



FRANCHISE DISCLOSURE DOCUMENT

Chicha San Chen Corporation dba San Chen

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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 \$369,000 to \$587,000. 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: March 1, 2025

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit 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.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

Chicha San Chen Corporation, hereinafter referred to as “the Company,” conducts business operations not only under its registered name but also under the trade name “San Chen.” The Company’s registered office is located at 1401 21ST ST, STE R, SACRAMENTO, CA 95811, 530-232-5985. Initially incorporated as Chichia San Chen Corporation, the Company subsequently filed restated articles of incorporation with the California Secretary of State on December 31, 2020, at which time the corporate name was officially altered to Chicha San Chen Corporation.

Affiliated Entities

The Company is affiliated with two distinct entities: Fang Yuan F&B International Co., Ltd., subsequently referred to as “Fang Yuan,” and Chi Chia Teashop Co., Ltd., subsequently referred to as “Teashop.” Fang Yuan F&B International Co., Ltd. is our parent company, and its principal address is located at 2F., No. 10-3, Section 2, Xitun Road, Xitun District, Taichung City, Taiwan 40746.

Fang Yuan, a Taiwanese entity incorporated on July 13, 2016, holds ownership of the “San Chen” trademarks and grants the Company the authority to sublicense these marks to third-party individuals or entities within the United States. This sublicensing is purposed for the operation of San Chen-branded franchise establishments over a term spanning from July 1, 2020, to June 30, 2030. Fang Yuan’s registered office is situated at 2F., No. 10-3, Section 2, Xitun Road, Xitun District, Taichung City, Taiwan 40746. As per the latest information available on the date of this document, Fang Yuan directly operates five outlets in Taiwan and extends its franchise system to five international franchisees.

Teashop, incorporated on November 18, 2013, in Taiwan, owns the "Chi Cha Shau Pu" trademarks. The principal office of Teashop is located at 2F., No.15, Qinghai Road, Xitun District, Taichung City, Taiwan. As of the issuance date of this document, Teashop directly manages ten Chi Cha Shau Pu outlets within Taiwan and has franchised its system to 200 entities across Taiwan and China.

Fang Yuan engages in the provision of products and services to the franchisees of our franchisor. Currently, Fang Yuan does not offer franchises across any other lines of business within the United States. Similarly, Teashop maintains a policy of not supplying products or services to the franchisees of our franchisor, nor does it offer franchise opportunities in alternative business lines within the United States.

Franchise Offerings

We have offered the franchises for three years in other states. Prior to the disclosures herein, the Company has not engaged in offering San Chen-branded franchises or any other business franchises in this state. The offerings are currently conveyed through a “Master Franchise Disclosure Document.” Under this arrangement, a Master Franchise Agreement is proposed whereby the prospective Master Franchisee, herein referred to as “Master,” is accorded the rights to a substantially larger territory than that of a single-unit franchisee. This Master is entitled to establish a specific number of San Chen outlets, whether directly managed or operated by third-party franchisees.

In purchasing a Master Franchise, a Master may assume the role of a sub-franchisor with respect to third-party sales, and such third-party buyers will be designated as sub-franchisees. Outlets procured from a Master will conform closely to the franchised businesses of the single Unit Franchise that the Company intends to sell.

Obligations and Support

The Company is committed to providing consultation and support to both the Master and the Unit Franchisees, which includes but is not limited to training, website utilization, and additional support as mandated by the Master Franchise Agreement and the Unit Franchise Agreement. This commitment is not anticipated to compromise the Company's capacity to meet the obligations outlined within the Master Franchise Agreement with the Master.

Specifically, the Company's responsibilities encompass the provision of initial training programs, the education of relevant personnel in clerical duties, and the delivery of various customer service support. Conversely, the Master's obligations involve offering operational and administrative support to Unit Franchisees. It is a requirement for all Unit Franchisees to enter into the Company's Unit Franchise Agreement, irrespective of whether they are under the Master's direct purview or are third-party franchisees.

Agent for Service of Process

Our agent for service of process are 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

This Franchise Disclosure Document (“FDD”) is extended to prospective master franchisees with an offer to purchase and operate a dedicated beverage outlet ("Beverage Outlet") under the San Chen trade name. Alternatively, it provides the opportunity to sell the rights to establish San Chen Beverage Outlets to third parties. Beverage Outlets are typically situated in prime urban locations, such as downtown street fronts, standalone structures, or within retail shopping complexes. Site selection will be conducted on an individual basis, subject to corporate approval. Prospective master franchisees should maintain a dedicated business office, which may be home-based, to support operations.

The Master Franchise Agreement (“MFA”) confers upon the master franchisee, and any subsequent third-party assignees, a license to utilize the San Chen trade name, trademarks, and service marks (collectively, “the Marks”) in the operation of the Beverage Outlet. The Beverage Outlets are to be operated in accordance with a robust operational design (“the System”), encompassing beverage production techniques, a range of teapresso products, operational protocols, customer service excellence, managerial and fiscal oversight, comprehensive training, assistance, and marketing initiatives. The System’s requisite standards and procedures are delineated in a proprietary operations manual (“Manual”), subject to ongoing enhancements and modifications by the franchisor.

Franchisees are granted rights to inaugurate their own Beverage Outlet and to vend such rights to third parties, allowing them to open and manage San Chen outlets pursuant to a Unit Franchise Agreement (“UFA”). The MFA shall be executed by the franchisor, the master franchisee, and any Designated Operator(s) appointed by the franchisor. Said Designated Operator(s), limited to two individuals but sharing a singular communication address, shall have full authority to represent the master franchisee in all matters pertaining to the franchise, inclusive of voting rights. Upon execution of the MFA, the franchisee and Designated Operator(s) are bound by the Agreement's stipulations, notably confidentiality and non-compete clauses, and shall provide personal assurances for the Agreement's fulfillment. Additional non-disclosure and non-compete accords may be necessitated based on the nature of the franchisee's business undertakings.

The UFA execution process and the assignment of specific proprietorial duties to the Unit Franchisee mirror the provisions outlined for the Master franchisee.

Within the MFA, a Development Schedule is delineated, specifying the mandatory timelines for the

inauguration or sublicensing of each Beverage Outlet. The master franchisee is obligated to execute the prevailing UFA for each developed Beverage Outlet or for each outlet established by a third-party franchisee. Prior to the MFA's execution, the franchisor and master franchisee must reach consensus on the number of Beverage Outlets, the designated development territory, and the development schedule. Prior to each Agreement's finalization, a current Disclosure Document, detailing the terms of the UFA and supplementary pertinent information, will be furnished to the franchisee.

