiency/and Stockholder's Equity	$ 2,206,034	$ 582,515

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

CHICHA SAN CHEN CORPORATION
Statements of Operations
For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenue - franchising revenue	$ 408,932	$ -
Operating Cost and Expenses		
Franchise expenses	108,303	-
Operating expenses	541,494	11,400
Total Operating Cost and Expenses	649,797	11,400
Loss from Operations	(240,865)	(11,400)
Non-operating Income - interest income	35,626	1,721
Loss before Income Taxes	(205,239)	(9,679)
Income Tax Expense (Benefit)	(65,800)	900
Net Loss	$ (139,439)	$ (10,579)

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

CHICHA SAN CHEN CORPORATION

Statements of Changes in Stockholder's Equity (Capital Deficiency)

For the Years Ended December 31, 2023 and 2022

	Common Stock			
	Shares Issued	Amount	Accumulated Deficit	Total Stockholder's Equity (Capital Deficiency)
Balance January 1, 2022	50,000	$ 50,000	$ (21,508)	$ 28,492
Net loss for the year	-	-	(10,579)	(10,579)
Balance at December 31, 2022	50,000	50,000	(32,087)	17,913
Net loss for the year	-	-	(139,439)	(139,439)
Balance at December 31, 2023	50,000	$ 50,000	$ (171,526)	$ (121,526)

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

CHICHA SAN CHEN CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Net loss	$ (139,439)	$ (10,579)
Adjustments to reconcile net loss to net		
Cash provided by operating activities:		
Deferred income taxes	(92,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(675,129)	-
Prepaid expense	(28,759)	(14,981)
Security deposit	-	209
Other payable - related party	10,135	15,986
Accrued expenses	35,200	4,826
Refundable fees	15,992	(49,992)
Deferred revenues	1,456,626	414,992
Security deposit from franchisees	245,005	114,995
Net Cash Provided by Operating Activities	827,631	475,456
Cash Flows from Investing Activity:		
Short-term investment	(1,000,000)	-
Net Cash Used for Investing Activity	(1,000,000)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(172,369)	475,456
Cash and Cash Equivalents at Beginning of Year	567,534	92,078
Cash and Cash Equivalents at End of Year	$ 395,165	$ 567,534

Supplemental Disclosures of Cash Flow Information:

	2023	2022
Cash paid during the year for:		
Income tax	$ -	$ 900

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

Note 1 - Organization and Business

Chicha San Chen Corporation (the "Company") was established as a corporation in the State of California on April 1, 2020 under the name of Chichia San Chen Corporation. The Company changed its name in December 2020 to Chicha San Chen Corporation. It is a wholly owned subsidiary of Fang Yuan F&B International Co., Ltd., ("the Parent") a Taiwan incorporated company. The Company is in the business of franchisees of CHICHA San Chen, a branding of consumer tea beverage products authorized by the Parent in the United States. All the operations are conducted by the Parent.

Equity Position and Deferred Revenue

As of December 31, 2023, the Company recorded a shareholders' equity deficiency of $122,526, primarily attributable to deferred revenue from franchising operations. The deferred revenue is composed of $367,000 in current and $1,504,618 in non-current portions. With total current assets of $2,114,034 and current liabilities of $462,942, the negative equity position is assessed as temporary, reflecting the lag in revenue recognition compared to cash inflows.

The Company anticipates an improvement as it gradually recognizes in equity as deferred revenues and generates royalty income from the sales of its franchisees. In response to this situation, the Company is prudently managing its financial resources, emphasizing long-term financial stability and a systematic enhancement of shareholders' equity. The present negative equity position should be viewed in the context of the Company's revenue recognition practices, and it is not indicative of imminent financial difficulties.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value. The Company records all financial instruments purchased with original maturities of three months as short-term investment; the balance as of December 31, 2023, is $1,000,000.

Note 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition

The Company applies the guidance in FASB ASC 606, Revenue from Contracts with Customers, to recognize revenue. This involves identifying a contract with a customer, determining the performance obligation in the contract, allocating the transaction price to each performance obligation, and recognizing revenue when (or as) the performance obligation is satisfied. The Company generates its main revenues through franchise fees and royalties.

The Company determines that pre-opening services may be recognized as distinct from the franchise license because they align with the list of services defined in ASC. To simplify the accounting, the Company elects to apply the practical expedient and account for all pre-opening services meeting ASC requirements as a single performance obligation. This results in two performance obligations for the Company: a franchise license and pre-opening services.

Typically, the opening of the franchise's first store triggers recognition of revenue for the initial franchise fee. However, revenue recognition timing may vary depending on the agreement terms and performance obligations. The Company requires franchisees to pay royalties based on a percentage of franchise store sales under both master franchise agreements and area franchise agreements. These royalty fees are recognized on a monthly basis.

Security deposits received from franchisees are recorded as a liability on the balance sheet until the obligation is fulfilled. Generally, the security deposit is refunded upon the termination of the franchise agreement or applied to cover any damages or losses incurred by the Company.