Notwithstanding the rights conferred by this FDD and the MFA to sell the San Chen franchise to third parties, such transactions are contingent upon the master franchisee's formulation of a franchising disclosure document for third-party dissemination and the procurement of requisite state registration and approvals.

Market and Competitions

The sales of products and services are not seasonal.

(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 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 (California).

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 \$250,000 to \$350,000. This payment is divided into two installments: 50% 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 (10 th) 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. <i>See section 7.1 of Master Franchise Agreement.</i>
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. <i>See section 1.4 of Master Franchise Agreement.</i>
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. <i>See section 9.3 of Master Franchise Agreement.</i>
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. <i>See section 9.4 of Master Franchise Agreement.</i>
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. <i>See section 10.2 of Master Franchise Agreement.</i>
Extra Order and Transportation Fee	\$150 and actual cost incurred	Before we ship your order	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. 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. <i>See section 10.5 (a) of Master Franchise Agreement.</i>
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. <i>See section 10.5(c) of Master Franchise Agreement.</i>
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. <i>See section 10.7 of Master Franchise Agreement.</i>
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. <i>See section 12.2 of Master Franchise Agreement.</i>
Costs, expenses, and damages associated with advertisement	Actual costs and damages	When it occurs	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. <i>See section 16.3 of Master Franchise Agreement.</i>
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. <i>See section 21.2(b) of Master Franchise Agreement.</i>
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. <i>See section 24.2 of Master Franchise Agreement.</i>
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. <i>See section 5.1(b) of Master Franchise Agreement.</i>
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. <i>See section 5.1(c) of Master Franchise Agreement.</i>

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
Lease or Buildout for Real Estate	\$10,000 To \$50,000	As incurred	As arranged	Landlords, vendors, or other construction companies
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	\$369,000 to <u>\$587,000</u> \$457,000			

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 80% 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.

The Managing Director of the franchisor has an ownership interest in Fang Yuan, which is a supplier of raw materials and supplies to the franchisor's network.

Approval of Alternative Suppliers

Master Franchisees are at liberty to propose alternative suppliers for consideration. However, these suppliers must unequivocally demonstrate their capacity to comply with the comprehensive specifications, standards, and requirements as established by us. Additionally, they must possess the requisite capacity to meet the quality and delivery expectations of our franchisees system-wide, which may encompass the provision of supplies to all San Chen franchisees.

In the evaluation process for approving any alternative supplier, we will meticulously assess factors that include, but are not limited to, product consistency, the reputation of the supplier's brand, the potential for cost savings through economies of scale, and the unique value propositions that the supplier may bring to the San Chen system, such as the capacity for innovation and new product development.

Our decision-making paradigm for supplier approval is holistic, taking into account the interests and operational efficacy of the San Chen system at large. This comprehensive approach may result in scenarios where certain franchisees incur higher costs than they might with suppliers not sanctioned by us. Notwithstanding, we maintain an unequivocal right to refuse approval of any proposed supplier based on our discretion. For transparency and convenience, a catalog of currently sanctioned suppliers is available for review by all franchisees upon formal request.

Our proprietary criteria for the approval of alternative suppliers are confidential and will not be disclosed to either master franchisees or their prospective suppliers. Should you wish to nominate an alternative supplier for consideration, you are required to formally submit a written application to our headquarters. In assessing the viability of any proposed supplier, we may necessitate the provision of sample materials to either our in-house evaluation team or an independent testing facility. Our review will be conducted in accordance with established protocols and resource availability, which may influence the timeline for our response.

It is incumbent upon the supplier to meet our prevailing specifications, standards, and operational requirements. This may entail entering into a non-disclosure agreement and providing financial assurances, such as a performance bond or guarantee. Be advised that we reserve the right to amend our specifications, standards, and requirements at our sole discretion and without prior notice. Following the evaluation, we shall communicate our decision regarding the proposed supplier's approval or rejection within a sixty-day timeframe, subject to the nature of the products or services under consideration. Approval may be retracted at any point should the supplier fail to continually meet our standards, or if we revise our requirements.

Should any costs be incurred in the course of the evaluation and testing of a supplier, you or the supplier will be responsible for reimbursement. We maintain the prerogative to limit the number of suppliers we accept and, in certain product or service categories, to exclusively appoint a third

party or ourselves as the sole supplier.

In alignment with the Master Franchise Agreement, you are obliged to secure and sustain, at your expense, the requisite insurance coverage that we specify from time to time. Such insurance must be comprehensive enough to fulfill all related obligations and designate us as an additional insured entity. The cost of premiums will be contingent upon the terms set forth by the insurance provider and will reflect your historical interactions with them.

Revenue from Required Purchases

We (the “Franchisor”) and our parent company (the “Affiliate”), Fan Yuan F&B International Co., Ltd, may derive revenue, rebates, or other material consideration in connection with the required purchases or leases of products, supplies, equipment, or services by our franchisees. Affiliate’s revenue from sales to franchisees based on the most recent audited financial statements. The following disclosures are based on the most recent audited financial statements of our parent company:

(a) Franchisor’s total revenue, based on the most recent audited financial statements:

For the fiscal year ended December 31, 2024, our parent company, Fan Yuan F&B International Co., Ltd, reported total revenue of \$14,083,133.

(b) Franchisor’s revenues from all required purchases and leases:

Of the total revenue reported, \$8,903,245 was derived directly from mandatory purchases and leases made by franchisees.

(c) Percentage of franchisor’s total revenues from required purchases or leases:

Revenue from required purchases and leases accounted for 63% of the total revenue of Fan Yuan F&B International Co., Ltd for fiscal year 2024.

These figures are drawn from the audited financial statements of Fan Yuan F&B International Co., Ltd for the fiscal year ended December 31, 2024.

Other Requirements

Franchisee's selection of a business location is subject to our explicit authorization. We require submission and examination of any prospective lease or purchase contract prior to its formalization. Our commitment is to employ commercially reasonable efforts to convey our

decision on the approval or rejection of your proposed site within a judicious timeframe subsequent to our receipt of the requisite documentation.

With regards to promotional activities, it is imperative that samples of all advertising, promotional, and marketing materials not originated by us or previously sanctioned be forwarded to our office for evaluation. Absence of an expressed written disapproval within a thirty-day period following our receipt of said materials will automatically result in their considered rejection. Usage of any advertising, promotional, or marketing materials is strictly prohibited unless they have received our formal approval or in the absence of a disapproval notice.

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 Obligations and Provisions

Training and Designation Requirements (See Section 9.1, 9.2, and 9.3 of the master franchise agreement)

Prior to the inauguration of the Beverage Outlet, we will furnish initial training within ninety (90) days post your acquisition of the Master Franchise. As the Designated Operator, you, together with any prospective Manager subject to our approval, are mandated to partake in and satisfactorily complete our introductory training program. We retain the exclusive authority to assess and confirm the successful completion of this training. Non-fulfillment of the training criteria to our satisfaction may result in the termination of the Master Franchise Agreement. During the term of the Agreement, should there be an absence of a certified Manager or Designated Operator, a Support Fee of \$1,000 per week, in addition to travel and living expenses, will be levied until such time as the designated replacement has completed and been certified under our training program. All associated costs for participation in any training, encompassing travel, accommodation, sustenance, and compensation, shall be borne by you.

Site Selection and Approval Factors:

We consider several critical factors when selecting and approving sites for new franchise locations to ensure optimal performance and alignment with our brand standards. The following criteria are evaluated during the site selection process:

- a. Demographics: We analyze the local population's characteristics, including age distribution, income levels, education, and household size, to determine market potential and target customer base suitability.
- b. Traffic Patterns: Assessment of both vehicular and pedestrian traffic is conducted to gauge visibility and accessibility. High traffic volumes can increase brand exposure and customer footfall.
- c. Competition Analysis: The presence of direct competitors and complementary businesses in the vicinity is evaluated. A location with minimal direct competition and beneficial neighboring businesses can enhance market share and cross-promotional opportunities.
- d. Accessibility and Visibility: The site's proximity to major roads, public transportation, and ease of entry and exit are considered. High visibility from main thoroughfares and adequate signage opportunities are essential for attracting customers.
- e. Site Characteristics: We examine the physical attributes of the location, including size, layout, parking availability, and compliance with zoning and building codes. The site must accommodate our operational requirements and branding elements.

f. Economic Factors: Analysis of rental or purchase costs, local taxes, utility expenses, and potential incentives is performed to ensure the financial viability of the site.

g. Market Trends: Current and projected economic and development trends in the area are reviewed to assess long-term sustainability and growth potential.

h. Legal and Regulatory Compliance: The site must meet all local, state, and federal regulations, including permits, licenses, and environmental requirements.

i. Franchisee Input: We consider insights and preferences from franchisees regarding the local market, as their firsthand knowledge can be valuable in the selection process.

j. Brand Alignment: The location should enhance our brand image and be consistent with our strategic objectives, ensuring a cohesive customer experience across all franchises.

Our real estate team will work closely with you to identify and evaluate potential sites based on these factors. Final site approval is granted only after a thorough analysis confirms that the location meets all our criteria and standards.

Site Selection Time Limits and Approval Consequences

We are committed to assisting you in finding a suitable location that aligns with our brand standards. You are required to identify and submit proposed sites for our approval within 90 days from the signing of the Franchise Agreement. Upon receiving your submissions, we will evaluate and respond within 30 days. If a site is not approved within the initial 90-day period, you may request a one-time extension of 60 days to continue the search.

If a mutually agreeable site is not secured within the specified time frames, either party has the right to terminate the Franchise Agreement. Should termination occur due to your inability to propose acceptable sites, any initial fees or deposits paid may be forfeited. Conversely, if we terminate the agreement because we have not approved any of your proposed sites despite them meeting our criteria, we will refund your initial franchise fee, less any reasonable costs incurred during the site evaluation process.

Our real estate team will work closely with you throughout the site selection period, providing guidance on market analysis, site evaluation, and regulatory compliance. All proposed sites must receive our written approval before you proceed with lease or purchase agreements to ensure consistency with our brand image and operational standards. Adhering to these time frames is crucial for facilitating a smooth opening process for your franchise location.

Operational Materials and Manuals (See Section 1.1 of the master franchise agreement)

Concurrently with the Agreement's execution, a loan of one copy of the Manual will be issued to you, detailing essential and advisory specifications, standards, and procedures, which is to be treated as confidential and remains our intellectual property. We reserve the unilateral right to enact amendments to the Manual. The Manual's Table of Contents is furnished herewith as Exhibit C.

Within thirty (30) days of the Agreement's execution, we will impart specifications for the architectural layout and interior design of your office through the Manual or other means.

Similarly, within thirty (30) days of the Agreement's execution, a catalog of requisite equipment, products, fixtures, furnishings, supplies, and signage for the office setup will be provided. The franchisor is responsible for delivering and installing the requisite items necessary for the initial office setup at the franchisee's location. This service is to ensuring that each franchise is equipped to commence operations efficiently and effectively. The franchisor will coordinate the delivery and manage the installation process of equipment, furniture, and other materials as specified in the franchise agreement.

Trademark Licensing and Marketing Consultation (See Section 1.1, 2.1, 4.1, 4.4, 4.5, 16.1, and 16.2 of the master franchise agreement)

A license for the utilization of our trademarks will be granted to you. We will also proffer consultation and guidance on advertising, marketing, and promotional endeavors for the benefit of Unit Franchisees.

Limitation of Pre-Opening Services

Beyond the aforementioned services and assistance, no further commitments are to be expected from us prior to your commencement of operations.

Franchise Sales and Territory Rights

We are actively engaged in the sale of franchises under the stipulations of a Master Franchise Agreement. The Master thus acquires expansive territorial rights exceeding those of a standard Unit Franchisee and is endowed with the prerogative to inaugurate a specified number of San Chen Beverage Outlets. These Outlets, whether directly operated by the Master or assigned to and managed by third-party entities, are anticipated to be in congruence with the Unit Franchise model.

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.

Site Selection and Approval Process for Franchise Locations

The franchisor does not own or lease the premises for franchise locations. Franchisees are independently responsible for acquiring their own premises. However, the franchisor does play a role in approving the sites chosen by franchisees. The criteria for this approval include demographic characteristics, foot traffic, the presence of complementary businesses, accessibility, visibility, local market conditions, and lease terms. These factors are evaluated to ensure they align with the franchisor's brand strategy and to enhance the potential success of the franchisee's operations.