The Company's contract asset and liabilities as of December 31, 2023 and 2022 are as follows:

	Accounts Receivable	Contract Assets	Contract Liabilities
Beginning balance of 2022	$ -	$ -	$ -
Ending balance of 2022	$ -	$ -	$ 529,987
Ending balance of 2023	$ 675,129	$ -	$ 2,231,618

Note 2 - Summary of Significant Accounting Policies – Continued

Allowance for Accounts Receivable

The Company recognizes a loss allowance for its accounts receivable applying the current expected credit loss ("CECL") model. It estimates credit losses over the lifetime of the accounts receivable using historical experience, current conditions, and reasonable and supportable forecasts, considering all possible default events that might occur during the collection period.

Leases

The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either as finance leases or operating leases depending on the criteria the lease met. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. The Company has elected not to apply the recognition requirements to short-term leases from being recognized on the balance sheet, with its commitment for the lease totaling approximately $49 for 2024.

Income Taxes

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

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

Note 2 - Summary of Significant Accounting Policies – Continued

Income Taxes – Continued

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

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

Fair Value Measurements

The carrying values of cash and cash equivalents, accrued expenses, other payable–related party and customer deposits approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2023.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by banking regulators. As of December 31, 2023 and 2022, the Company's cash in bank and short-term investment in overseas exceeds the insured the Central Deposit Insurance Corporation in Taiwan insured amount by $1,297,000 approximately.

Use of Estimates

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

Note 2 - Summary of Significant Accounting Policies – Continued

Recently Adopted Accounting Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses (Topic 326)." This update has impacts to the Company's accounts receivables and other receivables. It introduced an expected credit loss model, requiring entities to estimate and report expected lifetime credit losses for these assets.

The Company, a calendar year-end reporter, adopted ASU 2016-13 effective January 1, 2023. This was applicable to fiscal years beginning after December 15, 2022. The adoption necessitated a change in accounting principle, specifically affecting the accounting for accounts receivable by incorporating an allowance for expected credit losses. Applying ASU 2016-13 using a modified-retrospective approach did not have a significant impact on our overall financial statements.

Subsequent Events

The Company has evaluated events and transactions for subsequent events through March 28, 2024, the date on which these financial statements were available to be issued.

Note 3 - Refundable Fees

In 2023, the Company signed into two memorandums of understanding with potential to authorize the master right to operate/manage CHICHA San Chen brand under certain conditions. A refundable reservation fee of 10% of licensing fee was collected during 2023. As of December 31, 2023, the total amount received is $15,992, and has been refunded to franchisees in 2024.

Note 4 - Deferred Revenues And Security Deposits from Franchisees

1. Deferred revenues at December 31, 2023 and 2022 are as follows:

	2023	2022
Deferred revenue		
Current	$ 367,000	$ 173,000
Non-current	1,504,618	241,992
Total	$ 1,871,618	$ 414,992

Future recognition of deferred revenue is as follows:

For the year ending December 31,	2023	2022
2024/2023	$ 367,000	$ 173,000
2025/2024	184,000	78,000
2026/2025	184,000	78,000
2027/2026	184,000	78,000
2028/2027	952,618	7,992
	1,871,618	414,992
Less: Current portion	(367,000)	(173,000)
Deferred revenues – non-current	$ 1,504,618	$ 241,992

The Company's deferred revenues at December 31, 2023 are initial franchising fees that include pre-opening service revenue and initial licensing revenue. As its franchisees' first stores will be opened in 2024, the Company estimates its pre-opening services revenue by marking the service revenues, mainly training and designing services, as the current portion of deferred revenue.

2. The Company also charges a refundable security deposit to each of its franchisees. As of December 31, 2023 and 2022, security deposits from its franchisees are $360,000 and $114,995, respectively.

Note 5 - **Income Taxes**

Income tax expenses (benefit) for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Current		
Federal	$ 19,000	$ -
State	7,200	900
	26,200	900
Deferred		
Federal	$ (63,400)	$ -
State	(28,600)	-
	(92,000)	-
Net	$ (65,800)	$ 900

Deferred tax assets at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Deferred tax assets:		
Accrued expenses	$ 6,100	$ 3,800
State income tax	1,700	200
NOL carryforwards	-	4,500
Deferred revenue	84,200	-
	92,000	8,500
Less: valuation allowance	-	(8,500)
Net	$ 92,000	$ -

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. The Company's management expects it will generate enough taxable income in its near future, therefore, no valuation allowance is provided as of December 31, 2023. The Company's valuation allowance decreased $8,500 in 2023.

Note 6 - **Related Party Transactions**

A. Name of related party and relationship

Name of Related Party	Relationship with the Company
Fang Yuan F&B International Co., Ltd. (FY)	Parent company

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

B. Significant Related Party Transactions

a. For the years ended December 31, 2023 and 2022

	2023	2022
Service fee charged by FY	$ 582,834	$ -

b. As of December 31, 2023 and 2022

	2023	2022
Account payable to FY	$ 31,250	$ 21,115

CHICHA SAN CHEN CORPORATION
Independent Auditor's Report
and Financial Statements
December 31, 2022 and 2021

CHICHA SAN CHEN CORPORATION
Independent Auditor's Report
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敬業 會計 師

CHEN & FAN
ACCOUNTANCY CORPORATION
9660 Flair Drive, Suite 300
El Monte, California 91731
Telephone (626) 279-1688
Facsimile (626) 279-1888

Offices in Other Locations:
Fremont / San Jose
San Diego

Independent Auditor's Report

Board of Directors and Stockholder
CHICHA SAN CHEN CORPORATION
Redding, California

Opinion

We have audited the accompanying financial statements of **Chicha San Chen Corporation**, (a California company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chicha San Chen Corporation** (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 accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Chen & Fan
  Accountancy Corporation

El Monte, California

March 28, 2023

CHICHA SAN CHEN CORPORATION
Balance Sheets
December 31, 2022 and 2021

ASSETS

	2022	2021
Current Assets:		
Cash and cash equivalents	$ 567,534	$ 92,078
Prepaid expense and other current assets	14,981	-
Total Current Assets	582,515	92,078
Other Asset - Security deposit	-	209
Total Assets	$ 582,515	$ 92,287

LIABILITIES AND STOCKHOLDER'S EQUITY

	2022	2021
Current Liabilities:		
Other payable - related party	$ 21,115	$ 5,129
Accrued expenses	13,500	8,674
Deferred revenues - current	173,000	-
Refundable fees	-	49,992
Total Current Liabilities	207,615	63,795
Long-term and Other Liabilities		
Deferred revenues - non-current	241,992	-
Security deposits from franchisees	114,995	-
Total Long-term and Other Liabilities	356,987	-
Total Liabilities	564,602	63,795
Stockholder's Equity:		
Common stock, no par value authorized 100,000 shares issued and outstanding 50,000 shares	50,000	50,000
Accumulated deficit	(32,087)	(21,508)
Total Stockholder's Equity	17,913	28,492
Total Liabilities and Stockholder's Equity	$ 582,515	$ 92,287

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

CHICHA SAN CHEN CORPORATION
Statements of Operations
For the Years Ended December 31, 2022 and 2021

	2022	2021
Revenue	$ -	$ -
Operating Expenses	(11,400)	(9,099)
Loss from Operations	(11,400)	(9,099)
Non-operating Income	1,721	18
Loss Before Income Taxes	(9,679)	(9,081)
Income Tax Expense	(900)	(1,600)
Net Loss	$ (10,579)	$ (10,681)

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

CHICHA SAN CHEN CORPORATION

Statements of Changes in Stockholder's Equity

For the Years Ended December 31, 2022 and 2021

	Common Stock			
	Shares Issued	Amount	Accumulated Deficit	Total Stockholder's Equity
Balance January 1, 2021	50,000	$ 50,000	$ (10,827)	$ 39,173
Net loss for the year	-	-	(10,681)	(10,681)
Balance at December 31, 2021	50,000	50,000	(21,508)	28,492
Net loss for the year	-	-	(10,579)	(10,579)
Balance at December 31, 2022	50,000	$ 50,000	$ (32,087)	$ 17,913

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

CHICHA SAN CHEN CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Net loss	$ (10,579)	$ (10,681)
Adjustments to reconcile net loss to net		
Cash provided by operating activities:		
Changes in operating assets and liabilities:		
Prepaid expense	(14,981)	-
Security deposit	209	-
Other payable - related party	15,986	1,637
Accrued expenses	4,826	1,130
Refundable fees	(49,992)	49,992
Deferred revenues	414,992	-
Security deposit from franchisees	114,995	-
Net Cash Provided by Operating Activities	475,456	42,078
Net Increase in Cash and Cash Equivalents	475,456	42,078
Cash and Cash Equivalents at Beginning of Year	92,078	50,000
Cash and Cash Equivalents at End of Year	$ 567,534	$ 92,078

<u>Supplemental Disclosures of Cash Flow Information:</u>

	2022	2021
Cash paid during the year for:		
Income tax	$ 900	$ 1,600

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

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 - Organization and Business

Chicha San Chen Corporation (the “Company”) was established as a corporation in the State of California on April 1, 2020 under the name of Chichia San Chen Corporation. The Company changed its name in December 2020 to Chicha San Chen Corporation. It is a wholly owned subsidiary of Fang Yuan F&B International Co., Ltd., (“the Parent”) a Taiwan incorporated company. The Company is in the business of franchises of CHICHA San Chen, a branding of consumer tea beverage products authorized by the Parent in the United States. All the operations are conducted by the Parent.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Revenue Recognition

The Company applies the guidance in FASB ASC 606, Revenue from Contracts with Customers, to recognize revenue. This involves identifying a contract with a customer, determining the performance obligation in the contract, allocating the transaction price to each performance obligation, and recognizing revenue when (or as) the performance obligation is satisfied. The Company generates its main revenues through franchise fees and royalties.