Premises Compliance and Setup Responsibilities

The franchisor does not provide assistance in conforming the premises to local ordinances and building codes, nor in obtaining any required permits. Additionally, the franchisor is not responsible for constructing, remodeling, or decorating the premises. Franchisees are solely responsible for ensuring that their premises meet all local regulations and for securing any necessary permits. Franchisees must also manage and execute all aspects of construction, remodeling, and decoration of their premises in accordance with the franchisor's specifications and standards.

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.

Point of Sale System

You are required to buy and use point of sale (“POS”) system. A POS system combines the functions of a cash register and a computer system, allowing for efficient handling of sales transactions. These systems can be set up with mobile systems operating on smartphones or tablets for flexibility, or cloud-based systems that run online for greater accessibility.

The data generated and stored in POS systems is extensive and includes sales data, customer information, inventory levels, employee performance metrics, financial transactions, and payment methods. Sales data helps in tracking product popularity and sales timings, while customer data is useful for marketing and loyalty programs. Inventory data is automatically updated with each sale, ensuring accurate stock levels. Employee data assists in monitoring staff performance, and financial data is crucial for reporting and analysis. Additionally, the system records various payment methods, enhancing transaction efficiency.

The initial cost of purchasing a POS system is \$800. This investment is crucial for streamlining sales processes, managing inventory effectively, and offering better customer service. However, the franchisee also has the obligation to upgrade and update the POS system annually, incurring a cost of \$500 each year. These regular updates ensure that the system remains efficient, secure, and capable of handling the latest sales and inventory management needs.

By understanding these aspects, a franchisee can appreciate the importance of this requirement in their franchise operations. The POS system not only helps in improving sales transaction accuracy and speed but also provides valuable insights into business performance, aiding in better decision-making and customer relationship management.

The franchisor will have independent access to all the information generated and stored in the POS system used by the franchisee. This means that the franchisor can directly access a wide array of data such as sales figures, customer information, inventory levels, employee performance metrics, financial transactions, and payment methods without any restrictions.

There are no contractual limits imposed upon the franchisor’s access to the franchisee’s data from the POS system. This unrestricted access allows the franchisor to monitor the overall performance of the franchise, understand customer preferences, assess inventory and sales trends, and ensure compliance with the brand’s standards and procedures. It also facilitates the franchisor in providing

support, guidance, and strategic planning based on real-time data from the franchisee's operations.

The Marketing Fund and Advertising

Franchisees are not required to participate in the Marketing Fund. This decision allows franchisees the flexibility to manage their own local marketing and advertising initiatives independently, in accordance with the franchisor's brand guidelines and marketing policies. While The Marketing Fund may offer collective benefits through broader marketing efforts, participation in this fund is optional for franchisees.

Franchisees are not required to participate in any local or regional advertising cooperatives. This policy provides franchisees the autonomy to manage their own advertising and marketing efforts, tailored to their specific market needs and conditions. Franchisees retain the discretion to choose their preferred marketing strategies, as long as these strategies align with the franchisor's overall brand guidelines and standards.

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. We are not obligated to spend any specific amount on advertising or marketing in the franchisee's designated territory. While the franchisor may engage in national or regional marketing efforts that could benefit the franchise network as a whole, there is no guarantee of dedicated advertising spend within an individual franchisee's territory.

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	1
Chapter 2 Clothing and Service: Appearance and Dress Code	3
Chapter 2 Clothing and Service: Service Essentials	2
Chapter 3 Checkout Counter Recognition and Teaching: Procedure at Check Out Counter	2
Chapter 3 Checkout Counter Recognition and Teaching: Drink Item Introduction	4
Chapter 3 Checkout Counter Recognition and Teaching: Beverage Serving Process	3
Chapter 3 Checkout Counter Recognition and Teaching: The Assessment Forms Dedicated to Checkout Counters	4
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Leaves Knowledge	7
Chapter 4 Tea Brewing Knowledge and Teaching: The Introduction of Teapresso Machines	1
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Utensils	1
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Process	1
Chapter 4 Tea Brewing Knowledge and Teaching: Cleaning Process After Tea Brewing	1
Chapter 4 Tea Brewing Knowledge and Teaching: Teapresso Machine Backwash	1

Chapter 4 Tea Brewing Knowledge and Teaching: Teapresso Machine Handles Cleaning Process	1
Chapter 4 Tea Brewing Knowledge and Teaching: Tea Brewing Assessment Forms	1
Chapter 5 Kitchen Knowledge: Utensil Introduction	3
Chapter 5 Kitchen Knowledge: Material Introduction	1
Chapter 5 Kitchen Knowledge: Material Storage Location	1
Chapter 5 Kitchen Knowledge: Material Conditioning	1
Chapter 5 Kitchen Knowledge: Material Expiries	4
Chapter 5 Kitchen Knowledge: Material Preparation Registration Forms	1
Chapter 5 Kitchen Knowledge: Kitchen Assessment Forms	1
Chapter 6 Bar Counter: Utensil Introduction	4
Chapter 6 Bar Counter: Beverage Preparing Process	1
Chapter 6 Bar Counter: Drink Making Process	1
Chapter 6 Bar Counter: The Maintenance Method of Quantitative Fructose Dispenser Machine	2
Chapter 6 Bar Counter: Bar Counters Assessment Forms	3
Chapter 7 Tasting Knowledge: Utensil Introduction	3
Chapter 7 Tasting Knowledge: Tea Leaves-Qingxin Oolong Tea	1
Chapter 7 Tasting Knowledge: On-Site Brewed Tea Integrated with Designated Terminology and Phrases	2
Chapter 7 Tasting Knowledge: On-Site Brewing Designated Terms and Phrases Procedure Q&A	4
Chapter 7 Tasting Knowledge: Tasting Assessment Forms	1
Annex I: Chi Cha San Chen-Lishan Oolong Tea	1
Annex II: Product and Sales Planning	6
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	6	2	Taichung, Taiwan

Beverage Pickup Procedure			
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.

The training instructors employed by the franchisor have a minimum of three years of experience with the franchisor. This requirement ensures that the instructors tasked with training new franchisees are not only well-versed in the specific operations, systems, and standards of the franchise, but also have a substantial period of engagement and familiarity with the franchisor's methods and culture.

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 franchisor, or any of our affiliates, do not operate, nor do we have plans to operate or franchise, businesses under a different trademark that sell goods or services which are the same as or similar to those offered by the franchisee.

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

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
 (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. Our franchise, in strict compliance with United States Patent and Trademark Office (USPTO) regulations, confirms that all necessary affidavits have been duly filed, and all trademark registrations pertaining to our brand have been renewed as required.