The Company determines that pre-opening services may be recognized as distinct from the franchise license because they align with the list of services defined in ASC. To simplify the accounting, the Company elects to apply the practical expedient and account for all pre-opening services meeting ASC requirements as a single performance obligation. This results in two performance obligations for the Company: a franchise license and pre-opening services.

Note 2 - Summary of Significant Accounting Policies

Revenue Recognition – Continued

Typically, the opening of the franchisee's first store triggers recognition of revenue for the initial franchise fee. However, revenue recognition timing may vary depending on the agreement terms and performance obligations. The Company requires franchisees to pay royalties based on a percentage of franchise store sales under both master franchise agreements and area franchise agreements. These royalty fees are recognized on a monthly basis.

Security deposits received from franchisees are recorded as a liability on the balance sheet until the obligation is fulfilled. Generally, the security deposit is refunded upon the termination of the franchise agreement or applied to cover any damages or losses incurred by the Company.

There are no contract assets at December 31, 2022 and 2021. The contract liabilities as of December 31, 2022 and 2021 are as follows:

	2022	2021
Beginning balance	$ -	$ -
Ending balance	$ 529,987	$ -

Leases

The Company adopted Accounting Standards Update No. 2016-02 Leases and all subsequent amendments to the ASU (collectively, Topic 842). The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either as finance leases or operating leases depending on the criteria the lease met. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. The Company elected not to apply the recognition requirement of Topic 842 to short-term leases. Its future commitment in 2023 is approximately $40.

Note 2 - Summary of Significant Accounting Policies – Continued

Income Taxes

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

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

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

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

Fair Value Measurements

The carrying values of cash and cash equivalents, accrued expenses, other payable–related party and customer deposits approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2022.

Note 2 - Summary of Significant Accounting Policies – Continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by banking regulators. As of December 31, 2022 and 2021, the Company's cash in bank in overseas is fully insured by Central Deposit Insurance Corporation in Taiwan.

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions for subsequent events through March 28, 2023, the date on which these financial statements were available to be issued.

Note 3 - Refundable Fees

In 2021, the Company signed into two memorandums of understanding with potential to authorize the master right to operate/manage CHICHA San Chen brand under certain conditions. A refundable reservation fee of 10% of licensing fee was collected during 2021. As of December 31, 2021, the total amount received is $49,992, and has been refunded to franchisees in 2022.

Note 4 - **Deferred Revenues And Security Deposits from Franchisees**

1. Deferred revenues at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred revenue		
Current	$ 173,000	$ -
Non-current	241,992	-
Total	$ 414,992	$ -

Future recognition of deferred revenue is as follows:

For the year ending December 31,	2022	2021
2023/2022	$ 173,000	$ -
2024/2023	78,000	-
2025/2024	78,000	-
2026/2025	78,000	-
2027/2026	7,992	-
	414,992	-
Less: Current portion	(173,000)	-
Deferred revenues – non-current	$ 241,992	$ -

The Company's deferred revenues at December 31, 2022 are initial franchising fees that include pre-opening service revenue and initial licensing revenue. As its franchisees' first stores will be opened in 2023, the Company estimates its pre-opening services revenue by marking the service revenues, mainly training and designing services, as the current portion of deferred revenue.

2. The Company also charges a refundable security deposit to each of its franchisees. As of December 31, 2022 and 2021, security deposits from franchisees are $114,995 and $0, respectively.

Note 5 - Income Taxes

Income tax expenses for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Federal	$ -	$ -
State	900	1,600
Total	$ 900	$ 1,600

Deferred tax assets at December 31, 2022 and 2021 consisted of the following:

	2022	2021
Deferred tax assets:		
Accrued expenses	$ 3,800	$ 2,200
State income tax	200	200
NOL carryforwards	4,500	3,400
	8,500	5,800
Less: valuation allowance	(8,500)	(5,800)
Net	$ -	$ -

As of December 31, 2022, the Company's net operating loss (NOL) carryforwards available to reduce future taxable income for federal and state income tax purposes are $16,000 each, approximately. Federal NOL can be carried forward indefinitely.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded full valuation allowance as of December 31, 2022 and 2021. The net changes in deferred tax asset valuation allowance are increases of $2,700 and $2,800 for the years ended December 31, 2022 and 2021, respectively.

Note 6 - Related Party Transactions

Fang Yuan F&B International Co., Ltd., the Company's parent company, made several payments on behalf of the Company. As of December 31, 2022 and 2021, the Company's payable to the parent amounted to $21,115 and $5,129, respectively.

CHICHA SAN CHEN CORPORATION

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

CHICHA SAN CHEN CORPORATION
Independent Auditor's Report
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敬業 會計師

CHEN & FAN
ACCOUNTANCY CORPORATION
9660 Flair Drive, Suite 300
El Monte, California 91731
Telephone (626) 279-1688
Facsimile (626) 279-1888

Offices in Other Locations:
Fremont / San Jose
San Diego

Independent Auditor's Report

Board of Directors and Stockholder
CHICHA SAN CHEN CORPORATION
San Francisco, California

Opinion

We have audited the accompanying financial statements of **Chicha San Chen Corporation**, (a California company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2021 and for the period from April 1, 2020 (inception) to December 31, 2020, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chicha San Chen Corporation** (the Company) as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from April 1, 2020 (inception) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Chen & Fan

Chen & Fan
Accountancy Corporation

El Monte, California

February 15, 2022

CHICHA SAN CHEN CORPORATION
Balance Sheets
December 31, 2021 and 2020

ASSETS

	2021	2020
Current Asset:		
Cash and cash equivalents	$ 92,078	$ 50,000
Total Current Asset	92,078	50,000
Security deposit	209	209
Total Assets	$ 92,287	$ 50,209

LIABILITIES AND STOCKHOLDER'S EQUITY

	2021	2020
Current Liabilities:		
Other payable - related party	$ 5,129	$ 3,492
Accrued expenses	8,674	7,544
Refundable fees	49,992	-
Total Current Liabilities	63,795	11,036
Stockholder's Equity:		
Common stock, no par value authorized 100,000 shares issued and outstanding 50,000 shares	50,000	50,000
Accumulated deficiency	(21,508)	(10,827)
Total Stockholder's Equity	28,492	39,173
Total Liabilities and Stockholder's Equity	$ 92,287	$ 50,209

The accompanying notes are an integral part of these financial statements

CHICHA SAN CHEN CORPORATION
Statements of Operations
For the Year Ended December 31, 2021 and
For the Period from April 1, 2020 (Inception) to December 31, 2020

	2021	2020
Revenue	$ -	$ -
Operating Expenses	(9,099)	(10,827)
Loss from Operations	(9,099)	(10,827)
Non-operating Income	18	-
Loss Before Income Taxes	(9,081)	(10,827)
Income Tax Expense	(1,600)	-
Net Loss	$ (10,681)	$ (10,827)

The accompanying notes are an integral
part of these financial statements

CHICHA SAN CHEN CORPORATION

Statements of Changes in Stockholder's Equity
For the Year Ended December 31, 2021 and
For the Period from April 1, 2020 (Inception) to December 31, 2020

	Common Stock			Totl
	Shares Issued	Amount	Accumulated Deficit	Stockholder's Equity
Issuance of common stock	50,000	$ 50,000	$ -	$ 50,000
Net loss for the period	-	-	(10,827)	(10,827)
Balance at December 31, 2020	50,000	50,000	(10,827)	39,173
Net loss for the year	-		(10,681)	(10,681)
Balance at December 31, 2021	50,000	$ 50,000	$ (21,508)	$ 28,492

The accompanying notes are an integral
part of these financial statements

CHICHA SAN CHEN CORPORATION
Statements of Cash Flows
For the Year Ended December 31, 2021 and
For the Period from April 1, 2020 (Inception) to December 31, 2020

	2021	2020
Cash Flows from Operating Activities:		
Net loss	$ (10,681)	$ (10,827)
Adjustments to reconcile net loss to net		
Cash provided by operating activities:		
Changes in operating assets and liabilities:		
Security deposit	-	(209)
Other payable - related party	1,637	3,492
Accrued expenses	1,130	7,544
Refundable fees	49,992	-
Net Cash Provided by Operating Activities	42,078	-
Cash Flows from Financing Activities:		
Issuance of common stock	-	50,000
Net Cash Provided by Financing Activities	-	50,000
Net Increase in Cash and Cash Equivalents	42,078	50,000
Cash and Cash Equivalents, Beginning of Year/Period	50,000	-
Cash and Cash Equivalents, End of Year/Period	$ 92,078	$ 50,000

<u>Supplemental Disclosures of Cash Flow Information:</u>

	2021	2020
Cash paid during the year for:		
Income taxes	$ 1,600	$ -

The accompanying notes are an integral part of these financial statements

Note 1 - Organization and Business

Chicha San Chen Corporation (the "Company") was established as a corporation in the State of California on April 1, 2020 under the name of Chichia San Chen Corporation. The Company changed its name in December 2020 to Chicha San Chen Corporation. It is a wholly owned subsidiary of Fang Yuan F&B International Co., Ltd., ("the Parent") a Taiwan incorporated company. The Company is in the business of franchises of CHICHA San Chen, a branding of consumer tea beverage products authorized by the Parent in the United States.

Note 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Revenue Recognition

The Company was incorporated on April 1, 2020. As it is a newly incorporated company during the COVID-19 pandemic, the Company has neither started its franchising activities nor authorized any stores to open in 2020. No revenue was generated for its initial year. In 2021, the Company entered into two memorandums of understanding ("MOU") with two potential franchisees and several MOUs in early 2022. As only MOUs were entered, no revenue is generated in 2021. The Company is currently in the process of entering franchise agreements.

The Company recognizes revenue in accordance with FASB ASC 606, Revenue from Contracts with Customers ("ASC 606"). As such, the Company identifies a contract with a customer, identifies the performance obligation in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenue when (or as) the Company satisfies a performance obligation. The Company's main revenues will be franchise fees and royalties.