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 sale 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 any 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	Summary
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		Franchise Agreement	
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.
j.	Assignment of contract by franchisor	Section 27.2(a)	Franchisor may assign contractual rights and obligations without obtaining franchisee's consent.
k.	"Transfer" by franchisee-defined	Section 27.2(a)	Assignment and transfer of the San Chen franchise means that the assignor and transferor assign and 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	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
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 <i>et seq.</i>) 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, 530-232-5985; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 to 2024

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2022	1	4	+3
	2023	4	12	+8
	2024	12	11	-1
COMPANY- OWNED*	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
TOTAL OUTLETS	2022	1	4	+3
	2023	4	12	+8
	2024	12	11	-1

*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 2022 to 2024

STATE	YEAR	NUMBER OF TRANSFERS
TOTAL OUTLETS	2022	0
	2023	0
	2024	0

TABLE 3
STATUS OF FRANCHISE OUTLETS
FOR YEARS 2022 to 2024

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	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	1	0	0	0	1
GA	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
IL	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
MA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NV	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NY	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OR	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
PA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TX	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
UT	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TOTAL	2022	1	3	0	0	0	0	4
	2023	4	8	0	0	0	0	12
	2024	12	0	1	0	0	0	11

TABLE 4

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024

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	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

TABLE 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2024

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
CA	0	2	0
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 D, are our audited Financial Statements as of December 31, 2024, 2023, 2022, and 2021. Exhibit D also includes our unaudited financial statements from January 1, 2025 to October 31, 2025. Our fiscal year end is December 31.

ITEM 22 CONTRACTS

The following agreement are attached to this Disclosure Document

- Exhibit A Master Franchise Agreement
- Exhibit B Form of General Release
- Exhibit H Statement of Master Franchisee
- Exhibit I 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 K.

MASTER FRANCHISE AGREEMENT

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 reserves all rights to unilaterally modify or change the brand manual and scope of any trade secret, technology, and know-how provided at any time. After receipt of the Franchisor’s written notice, the Master Franchisee shall comply and adjust accordingly within the designated term. The change may include the layout of stores, decoration, slogan, sign, color scheme, and corporate symbol, formula, mixing ratio, and packaging to maintain the consistency of the Franchisor’s corporate image and quality.

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 grants to Master Franchisee the right to sublicense its rights granted under section 1 to any third party ("Franchisee"), provided that the scope and term of such sublicense granted does not exceed those granted by Franchisor.

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 fully 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 warrant 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. 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.
- (f) 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 Franchisor. 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 \$ _____. 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 ten (10) calendars days prior to 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 open its Master Franchise Outlet within 6 months after execution of the Agreement. If Master Franchisee does not open and operate the first Outlet within six (6) months, Franchisor may send a written notice to Franchisee and demand that the outlet be opened and operated within nine (9) months after execution of the Agreement. Failure to complete the obligation shall be deemed as a material breach of the Agreement. Unless the inability to comply with the schedule is caused by situation specified in Section 27.9, the Franchisor may terminate the Agreement. The termination does not exempt Master Franchisee from damages and actual losses and costs incurred by the Franchisor. A penalty of \$40,000 may also be attached.

7. Royalty and Inspection

7.1 Royalty

Master Franchisee shall pay a royalty in the amount of ____ percent (___%) of the actual net sales before tax (such amount is the net payment received by Franchisor after withholding tax or other payment required) of the stores operated by Master Franchisee or by Franchisee in a given month before the tenth (10th) day of the subsequent calendar month. 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 _____ dollars (\$_____) 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.

10.6 Insurance Policy

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.

10.7 Franchisee's Obligation

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

12.1 Master Franchisee's Obligation to Bear the Expenses

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.

12.2 Franchisor's Approval for Suppliers

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. Master Franchisee may change Franchisor's specifications, standards and requirements at any time from time to time without any limits. 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.

12.3 Required Purchase

Master Franchisee shall purchase the equipment, machinery (Appendix 7 hereto), and raw materials (Appendix 6 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 Appendix 6 and Appendix 7 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

Master Franchisee shall procure Franchisee to use only the key and general items of equipment, machinery, and raw materials as stipulated in Appendix 6 and Appendix 7 hereto provided by Franchisor, Franchisor's authorized supplier, or to purchase from Master Franchisee only. Master Franchisee shall purchase such items from Franchisor or Franchisor's approved suppliers and resell them to its Franchisee at the price as specified in Appendix 6 and Appendix 7 hereto. Failure to do so shall be deemed as breach of 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 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 Section 12 is using FOB (Intercom 2010) 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. Franchisor shall load the goods on board a vessel at the place of any port in Taiwan.

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 handling 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 ft² of the area. If the area of Master Franchisee's outlet is more than 1780 ft², Master Franchisee shall be liable for \$11.2 of each additional square foot.

13.3 Design and Construction for Outlets

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

13.4 Utility and Safety Issues

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.

13.5 Repair and Maintenance

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.

13.6 Franchisee's Obligation

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) month 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 or 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 Kuo-Liang Wang

Address:

Telephone:

Email: chicha3000@teashop168.com.tw

Master Franchisee:

Chairman:

Address:

Telephone:

27. Miscellaneous

27.1 Amendment

This Agreement may not be amended except 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

(a) Assignment and transfer of the San Chen franchise means that the assignor and transferor assign and transfer of contact, assets, ownership, and right to operate the San Chen franchise to the assignee and transferee.

(b) 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.

(c) New assignee or transferee shall have comparable experience as Master Franchisee, receive qualified training program, and sign the new Master Franchise Agreement with the Franchisor.

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



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

Exclusive Regional Franchise Renewal Assessment Report

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

5. 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
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Chi Cha San Chen Warning 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 Dissipated power: 300W Equipment size: 270×390×430mm; 8.5kg Capacity: 8.5L	piece	\$385.20		
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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 CASSIA BLACK TEA		piece	\$0.06		
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

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, THEREFORE, 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 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 1.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 1.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: _____

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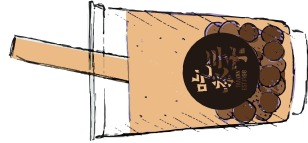




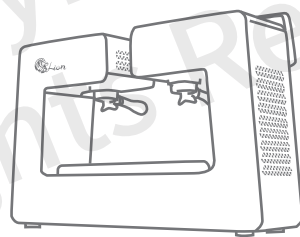
Educational
and Function Training Manual

International Beverage Originated from Taiwan

Taiwan Headquarter	No. 474, Min Quan Road, North District, Taichung City, Taiwan
China Headquarter	No. 107, Si Ming South Road, Si Ming District, Xiamen City, China (Located at 1st Floor within Northern Area of Chunghua Plaza)



CHICHA San Chen Educational Training
Department 2020 V4.0



※ It is a general education training guideline that is edited based on the educational training courses for Taiwan's Daying Concept Store. The actual implementation and procedures shall be subject to the situation on site for the most appropriate adjustment.