Note 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition - Continued

On January 28, 2021, the FASB issued Accounting Standards Update (ASU) 2021-02, Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient. The amendments in ASU 2021-02 permit franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list with the Accounting Standards Update. It also provides an accounting policy election to recognize the pre-opening services as a single performance obligation.

Under ASC 606 before ASU 2021-02, the initial franchise service may not be considered distinct from the continuing rights and services offered during the term of the franchise agreement and, therefore, would be treated as a single performance obligation together with the continuing right and services. To simplify the application, the Company elected to adopt ASU 2021-02 in 2021.

ASU 2021-02 is effective in the interim and annual period beginning after December 15, 2020 when an entity already has adopted ASC 606. Or if an entity has not yet adopted ASC 606, the entity is required to follow the transition provisions and effective date in FASB ASC 606-10-65-1. By electing adoption of ASU 2021-02 in 2021, the Company evaluated both situations onto its 2021 financial statements and revisit its accounting records and legal documents to determine the effects on its initial year 2020. After its evaluation it concluded that ASU 2021-02 has no effects on the Company's financial statements as of December 31, 2021 and 2020 and for the year ended December 31, 2021 and for the period from April 1, 2020 to December 31, 2020, because no franchise agreements entered into and no revenues was generated.

Franchise fees accounting policy before the adoption of ASU 2021-02:

Master franchise grants a conditional license to use and to franchise others to open an outlet under the Parent's proprietary trademark or to open and operate its outlet within the geographic franchised area. Non-refundable initial franchise fee billed based on the schedule of executed franchise agreement, and revenue is recognized in two stages, 1) when it satisfies a performance obligation, usually franchisee's first store opened and 2) over the period of agreement from the date of 1st store opened to end of the agreement.

Note 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition - Continued

Area franchise fee is to grant the right to open franchised stores, usually with minimum number but not limited number of franchise shops set in the agreement, in future periods in specific geographic areas, which requires initial franchise fee that is recognized in two stages.

Franchise fee after the adoption of ASU 2021-02

In applying ASU 2021-02, management may determine that pre-opening services are distinct from the ongoing services that the Company provides to the franchisee throughout the term of the franchise agreement. When pre-opening services are considered distinct from the ongoing franchising services, an estimated standalone selling price associated with each performance obligation in the pre-opening services will be recognized as revenue as the pre-opening services are rendered over time.

Royalty fees –

Both master franchise agreement and area franchise agreement require the franchisees to pay royalty to the Company. Royalty fees are billed based on a percentage of franchise store sales and are recognized on a monthly basis.

Lease Accounting

The Company adopted Accounting Standards Update No. 2016-02 Leases and all subsequent amendments to the ASU (collectively, "ASC 842). The Company categorizes leases in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet either as finance leases or operating leases depending on criteria the lease met. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Costs associated with lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. In 2021, the Company's lease is categorized as operating lease on the month-to-month basis.

Note 2 - Summary of Significant Accounting Policies – Continued

Income Taxes

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

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

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

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

Fair Value Measurements

The carrying values of cash and cash equivalents, accrued expenses, other payable–related party and customer deposits approximated their fair values due to the short-term nature of these financial instruments. There were no outstanding derivative financial instruments as of December 31, 2021.

Note 2 - Summary of Significant Accounting Policies – Continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash in banks. The total balance of cash in bank may at times exceed the amount insured by banking regulators. As of December 31, 2021 and 2020, the Company's cash in bank in overseas is fully insured by Central Deposit Insurance Corporation in Taiwan.

Use of Estimates

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

Subsequent Events

The Company has evaluated events and transactions for subsequent events through February 15, 2022, the date on which these financial statements were available to be issued.

Note 3 - Refundable Fees

In 2021, the Company signed into two memorandums of understanding with potential to authorize the master right to operate/manage CHICHA San Chen brand under certain conditions. A refundable reservation fee of 10% of licensing fee was collected during 2021. As of December 31, 2021, the total amount received is $49,992.

Note 4 - Common Stock

During the period from inception to December 31, 2020, the Company received a $50,000 capital contribution from its shareholder to fund the Company's initial operations. No further capital was injected in 2021. As of December 31, 2021 and 2020, 50,000 shares of common stock were issued and outstanding.

Note 5 - **Income Taxes**

Income tax expenses for year ended December 31, 2021 and for the period from April 1, 2020 (Inception) to December 31, 2020 are as follows:

	2021	2020
Federal	$ -	$ -
State	1,600	-
Total	$ 1,600	$ -

Deferred tax assets at December 31, 2021 and 2020 consisted of the following:

	2021	2010
Deferred tax assets:		
Accrued expenses	$ 2,200	$ 1,900
State income tax	200	-
NOL carryforwards	3,400	1,100
	5,800	3,000
Less: valuation allowance	(5,800)	(3,000)
Net	$ -	$ -

As of December 31, 2021, the Company's net operating loss (NOL) carryforwards available to reduce future taxable income for federal and state income tax purposes are $12,000 each, approximately. Federal NOL can be carried forward indefinitely.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. As the achievement of future taxable income is uncertain, the Company recorded full valuation allowance as of December 31, 2021 and 2020. The net changes in deferred tax asset valuation allowance are increased $2,800 and $3,000 for the year ended December 31, 2021 and for the period from April 1, 2020 (inception) to December 31, 2020, respectively.

Note 6 - **Related Party Transactions**

Fang Yuan F&B International Co., Ltd., the Company's parent company, made several payments on behalf of the Company. As of December 31, 2021 and 2020, the Company's payable to the parent amounted to $5,129 and $3,492, respectively.

LIST OF FRANCHISE OUTLETS

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EXHIBIT D

LIST OF FRANCHISE OUTLETS
(as of December 31, 2023)

Master Franchisee	Primary Contact	Address	Phone No.
Globalink USA, Inc.	Phillip Chan	1513 Cambridge Road, San Marino, CA 91108	626-731-7301
Boba ATX Inc.	Jinjing Weng	1801 E 51st St, Bldg C 370, Austin, TX 78723	646 512 8223
TEALAND PNW INC	Sheng Zheng	4449 155th Ave se, Bellevue WA 98006	425 442 9385
KJ SQUARE 2 CORPORATION	Jia Min Li	2035 Glenview Street Philadelphia PA 19149	917 330 1873
Alphatea LLC	Divinia Lee	2309 Telegraph Avenue, Berkeley, CA 94704	415-939-5600
Bobasu LLC	Wendao Su	3150 Duane Ct SE, Albany, OR 97322	503-739-3630
XYCC TEA INC	Chui Lai Cheng	6411 175th ST., FRESH MEADOWS NY 11365	929-369-9999
UTEAYA BREW LLC	Jake Wen	9299 Hidden Peak Dr, West Jordan, UT 84088	208-821-6621
ROYAL TEA CORPORATION	Xiu Yong Zhang	508 TUDOR BRANCH, GROVETOWN GA30813	646-912-3755
JING'S GROUP INC	Jing Jay Mei	2906 S PARNELL AVE, CHICAGO IL 60616-3128	312-912-2975
KINGS TEA HOUSE I INC	Andy Liao	36 DECOTA DR., RANDOLPH, MA 02368	646-637-5666
Vegas Hot Tea Inc	Amy Yan Ping Lin	7207 W Camero Ave, Las Vegas, NV 89113	503-881-8860

LIST OF TERMINATED FRANCHISES

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SAN CHEN

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EXHIBIT E

LIST OF TERMINATED FRANCHISES

As of December 31, 2023, no Master Franchisee is terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its Master Franchise Agreement during the past 12 months.

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

STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

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SAN CHEN

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EXHIBIT F

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:
Department of Financial Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834
Toll-free (866) 275-2677
(916) 445-7205

Hawaii:
Commissioner of Securities, Dept. of Commerce and Consumer Affairs, Business Registration Div., Securities Compliance Branch
335 Merchant St., Rm. 203, Honolulu
HI 96813-2921
(808) 586-2722

Illinois:
Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:
Indiana Securities Division, Franchise Section
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:
Office of the Attorney General
Securities Division
200 Saint Paul Pl. Baltimore, MD 21202-2020
(410)576-6360

Michigan:
Michigan Attorney General
Consumer Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:
Commissioner of Commerce
85 7th PI. E., Ste 280
Saint Paul, MN 55101-3165
(651) 539-1600

New York:
NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st FL
New York, NY 10005
212-416-8222

North Dakota:
Securities Department
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:
Dept. of Business Regulations
Division of Securities
1511 Pontiac Ave. Bldg. 69-1
Cranston, RI 02920-4407
(401)462-9527

South Dakota:
Division of Insurance, Securities Regulation
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:
State Corporation Commission, Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:
Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW, Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:
Securities Division
201 W. Washington Ave. Ste. 300
Madison, WI 53703-2640
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:
Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
2101 Arena Boulevard, Sacramento, CA 95834

Hawaii:
Commissioner of Securities
Dept. of Commerce and Consumer Affairs,
Business Registration Div., Securities Compliance Branch
335 Merchant St., Rm. 203
Honolulu, HI 96813-2921
(808) 586-2722

Illinois:
Office of the Attorney General
Franchise Division
500 S. 2nd St., Springfield IL 62701-1771
(217)782-4465

Indiana:
Secretary of State
302 W. Washington St., Rm E111
Indianapolis, IN 46204-2738
(317) 232-7781

Maryland:
Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202-2020
(410)576-6360

Michigan:
Michigan Attorney General, Consumer Protection Division
PO Box 30213, Lansing, MI 48909-7713
(517)373-7117

Minnesota:
Commissioner of Commerce
85 7th PI. E., Ste 280, Saint Paul, MN 55101-3165
(651) 539-1600

New York:
Secretary of State
99 Washington Avenue
Albany, NY 12231

North Dakota:
Securities Commissioner
600 E. Boulevard Ave., 5th Flr.
Bismarck, ND 58505-0510
(701) 328-4712

Rhode Island:
Director of the Division of Business Regulation
1511 Pontiac Ave. Bldg. 69-1
Cranston RI 02920-4407
(401)462-9527