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FINANCIAL STATEMENTS



CHICHA SAN CHEN CORPORATION
BALANCE SHEET

	October 31, 2025
Current Assets	
Cash and cash equivalents	\$ 967,645
Accounts receivable	66,661
Restricted deposit	1,732,143
Other current assets	230,350
Total current assets	<u>2,996,800</u>
Non-Current Assets	
Deferred income tax assets	310,500
Total Assets	<u><u>\$ 3,307,300</u></u>
Current Liabilities	
Accrued expenses	\$ 55,047
Income tax payable	224,000
Due to related parties	567,555
Deferred revenue	1,197,416
Temporary receipts	596,690
Total current liabilities	<u>2,640,709</u>
NonCurrent Liabilities	
Security deposits from franchisees	625,000
Total liabilities	<u>3,265,709</u>
Stockholders' Equity	
Common stock,	
100,000 shares authorized, 100,000 shares issued and outstanding	100,000
Accumulated Deficit	(58,409)
Total stockholders' equity	<u>41,591</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 3,307,300</u></u>

CHICHA SAN CHEN CORPORATION
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Ten Months Ended October 31
	2025
Revenue, net	\$ 1,213,517
Cost of revenue	72,813
Gross profit	<u>1,140,705</u>
General & Administrative Expense	665,367
Income from operations	<u>475,338</u>
Other income (expense)	
Interest Income	65,049
Other gains and losses	58,667
Total other income (expense)	<u>123,716</u>
Income before tax	599,054
Income tax expense	<u>228,201</u>
Net Profit	<u><u>\$ 370,853</u></u>

CHICHA SAN CHEN CORPORATION
Financial Statements
and Independent Auditor's Report
December 31, 2024 and 2023

CHICHA SAN CHEN CORPORATION
Financial Statements
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CHEN & FAN
ACCOUNTANCY CORPORATION

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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, 2024 and 2023, 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, 2024 and 2023, 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.

A handwritten signature in black ink, appearing to read "Chen & Fan", written in a cursive, flowing style.

Chen & Fan
Accountancy Corporation

Irwindale, California

March 1, 2025

CHICHA SAN CHEN CORPORATION
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	<u>ASSETS</u>	
	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 274,467	\$ 395,165
Short-term Investments	1,708,838	1,000,000
Accounts receivable	104,108	675,129
Prepaid expense and other current asset	21,167	43,740
Total Current Assets	<u>2,108,580</u>	<u>2,114,034</u>
Other Asset - Deferred income taxes	<u>310,500</u>	<u>92,000</u>
Total Assets	<u><u>\$ 2,419,080</u></u>	<u><u>\$ 2,206,034</u></u>
	<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>	
Current Liabilities:		
Other payable - related party	\$ 17,644	\$ 31,250
Accrued expenses and income tax payable	61,042	48,700
Deferred revenues - current	550,000	367,000
Refundable fees	35,000	15,992
Total Current Liabilities	<u>663,686</u>	<u>462,942</u>
Long-term and Other Liabilities		
Deferred revenues - non-current	1,447,961	1,504,618
Security deposits from franchisees	475,000	360,000
Total Long-term and Other Liabilities	<u>1,922,961</u>	<u>1,864,618</u>
Total Liabilities	<u>2,586,647</u>	<u>2,327,560</u>
Capital Deficiency:		
Common stock, no par value, authorized 100,000 shares issued and, outstanding 100,000 shares in 2024 and 50,000 shares in 2023	100,000	50,000
Accumulated deficit	<u>(267,567)</u>	<u>(171,526)</u>
Capital Deficiency	<u>(167,567)</u>	<u>(121,526)</u>
Total Liabilities, Net of Capital Deficiency	<u><u>\$ 2,419,080</u></u>	<u><u>\$ 2,206,034</u></u>

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

CHICHA SAN CHEN CORPORATION
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenue - franchising revenue	\$ 717,817	\$ 408,932
Operating Cost and Expenses		
Franchise expenses	156,700	108,303
Operating expenses	<u>802,783</u>	<u>541,494</u>
Total Operating Cost and Expenses	959,483	649,797
Loss from Operations	(241,666)	(240,865)
Non-operating Income - interest income	<u>80,851</u>	<u>35,626</u>
Loss Before Income Taxes	(160,815)	(205,239)
Income Tax Benefit	<u>64,774</u>	<u>65,800</u>
Net Loss	<u><u>\$ (96,041)</u></u>	<u><u>\$ (139,439)</u></u>

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, 2024 AND 2023

	Common Stock		Accumulated		Total Stockholder's
	Shares	Amount	Deficit		Equity (Capital
	Issued				Deficiency)
Balance January 1, 2023	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)
Issuance of common stock	50,000	50,000	-		-
Net loss for the year	-	-	(96,041)		(96,041)
Balance at December 31, 2024	100,000	\$ 100,000	\$ (267,567)	\$	(167,567)

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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Net loss	\$ (96,041)	\$ (139,439)
Adjustments to reconcile net loss to net		
Cash provided by operating activities:		
Deferred income taxes	(218,500)	(92,000)
Changes in operating assets and liabilities:		
Accounts receivable	571,021	(675,129)
Prepaid expense	22,573	(28,759)
Other payable - related party	(13,606)	10,135
Accrued expenses and income tax payable	12,342	35,200
Refundable fees	19,008	15,992
Deferred revenues	126,343	1,456,626
Security deposit from franchisees	115,000	245,005
	<u>538,140</u>	<u>827,631</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activity:		
Short-term investment	<u>(708,838)</u>	<u>(1,000,000)</u>
Net Cash Used for Investing Activity	<u>(708,838)</u>	<u>(1,000,000)</u>
Cash Flows from Financing Activity:		
Issuance of common stock	<u>50,000</u>	<u>-</u>
Net Cash Provided by Financing Activity	<u>50,000</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(120,698)	(172,369)
Cash and Cash Equivalents at Beginning of Year	<u>395,165</u>	<u>567,534</u>
Cash and Cash Equivalents at End of Year	<u>\$ 274,467</u>	<u>\$ 395,165</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income tax	<u>\$ 150,402</u>	<u>\$ -</u>

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

CHICHA SAN CHEN CORPORATION

Notes to Financial Statements
December 31, 2024 and 2023

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, 2024, the Company recorded a shareholders' equity deficiency of \$167,567, primarily attributable to deferred revenue from franchising operations. The deferred revenue is composed of \$550,000 in current and \$1,447,961 in non-current portions. With total current assets of \$2,108,580 and current liabilities of \$663,686, the negative equity position is assessed as temporary, reflecting the lag in revenue recognition compared to cash inflows.