South Dakota:
Director of the Division of Securities
124 S. Euclid Ave., Ste.104
Pierre SD 57501-3168

Virginia:
Clerk, Virginia State Corporation Commission
1300 E. Main St., 9th Flr.
Richmond, VA 23219-3630
(804) 371-9051

Washington:
Director of Financial Institutions
150 Israel Rd. SW
Tumwater, WA 98501-6456
(360) 902-8760

Wisconsin:
Administrator, Division of Securities
Department of Financial Institutions
201 W. Washington Ave. Ste. 300, Madison, WI 53703-2640
(608) 266-8557

STATE SPECIFIC ADDENDUM

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SAN CHEN

San Chen

EXHIBIT G

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

In recognition of the requirement of the California Franchise Investment Law, Cal. Corporations Code Section 31000 et seq. the Franchise Disclosure for Chicha San Chen Corporation for use in the State of California shall be amended as follows:

1. Neither Chicha San Chen Corporation (“we” or “us”) nor any person identified in Item 2 of the Disclosure Document is currently 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. 78a, et seq., suspending or expelling such persons from membership in such association or exchange.

2. Item 5 of the Disclosure Document shall be supplemented with the following:

> Payment of all initial fees is postponed until after all of Franchisor’s initial obligations are completed and Franchisee is open for business.

3. Item 17 of each chart of the Disclosure Document shall be supplemented to include the following:

> California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement and Development Agreement contains a provision that is inconsistent with the law, the law will control.
>
> The Franchise Agreement and Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.A. Sec. 101 seq.)
>
> The Franchise Agreement and Development Agreement contains a covenant not to compete which extends beyond the termination of the Franchise Agreement and Development Agreement. This provision may not be enforceable under California law.
>
> You must sign a general release if you transfer your rights under the Franchise Agreement and Development Agreement. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Regulations Act (Business and Professions Code 20000 through 20043).

4. Item 11 of the Disclosure Document shall be supplemented with the following:

> The Antitrust Law Section of the Office of the California Attorney General views minimum or maximum price agreements as per se violations of the Cartwright Act.

5. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

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

7. California's Franchise Investment Law (Corporations Code section 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

8. 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.

9. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

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

ADDENDUM TO MASTER FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law, the parties to the attached Master Franchise Agreement (the "Agreement") hereby agree as follows:

1. Article 3.8 of the Agreement under the heading "Franchise Fee" is hereby added as following.

All the payment of fees is postponed until after all of Franchisor's initial obligations are completed and the first New Outlet is open for business.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Amendment.

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed this California Amendment to the Master Franchise Agreement in duplicate on the date indicated below.

CHICHA SAN CHEN CORPORATION

By: ______________________________
Name: Lin, Hui-Chuan
Title: CEO
Date: ______________________________

MASTER FRANCHISEE

By: ______________________________
Date: ______________________________
Name: ______________________________
Title: ______________________________

STATE EFFECTIVE DATES

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SAN CHEN

San Chen

EXHIBIT H

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Pending
Hawaii	N/A
Illinois	Pending
Indiana	N/A
Maryland	N/A
Michigan	N/A
Minnesota	N/A
New York	Pending
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	N/A
Washington	Pending
Wisconsin	N/A

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

RECEIPTS

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SAN CHEN

San Chen

EXHIBIT I

RECEIPT

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

If Chicha San Chen Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan, Oregon, and Washington require 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 Chicha San Chen Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit E.

The franchisor is Chicha San Chen Corporation, located at 1401 21ST ST, STE R, SACRAMENTO, CA 95811, 530-232-5985.

Issuance Date: August 1, 2024

The franchise seller for this offering is Lin, Hui-Chuan, CEO, Chicha San Chen Corporation, at 1401 21ST ST, STE R, SACRAMENTO, CA 95811, 530-232-5985.

Chicha San Chen Corporation authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I receive a disclosure document dated August 1, 2024 that included the following Exhibits:

Exhibit A	Master Franchise Agreement
Exhibit B	Form of General Release
Exhibit C	Financial Statements
Exhibit D	List of Franchise Outlets
Exhibit E	List of Terminated Franchises
Exhibit F	State Franchise Administrators and Agents for Service of Process
Exhibit G	State Specific Addendum
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date: ______________
Signature of Prospective Master Franchisee: ______________
Print Name: ______________
Please date and sign this page, and then keep it for your records

RECEIPT

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

If Chicha San Chen Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Michigan, Oregon, and Washington require 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 Chicha San Chen Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit E.

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Issuance Date: August 1, 2024

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Exhibit D	List of Franchise Outlets
Exhibit E	List of Terminated Franchises
Exhibit F	State Franchise Administrators and Agents for Service of Process
Exhibit G	State Specific Addendum
Exhibit H	State Effective Dates
Exhibit I	Receipts

Date: ______________
Signature of Prospective Master Franchisee: ______________
Print Name: ______________
You may return the signed receipt either by signing, dating, and mailing it to Chicha San Chen Corporation, at 1401 21ST ST, STE R, SACRAMENTO, CA 95811, 530-232-5985.