The Company expects its equity position to improve as deferred revenue is gradually recognized and royalty income from franchise sales continues to grow. To support long-term financial stability, the Company is prudently managing its financial resources and has taken steps to enhance shareholders' equity, including a \$50,000 capital injection from its parent company this year. The company has introduced two types of franchise agreements to attract more franchisees. In 2024, it has already signed multiple franchise agreements and expects to launch new stores starting in the second quarter of 2025.

Given the nature of the Company's revenue recognition practices, the current negative equity position should be interpreted in the proper accounting context and is not indicative of financial distress.

Cash and Cash Equivalents

For the 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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies

Short-term Investments

The Company classifies financial instruments purchased with original maturities exceeding three months but maturing within one year as short-term investments. These investments are recorded at cost, which 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.

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies – Continued

Revenue Recognition – Continued

The Company's contract asset and liabilities as of December 31, 2024 and 2023 are as follows:

	<u>Accounts Receivable</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Beginning balance of 2023	\$ -	\$ -	\$ 529,987
Ending balance of 2023	\$ 675,129	\$ -	\$ 2,231,618
Ending balance of 2024	\$ 104,108	\$ -	\$ 2,472,961

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 2025.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

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, 2024 and 2023.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

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, 2024, the Company's cash in bank and short-term investments in overseas exceeds the Taiwan Central Deposit Insurance Corporation insured amount by \$1,892,000 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.

Subsequent Events

The Company has evaluated events and transactions for subsequent events through March 1, 2025, the date on which these financial statements were available to be issued.

Note 3 - Short-term Investments

As of December 31, 2024, short-term investments consisted of two certificates of deposit totaling \$1,708,838, with maturity dates ranging from February to March 2025, and interest rates between 2.75% and 4.5% per annum.

As of December 31, 2023, short-term investments consisted of one certificate of deposit totaling \$1,000,000, maturing in Marh 2024, with an interest rate of 5.4% per annum.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

Note 4 - Refundable Fees

The refundable fees represent reservation fees submitted by potential franchisees who later terminated the memorandums. As of December 31, 2024, and 2023, the refundable fees were \$35,000 and \$15,992, respectively.

Note 5 - Deferred Revenues And Security Deposits from Franchisees

1. Deferred revenues at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Deferred revenue		
Current	\$ 550,000	\$ 367,000
Non-current	<u>1,447,961</u>	<u>1,504,618</u>
	<u>\$ 1,997,961</u>	<u>\$ 1,871,618</u>

Future recognition of deferred revenue is as follows:

<u>For the year ending December 31,</u>	<u>2024</u>	<u>2023</u>
2025/2024	\$ 550,000	\$ 367,000
2026/2025	229,000	184,000
2027/2026	229,000	184,000
2028/2027	218,000	184,000
2029/2028	<u>771,961</u>	<u>952,618</u>
	1,997,961	1,871,618
Less: Current portion	<u>(550,000)</u>	<u>(367,000)</u>
Deferred revenues – non-current	<u>\$ 1,447,961</u>	<u>\$ 1,504,618</u>

The Company's deferred revenues at December 31, 2024 are initial franchising fees that include pre-opening service revenue and initial licensing revenue. As its franchisees' first stores will be opened in 2025, 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, 2024 and 2023, security deposits from its franchisees are \$475,000 and \$360,000, respectively.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

Note 6 - Income Taxes

Income tax expenses (benefit) for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Current		
Federal	\$ 125,065	\$ 19,000
State	<u>28,661</u>	<u>7,200</u>
	<u>153,726</u>	<u>26,200</u>
Deferred		
Federal	\$ (151,300)	\$ (63,400)
State	<u>(67,200)</u>	<u>(28,600)</u>
	<u>(218,500)</u>	<u>(92,000)</u>
Net	<u>\$ (64,774)</u>	<u>\$ (65,800)</u>

Deferred tax assets at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Accrued expenses	\$ 8,400	\$ 6,100
State income tax	7,100	1,700
Deferred revenue	<u>295,000</u>	<u>84,200</u>
	<u>310,500</u>	<u>92,000</u>
Less: valuation allowance	<u>-</u>	<u>-</u>
Net	<u>\$ 310,500</u>	<u>\$ 92,000</u>

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, 2024.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2024 and 2023

Note 7 - Related Party Transactions

A. Name of related party and relationship

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

The Company has extensive transactions with its parent company. 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Service fee charged by FY recorded under		
Franchise service expenses	\$ 109,150	\$ 107,922
Operating expenses	<u>688,203</u>	<u>474,912</u>
Total	<u>\$ 797,353</u>	<u>\$ 582,834</u>

b. As of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Other payable to FY	<u>\$ 17,644</u>	<u>\$ 31,250</u>

CHICHA SAN CHEN CORPORATION
Financial Statements
and Independent Auditor's Report
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CHICHA SAN CHEN CORPORATION

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CHEN & FAN
ACCOUNTANCY CORPORATION

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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

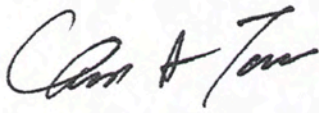
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.

A handwritten signature in black ink, appearing to read "Chen & Fan", written in a cursive style.

Chen & Fan
Accountancy Corporation

El Monte, California

March 28, 2024

CHICHA SAN CHEN CORPORATIONBalance Sheets
December 31, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
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	<u>43,740</u>	<u>14,981</u>
Total Current Assets	2,114,034	582,515
Other Asset - deferred income taxes	<u>92,000</u>	<u>-</u>
Total Assets	<u>\$ 2,206,034</u>	<u>\$ 582,515</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)</u>		
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	<u>15,992</u>	<u>-</u>
Total Current Liabilities	<u>462,942</u>	<u>207,615</u>
Long-term and Other Liabilities		
Deferred revenues - non-current	1,504,618	241,992
Security deposits from franchisees	<u>360,000</u>	<u>114,995</u>
Total Long-term and Other Liabilities	<u>1,864,618</u>	<u>356,987</u>
Total Liabilities	<u>2,327,560</u>	<u>564,602</u>
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	<u>(171,526)</u>	<u>(32,087)</u>
(Capital Deficiency)/Total Stockholder's Equity	<u>(121,526)</u>	<u>17,913</u>
Total Liabilities, Net of Capital Deficiency/and Stockholder's Equity	<u>\$ 2,206,034</u>	<u>\$ 582,515</u>

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

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

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		Accumulated Deficit	Total Stockholder's Equity (Capital Deficiency)
	Shares Issued	Amount		
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

	<u>2023</u>	<u>2022</u>
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	<u>245,005</u>	<u>114,995</u>
Net Cash Provided by Operating Activities	<u>827,631</u>	<u>475,456</u>
Cash Flows from Investing Activity:		
Short-term investment	<u>(1,000,000)</u>	<u>-</u>
Net Cash Used for Investing Activity	<u>(1,000,000)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(172,369)	475,456
Cash and Cash Equivalents at Beginning of Year	<u>567,534</u>	<u>92,078</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 395,165</u></u>	<u><u>\$ 567,534</u></u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income tax	<u><u>\$ -</u></u>	<u><u>\$ 900</u></u>

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

CHICHA SAN CHEN CORPORATION

Notes to Financial Statements

December 31, 2023 and 2022

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

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

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

Note 4 - Deferred Revenues And Security Deposits from Franchisees

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

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

Future recognition of deferred revenue is as follows:

<u>For the year ending</u> <u>December 31,</u>	<u>2023</u>	<u>2022</u>
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	<u>952,618</u>	<u>7,992</u>
	1,871,618	414,992
Less: Current portion	<u>(367,000)</u>	<u>(173,000)</u>
Deferred revenues – non-current	<u>\$ 1,504,618</u>	<u>\$ 241,992</u>

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

Note 5 - Income Taxes

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

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

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

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

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2023 and 2022

Note 6 - Related Party Transactions

A. Name of related party and relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
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

	<u>2023</u>	<u>2022</u>
Service fee charged by FY	\$ <u>582,834</u>	\$ <u>-</u>

b. As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Account payable to FY	\$ <u>31,250</u>	\$ <u>21,115</u>

CHICHA SAN CHEN CORPORATION

Independent Auditor's Report
and Financial Statements
December 31, 2022 and 2021

CHICHA SAN CHEN CORPORATION

Independent Auditor's Report
and Financial Statements
December 31, 2022 and 2021

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CHEN & FAN
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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

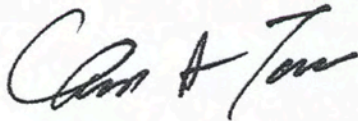
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.

A handwritten signature in black ink, appearing to read "Chen & Fan", written in a cursive style.

Chen & Fan
Accountancy Corporation

El Monte, California

March 28, 2023

CHICHA SAN CHEN CORPORATION

Balance Sheets

December 31, 2022 and 2021

	<u>ASSETS</u>	
	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	<u>\$ 582,515</u>	<u>\$ 92,287</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
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	<u>\$ 582,515</u>	<u>\$ 92,287</u>

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

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

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		Accumulated	Total
	Shares Issued	Amount	Deficit	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

	<u>2022</u>	<u>2021</u>
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	-
	<u>475,456</u>	<u>42,078</u>
Net Cash Provided by Operating Activities	<u>475,456</u>	<u>42,078</u>
Net Increase in Cash and Cash Equivalents	475,456	42,078
Cash and Cash Equivalents at Beginning of Year	<u>92,078</u>	<u>50,000</u>
Cash and Cash Equivalents at End of Year	<u>\$ 567,534</u>	<u>\$ 92,078</u>
 <u>Supplemental Disclosures of Cash Flow Information:</u>		
Cash paid during the year for:		
Income tax	<u>\$ 900</u>	<u>\$ 1,600</u>

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.

CHICHA SAN CHEN CORPORATION

Notes to Financial Statements

December 31, 2022 and 2021

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:

	<u>2022</u>	<u>2021</u>
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.

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

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.

CHICHA SAN CHEN CORPORATION
Notes to Financial Statements - Continued
December 31, 2022 and 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, 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.

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

Note 4 - Deferred Revenues And Security Deposits from Franchisees

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

	<u>2022</u>	<u>2021</u>
Deferred revenue		
Current	\$ 173,000	\$ -
Non-current	<u>241,992</u>	<u>-</u>
Total	<u>\$ 414,992</u>	<u>\$ -</u>

Future recognition of deferred revenue is as follows:

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

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.

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

Note 5 - Income Taxes

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

	<u>2022</u>	<u>2021</u>
Federal	\$ -	\$ -
State	<u>900</u>	<u>1,600</u>
Total	<u>\$ 900</u>	<u>\$ 1,600</u>

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

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

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.

LIST OF FRANCHISE OUTLETS

LIST OF FRANCHISE OUTLETS
(as of December 31, 2024)

Master Franchisee	Primary Contact	Address	Phone No.
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

San Chen

LIST OF TERMINATED FRANCHISES

As of December 31, 2024, the following franchisees have been terminated from the franchise system. This exhibit provides a comprehensive list of all franchisees whose franchise agreements were terminated, expired without renewal, or otherwise ceased operation as franchisees within the specified period.

Master Franchisee	Primary Contact	Address	Phone No.
Globalink USA, Inc.	Phillip Chan	1513 Cambridge Road, San Marino, CA 91108	626-731-7301

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**

San Chen

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 Pl. 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 Pl. 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

San Chen

EXHIBIT H

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA**

In recognition of the restriction contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Chicha San Chen Corporation for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Estimated Initial Investment.

The franchisee will be required to make an estimated initial investment ranging from \$369,000 to \$587,000. This amount exceeds the franchisor’s stockholders’ equity as of December 31, 2023, which is \$(121,546).

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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.

STATE EFFECTIVE DATES

San Chen

EXHIBIT I

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	N/A
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	Pending
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

San Chen

EXHIBIT J

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: March 1, 2025

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 March 1, 2025 that included the following Exhibits:

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

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Exhibit H	State Specific Addendum
Exhibit I	State Effective Dates
Exhibit J	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.